

# CLYDE VALLEY REVIEW

## Outline Business Case Executive Summary – Waste Management

### 1. Scale of the Current Service or Operation

Description Of Current Service	<p>The Clyde Valley Authorities manage approximately 1 million tonnes of Municipal Waste costing £113M per annum of which £63M (56%) relates to collection and £50M (44%) to disposal activities. For the current year (2010/11) the Scottish Government target for recycling is 40%. The average recycling rate across the Clyde Valley is 33%, with a low of 22% and a high of 43%.</p> <p>Presently on average the 8 authorities are using approximately 90% of their Landfill Allowances. Although the application of fines under the Landfill Allowance Scheme has been suspended for the lifetime of the current Parliament, the provisional annual allowances allocated to authorities up to 2020 drop significantly. Whilst the future application of the Landfill Scheme is subject to review under the Zero Waste Plan (ZWP), increasing Landfill Tax is a key economic driver to divert waste from landfill.</p> <p>All Clyde Valley Authorities manage the collection and disposal of waste individually. Collection services are mainly provided by in house operations, and other than by two landfill sites and two Material Recovery Facilities (MRF), disposal arrangements are through private sector contracts. These private sector contracts are largely on an authority by authority basis with limited shared working to date.</p> <p>The current service arrangements for Residual, Organic and Dry Recyclate are summarised below:</p> <p><b><u>Residual</u></b></p> <p>Glasgow and South Lanarkshire are currently procuring separate residual waste treatment services to meet their own requirements; estimated operational start date is 1 April 2014 for both procurements. Glasgow's is well advanced with detailed bids; South Lanarkshire's is at an earlier stage just having received and assessed outline bids.</p> <p>Glasgow and North Lanarkshire own and operate their own landfill sites, which are due for closure in the near future (2012/13). The remaining Authorities dispose of residual waste through private sector landfill contracts with some of these contracts due for renewal/replacement in 2014/15.</p> <p>Residual waste treatment costs are forecast to increase significantly due to increase in landfill tax and gate fees. The Scottish Government Zero Waste Plan proposes to ban biodegradable waste from landfill from 2017. The estimated lead time between conception and service delivery of residual waste treatment services, given their complexity and their</p>
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	<p>associated planning issues, can take a minimum of five years. If current performance remains unchanged landfill tax alone will cost the Councils an additional £29M per annum from 2014.</p> <p><b><u>Organics</u></b></p> <p>Currently there is limited food waste collection throughout the Clyde Valley area and where it is collected it is co-mingled with garden waste and treated through short term contracts with a variety of service providers.</p> <p>Glasgow, Renfrewshire, Inverclyde and West Dunbartonshire are currently procuring a short term organics treatment contract for a minimum of three years, which will require renewal or replacement prior to the proposed food waste ban in 2015.</p> <p>The Scottish Government is proposing, through the ZWP, that food waste should be collected and carried separately from 2013, with all separately collected materials banned from landfill from 2015. All Council's have concerns over the affordability of this strategy in the short term. The Scottish Government's definitive position on this will not be known until the conclusion of the consultation process in Spring of 2011.</p> <p><b><u>Dry Recyclate</u></b></p> <p>All eight authorities through the Clyde Valley are currently collecting dry recyclate. There are a variety of practices for collecting dry recyclate and there is no standard approach, consequently costs between authorities are not directly comparable.</p> <p>Inverclyde and Glasgow City Council own and operate their own Material Recovery Facilities.</p> <p>The Scottish Government is proposing, through the ZWP, that all dry recyclate should be collected and carried separately from 2013, with all separately collected materials banned from landfill from 2015. All Council's have concerns over the affordability of this strategy in the short term. The Scottish Government's definitive position on this will not be known until the conclusion of the consultation process in Spring of 2011.</p>
Total Expenditure	The total cost for Waste Management Services within the Clyde Valley is approximately £113 Million. Of which £63 million is collections (56%) and £50 million (44%) for disposal.
Staff (FTE)	1354
Key Assets	346 Vehicles, 18 depots, 2 operational landfill sites with 5 gas recovery installations, 2 Materials Recycling Facilities, 8 transfer stations

## 2. Shared Service Proposals

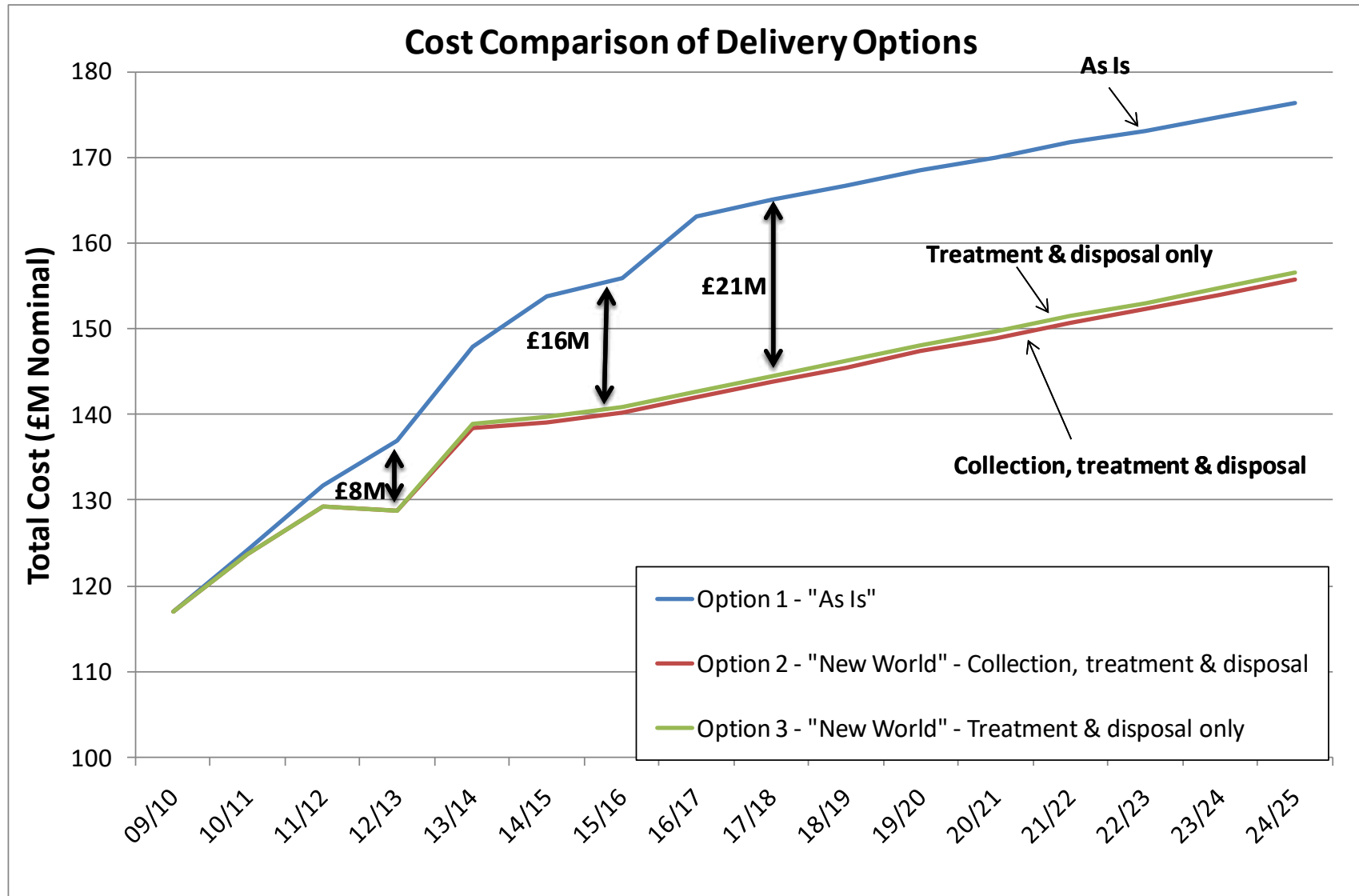
Options	Savings	Delivered By	Other Headline Benefits	Key Risks & Challenges
<p><b>OPTION 1 – “As Is”</b></p> <p><b>Objective:</b> To meet policy and statutory targets with regards to waste, assuming current co-mingled collections for food and garden and dry recycle will be acceptable to the Scottish Government. This option proposes the ownership and delivery remains with the existing 8 Authorities.</p> <p>With regards to collections, the implementation of the recommendations made by the Clyde Valley Collections Best Practice Group, led by Renfrewshire Council, are subsequently approved by each Authority and implemented in full.</p> <p>With regards to treatment and disposal, all of the Clyde Valley Authorities remain as they are, but as currently happens the authorities seek to deliver new services through joint working on a voluntary, ad hoc basis. Past history has displayed little evidence of this practice being particularly successful. This scenario is the baseline against which options 2 and 3 are assessed to identify possible strategies for the reduction in the quantum of increases in forecast cost.</p>	<p>Potential savings £6M to current collection costs (10%).</p> <p>Costs of waste services will significantly increase as a result of the Zero Waste Plan            2013 + £11M            2015 + £20M            2017 + £23M  <i>(relative to inflated baseline)</i></p>	<p>Post Council approval rolled out over 5 years.</p> <p>N/A</p>	<p>Councils retain ownership of front line collection services</p> <p>Councils retains ownership of disposal services</p> <p>Minimum set up costs and minimal disruption</p> <p>Flexibility to opt in and out of projects</p>	<p>Lack of fit with aspiration and goals of the Arbutnott Review.</p> <p>Increased risk of non compliance with policy and statutory targets.</p> <p>Increased risk of significant affordability issues in the short, medium and long term.</p> <p>Exposure to market volatility.</p> <p>Complexity and bureaucracy and lack of surety associated with joint working on a voluntary project by project basis.</p> <p>Lack of standardisation, unnecessary duplication, uncoordinated and inconsistent approach reducing value.</p> <p>Limited access to key personnel with new skills.</p> <p>Deliverability issues for the smaller Councils.</p>

Options	Savings	Delivered By	Other Headline Benefits	Key Risks & Challenges
<p><b>OPTION 2 – “New World” – Collection, Treatment and Disposal.</b></p> <p><b>Objective:</b> To meet policy and statutory targets with regards to waste, assuming current co-mingled collections for food and garden and dry recycle will be acceptable to the Scottish Government. However this option proposes the delivery is through one new single body that assumes all statutory functions relating to waste collections, treatment and disposal.</p> <p>Prior to the set up of this new delivery body (circa 2012) the implementation of the recommendations made by the Clyde Valley Collections Best Practice Group, led by Renfrewshire Council, are subsequently approved by each Council and implemented in full.</p> <p>Further savings could be realised in current collection costs to mitigate the extent to which future collection costs will increase to meet the aspirations of the Scottish Government’s Zero Waste Plan. This would form part of an ongoing efficiency/continuous improvement programme.</p> <p>With regards to treatment and disposal, as with collection, this is transferred to the new delivery body.</p> <p>This body will allow a long term waste management plan to be developed, which will optimise efficiencies and reduce costs through implementing the optimum mix between collection, treatment &amp; disposal activities.</p>	<p>Potential savings £6M to current collection costs (10%).</p> <p>See graph 1 which illustrates the potential cost avoidance profile of options 2 and 3 relative to option 1.</p>	<p>Post Council approval rolled out over 5 years.</p> <p>From 2013 benefits rolled out over a 5 year period.</p>	<p>Fully aligned with Arbutnott aspirations.</p> <p>Single Waste Strategy for the Clyde Valley.</p> <p>Greater potential to deliver more affordable services over the long term.</p> <p>Reduced risk of failure to meet policy and statutory targets.</p> <p>Able to manage risk over a wider portfolio of services.</p> <p>Establishes a critical mass of key skills and resources to deliver long term efficiencies.</p> <p>Utilises economies of scale and maximises the bulk purchasing power.</p> <p>Consistent and co-ordinated approach to dealing with the market.</p> <p>Potentially a greater positive impact on the carbon agenda.</p>	<p>Overcoming resistance to such a significant change.</p> <p>Local and national approval at a political level required.</p> <p>Requirement to transfer statutory functions.</p> <p>Circa 2 year set up time, and incurs significant set up costs.</p> <p>Transfer of staff to a new body and associated TUPE/HR issues.</p> <p>Need to develop a single waste strategy which is agreed by all.</p> <p>Early commitment and agreement on participants essential.</p>

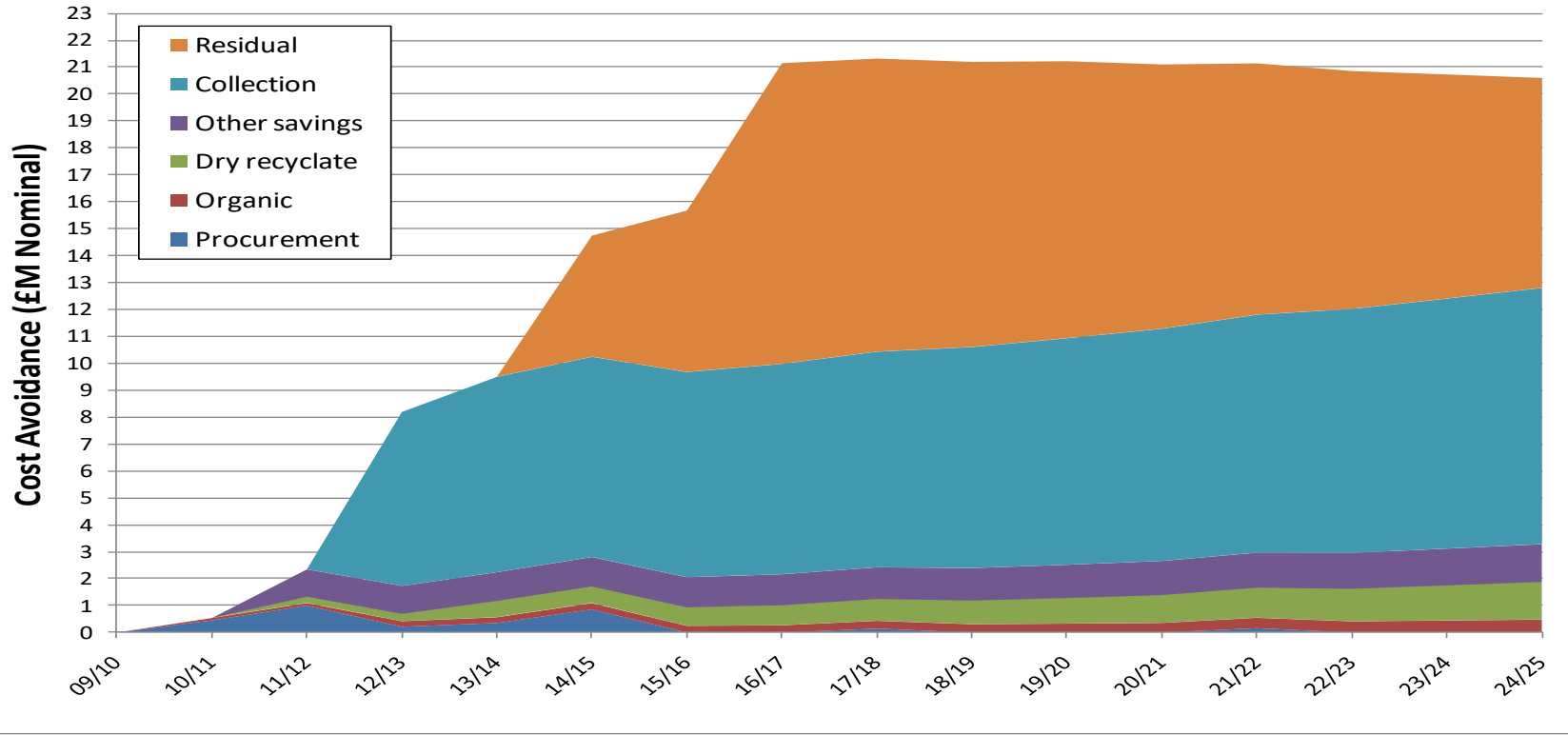
Options	Savings	Delivered By	Other Headline Benefits	Key Risks & Challenges
<p>The new delivery body could take the form of :</p> <ul style="list-style-type: none"> <li>• Joint Waste Authority</li> <li>• Joint Board</li> <li>• New Company or Corporation (profit and non-profit)</li> </ul> <p>The most appropriate vehicle for this new delivery body will require detailed consideration at the next stage.</p>			<p>Less exposure to market and price volatility.</p>	
<p><b>OPTION 3 – “New World” – Treatment and Disposal Only.</b></p> <p><b>Objective:</b> To meet policy and statutory targets with regards to waste, assuming current co-mingled collections for food and garden and dry recyclate will be acceptable to the Scottish Government. However delivery is through one single new delivery body for the Clyde Valley which assumes the statutory functions of the 8 authorities with regard to waste treatment &amp; disposal only. The 8 authorities would therefore retain their current responsibilities for collection activities.</p> <p>With regards to collections, all Clyde Valley Authorities maintain ownership. Implementation of the recommendations made by the Clyde Valley Collections Best Practice Group, led by Renfrewshire Council, are subsequently approved by each Council and implemented in full.</p> <p>It is assumed that there will be a single Clyde Valley Waste Strategy to establish the relationship between the 8 collection authorities and the one new delivery body for treatment and disposal.</p>	<p>Potential savings £6M to current collection costs (10%).</p> <p>See graph 1 which illustrates the potential cost avoidance profile of</p>	<p>Post Council approval rolled out over 5 years.</p> <p>From 2013 benefits rolled out over a 5 year period.</p>	<p>Partially aligned with Arbutnott aspirations.</p> <p>Relative to option 2 the short term change disruption and costs will be less significant.</p> <p>Single Waste Strategy for the Clyde Valley.</p> <p>Greater potential to deliver cost avoidance with regard to treatment and disposal.</p> <p>Reduced risk of failure to meet policy and statutory targets.</p> <p>Establishes a critical mass of key skills and resources but only in treatment &amp; disposal</p> <p>Utilises economies of scale and maximises bulk purchasing power.</p>	<p>Interface risk between collection &amp; disposal.</p> <p>Overcoming resistance to change.</p> <p>Local and national approval at a political level required.</p> <p>Requirement to transfer statutory function for treatment and disposal.</p> <p>Circa 2 year set up time, and significant set up costs.</p> <p>Transfer of staff to a new body and associated TUPE/HR issues.</p> <p>Need to develop a single waste strategy which is agreed by all.</p>

Options	Savings	Delivered By	Other Headline Benefits	Key Risks & Challenges
<p>With regards to treatment and disposal, this is transferred to the new delivery body.</p> <p>A new delivery body could take the form of :</p> <ul style="list-style-type: none"> <li>• Joint Waste Authority</li> <li>• Joint Board</li> <li>• New Company or Corporation (profit and non-profit)</li> </ul> <p>The most appropriate vehicle for this new delivery body will require detailed consideration at the next stage.</p>	<p>options 3 and 2 relative to option 1.</p>		<p>Consistent and coordinated approach to dealing with the market.</p> <p>Potentially a greater positive impact on the carbon agenda.</p> <p>Less exposure to market volatility.</p> <p>Increases deliverability for treatment services for smaller Councils</p>	<p>Early commitment and agreement on participant essential.</p>

### 3. Delivery & Benefits Realisation Timeline

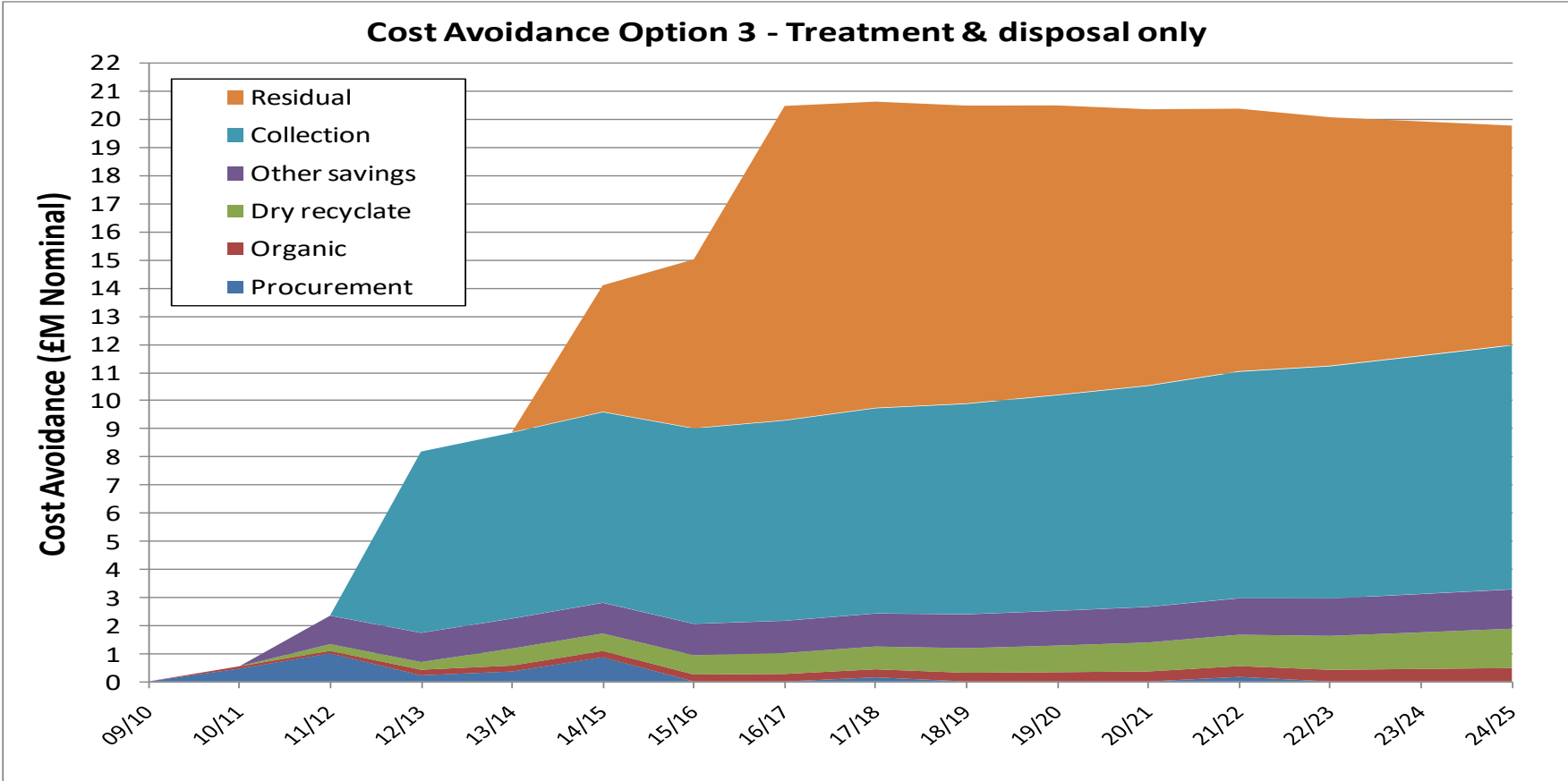


### Cost Avoidance Option 2 - Collection, treatment and disposal



Cost avoidance (£M Nom)	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
<b>Residual</b>	0.0	0.0	0.0	0.0	0.0	4.5	6.0	11.2	10.9	10.6	10.3	9.8	9.3	8.8	8.3	7.8
<b>Collection</b>	0.0	0.0	0.0	6.5	7.3	7.4	7.6	7.8	8.0	8.2	8.4	8.6	8.8	9.1	9.3	9.5
<b>Other savings</b>	0.0	0.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4
<b>Dry recyclate</b>	0.0	0.0	0.2	0.3	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.1	1.2	1.3	1.4
<b>Organic</b>	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5
<b>Procurement</b>	0.0	0.5	1.0	0.2	0.4	0.9	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.5</b>	<b>2.4</b>	<b>8.2</b>	<b>9.5</b>	<b>14.7</b>	<b>15.7</b>	<b>21.1</b>	<b>21.3</b>	<b>21.2</b>	<b>21.2</b>	<b>21.1</b>	<b>21.1</b>	<b>20.9</b>	<b>20.7</b>	<b>20.6</b>





**Cost avoidance  
(£M Nom)**

	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
<b>Residual</b>	0.0	0.0	0.0	0.0	0.0	4.5	6.0	11.2	10.9	10.6	10.3	9.8	9.3	8.8	8.3	7.8
<b>Collection</b>	0.0	0.0	0.0	6.5	6.6	6.8	7.0	7.1	7.3	7.5	7.7	7.9	8.1	8.3	8.5	8.7
<b>Other savings</b>	0.0	0.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4
<b>Dry recyclate</b>	0.0	0.0	0.2	0.3	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.1	1.2	1.3	1.4
<b>Organic</b>	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5
<b>Procurement</b>	0.0	0.5	1.0	0.2	0.4	0.9	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.5</b>	<b>2.4</b>	<b>8.2</b>	<b>8.9</b>	<b>14.1</b>	<b>15.0</b>	<b>20.5</b>	<b>20.6</b>	<b>20.5</b>	<b>20.5</b>	<b>20.4</b>	<b>20.4</b>	<b>20.1</b>	<b>19.9</b>	<b>19.8</b>

#### 4. Recommendations

1. Do nothing is not an option due to escalating gate fees, landfill tax, EU and ZWP targets as well as the impending closure of Council owned landfill sites.
2. From the work undertaken by the short life Working Group, the following short term savings to be considered by individual councils and implemented to maximum extent acceptable to each council:
  - a. Route optimisation
  - b. Working patterns
  - c. Charge for services

This would form part of a continuous improvement programme which could save up to £6M pa (10% of current collection costs).

3. Retain the short life Working Group to further explore:
  - a. Trade Waste activities;
  - b. The potential to optimise the performance and costs of Civic Amenity sites;
  - c. Associated waste streams such as WEEE, Street Sweepings, Abandoned Vehicles, etc.
4. Move to a common performance and management accounting format to allow benchmarking on a meaningful basis.
5. All future major waste procurement activities should be brought under the umbrella of a single Clyde Valley Organisation.
6. Longer Term Delivery Arrangements:
  - The work done to date suggests that the potential long term “gain” associated with establishing a single delivery body for Collection, Treatment and Disposal within the Clyde Valley region may not be worth the short-term “pain”. Therefore, the recommendation is that a detailed business case is prepared to support:
    - the creation of a single waste strategy for the Clyde Valley;
    - the establishment of a Clyde Valley Waste Treatment and Disposal Authority; including
    - more detailed examination of the potential benefits of including Collection services in the scope of the new delivery body.

The target would be for the detailed business case to be approved by each Council in the spring of 2011, with a subsequent application to Scottish Ministers to create a new delivery body. The new delivery body would then be operational during 2012. Prior to 2012 work would be undertaken to establish a joint waste strategy, joint committee, conclude existing major infrastructure procurements, identify assets and contracts to be transferred to the new body and engage with staff and unions.

If the new delivery body is approved by the Councils, explore with the Scottish Government the resource and financial support available to implement this change agenda.