



GLOUCESTERSHIRE  
WASTE PARTNERSHIP



APPENDIX 2

# Joint Waste Programme

## Summary Paper on Business Case Update for Cheltenham Borough Council

**Project Name: Business Case Update**

**Project Code: WP29**

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# EXECUTIVE SUMMARY

## E.1.0 Context

The Gloucestershire authorities have been looking at the case for the joint delivery of waste service to understand both the value of the savings that are achievable and the implications of taking these. This paper summarises the findings of an updated business case exercise for the Gloucestershire authorities in general, and this council in particular, taking into account recent service and contract changes and the performance of similar types of partnership elsewhere.

## E.2.0 The Features of a Joint Waste Partnership

Whilst no final decisions have been made about how the partnership would operate, appropriate groups have identified the likely features of an acceptable arrangement.

The Gloucestershire Waste Partnership (GWP) and Joint Improvement Board (JIB) have agreed the following vision:

*'By working together the Gloucestershire authorities will deliver more efficient waste services. This will be achieved whilst respecting the local needs and autonomy of each partner'*

GWP and JIB have agreed outline governance arrangements to safeguard the interests of the constituent authorities whilst providing strong and co-ordinated service management.

Finance Officers have agreed the cost-sharing principles that will determine how a joint waste budget is developed. This budget will be the mechanism for determining how service costs (and therefore partnership savings) are equitably distributed between the Gloucestershire partner authorities.

Partners' existing waste collection contracts do not neatly co-terminate. In the first instance, therefore, the partnership will inherit existing contracts and DSO operations and integrate service management (and governance). This will allow the partnership to deliver early savings whilst enabling the achievement of the larger gains that become possible with full integration of service delivery over time.

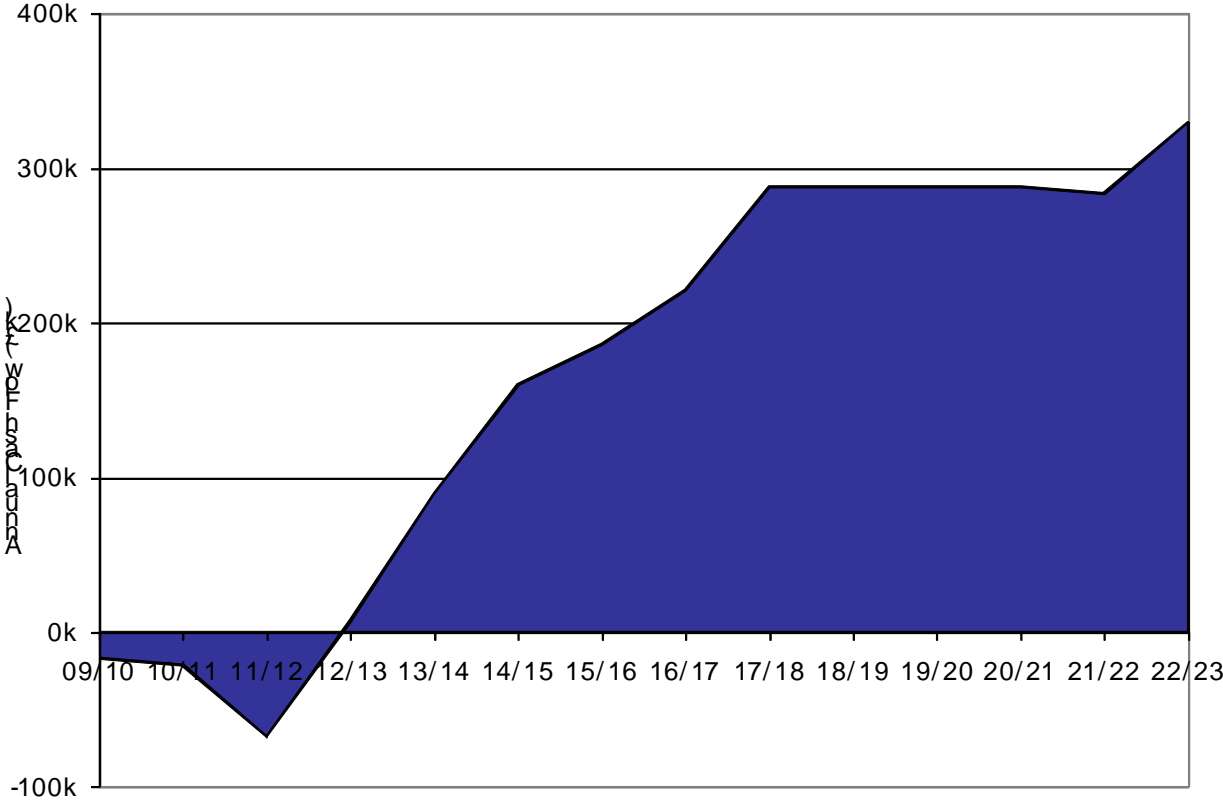
## E.3.0 Benefits to Cheltenham Borough Council

The business case shows projected annual savings for the whole of Gloucestershire in the range £1.7m to £3.2m. For Cheltenham Borough Council the mid-point savings are projected at £330 per annum, equivalent to £6.27 per household.

The business case draws on evidence from the success of the Somerset Waste Partnership which formed in 2007. As with Somerset, and on the basis of Gloucestershire specific studies, the business case anticipates savings from rationalising collection and disposal depots, joint service management, joint service delivery, and the economies that follow from increased purchasing power.

The timing for achievement of savings relates to the rationalisation of depot infrastructure and the timing for integration of the various waste collection operations. However short-term savings are also achievable to ensure an early return on investment. The cash-flow for Cheltenham Borough Council is shown in Figure 3-1.

**Figure E-1: Annual Cash Flow for Cheltenham Borough Council – Partnership Savings**



The project has also tested the financial impact of the Gloucestershire authorities achieving their Joint Municipal Waste Management Strategy aspiration to achieve a whole-County recycling rate of 60%. Whilst there is a realistic prospect of the partners achieving high performance without the formation of a partnership, to do so is likely to facilitate and expedite these environmental gains.

Given high disposal costs, high recycling performance is financially advantageous. The business case shows financial benefits to Cheltenham Borough Council of £976k from improved recycling net of any further investment in collection services.

Joint Finance Officers are reviewing the business case and are expected to validate it shortly.

**E.4.0 Conclusions**

It is hoped that this paper will help Cheltenham Borough Council in its decision on whether to participate in the forming of a joint waste partnership. The business case suggests there are significant savings to be had from participation across the county although understandably the scale and timings of these savings vary for each authority.

Inevitably once a decision has been reached there will be further work to do. This work will generate further questions and challenges, but it will also continue the process that has already begun of developing understanding and trust between the Gloucestershire authorities as they prepare to create a partnership. Should they decide to proceed, authorities will continue to benefit from central government support which remains

**focussed on promoting such projects to show how in this area, considerable savings can be achieved without impacting service quality.**

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# 1.0 The Case for Waste Partnership

The financial pressures facing local government are suddenly more acute but they are not new. The Gloucestershire authorities in common with a number of other two-tier authority partnerships have responded by (amongst much else) investigating the options for increased efficiency through joint waste service delivery. This work has been supported by central government with funding provided by the SW RIEP, Defra and WRAP.

Efficiencies in waste collection and disposal services are more available than in many other services. The service is fairly large, is typically provided county-wide, is capital intensive and broadly similar in terms of the service provided to householders, irrespective of which district they live in.

There are a number of benefits to joint working, some directly financial and others more related to operations and customer experience:

- Optimisation of waste depots, transfer stations and treatment facilities to better meet the needs of a partnership generally allows some facilities to be shared and others released thus reducing total service costs;
- Re-configuration of facilities allows waste to be bulked for onward transfer and vehicles to park-up at the same site. This reduces total miles travelled by collection vehicles and maximises the productive use of operatives' working time;
- Fleet savings are achieved through improved procurement, a more rational approach to capital financing and reduced maintenance and vehicle cover requirements;
- Significant savings arise from increased productivity when serving a larger geographical unit;
- A migration over time towards a harmonised single service design will bring benefits to both Waste Disposal Authority (WDA) and Waste Collection Authority (WCA) functions:
  - Large and simple contracts resulting in a better market response and reduced prices;
  - more consistent waste streams and simplified contract and service management;
  - Streamlined customer support and greater opportunities for automation and self service; and
  - Reduced costs of communication and consultation.
- The creation of a single service management team provides an opportunity to rationalise processes and services;
- Co-ordinated decision-making between disposal and collection authorities results in more rational outcomes generally;
- A senior management team with more specialist expertise is affordable when jointly funded by a group of authorities. This will be better placed to deliver the partner authorities' desired service outcomes. Notably, one would expect to see that progress towards high recycling performance is accelerated and that the costs of treatment and disposal fall. This is borne out by Somerset's experience since the formation of the partnership.

A proportion of the savings that are available are potentially achievable through better working at the level of the individual district or by small groups of authorities. But the full savings of joint working are only achievable through larger partnerships. Given the expectation of ongoing and severe financial pressure, it seems sensible for individual authorities' efficiency savings and the formation of smaller operational partnerships to be co-ordinated in such a way as to avoid these being taken at the cost of the larger gains that can be achieved from full partnership working. Where authorities work towards savings in isolation, opportunities will be missed and eventual full partnership becomes potentially harder.

Joint management of these services has been successfully implemented in Shropshire (which has subsequently become Unitary) and Somerset where annual savings of £1.7m have been achieved through joint delivery of the waste service. Dorset and Buckinghamshire are also moving towards the joint delivery of waste services and a large number of authorities are now looking at implementing similar arrangements.

## 2.0 Benefits of a Waste Partnership for Gloucestershire

A business case was prepared and signed-off by finance officers in 2008 which looked at the benefit of joint delivery of waste services in the Gloucestershire context. This showed projected annual savings from joint working of £1.7m. Following this work the Joint Improvement Board (JIB) instructed that a member led Shadow Joint Waste Board (SJWB) be formed to bring forward proposals for authorities to consider. The SJWB requested in early 2010 that the business case be re-cast to take account of various changes since 2008.

The revised business case (presented in full in an accompanying paper) projects savings of £1.7 - 3.2 million per annum. A summary breakdown of the outputs of the business case is shown in Table 2-1.

Additional savings from improved recycling (not directly related to the formation of the partnership but which are reasonably expected to be facilitated by its formation) will save a further £5 million per annum across both tiers of local government in Gloucestershire.

On this basis of the revised business case, a meeting of the SJWB on 13<sup>th</sup> May 2010 made the following recommendation:

- That - subject to Finance Office validation (which has been secured since the meeting) - the business case underpinning the joint waste programme is still valid, and represents significantly higher potential savings than previously thought;
- That Authorities should take specific business cases to the respective Executives requesting:
  - Acceptance of joint management arrangements, the design of which to be finalised and agreed;
  - Agreement to an extension of the responsibilities of the SJWB such that this body become responsible for the delivery of joint working arrangement;
  - A commitment to funding for the programme from 2011/12 onwards.

Furthermore, it was agreed that Eunomia should prepare papers for each authority describing the benefits of the business case on that authority basis. This paper fills that role for Cheltenham Borough Council.

**Table 2-1: Whole County Annual Costs and Savings of Fully Implemented Waste Partnership**

Item	Category	Unit Value (£k)	Number		Saving (£k)		
			Low	High	Low	High	Mid-Point
Depots reduced	Infrastructure	84	4	4	338	338	338
Transfer stations reduced	Infrastructure	446	3	3	1,337	1,337	1,337
New strategic depot	Infrastructure	132	1	1	-132	-132	-132
New waste/streets depot	Infrastructure	301*	2	2	-1,065	-787	-926
New streets depot	Infrastructure	34.5	1	2	-35	-69	-52
Ops managers	Operational management	36	1	2	36	73	55
Asst ops managers	Operational management	30	1	2	30	60	45
Supervisors	Operational management	19	2	4	39	77	58
Vehicle cover (1%)	Vehicles	24	1	2	24	48	36
Labour cover (1%)	Front-line workforce	101	0.5	1.5	50	151	101
Vehicle maintenance	Infrastructure	20	3	4	60	80	70
Vehicle procurement	Vehicles	21	3	5	63	104	83
Vehicle financing	Vehicles	79	1.75	2	139	159	149
Improved market response	Improved market response	97	1	2	97	195	146
Procurement savings	Medium-term productivity gains	19	2	4	39	77	58
Medium-term productivity	Medium-term productivity gains	150	6	8	901	1201	1051
Short-term productivity	Short-term productivity gains				400	500	450
Client savings	Back office				176	290	233
Integration costs	Front-line workforce				-742	-398	-570
Overheads saving	Back office				300	300	300
Support service costs	Back office				-357	-357	-357
<b>Total</b>					<b>1,696</b>	<b>3,245</b>	<b>2,471</b>
Per Household					£6.41	£12.28	£9.34

\*note that the unit value presented here represents an average cost of two different potential infrastructure scenarios used in the business case modelling.



## 3.0 The Benefits to Cheltenham Borough Council

Whereas most of the previous sections relate to the whole-County benefit of waste partnership, this section relates principally to the benefits to Cheltenham Borough Council.

The business case is split into two sections. The first part relates to partnership working, the second part examines the savings from improved waste management (largely reduced disposal costs) which a partnership might reasonably be expected to be better and more quickly able to deliver. Sections 3.1 and 3.2 describe the business case model outputs regarding each of these areas in turn.

There are additional benefits to partnership working which are not easily quantified through a simple cash-based business case analysis. These are described in Section 3.3.

Section  looks at the projected cash flow which shows when savings will be achieved.

### 3.1 Partnership Savings

Finance Officers have agreed the cost-sharing principles that will determine how a joint waste budget is developed. This budget will be the mechanism for determining how service costs (and therefore partnership savings) are equitably distributed between the Gloucestershire partner authorities.

It is difficult to apply these principles to the business case because the business case looks at the *savings* that might be obtained from partnership whilst real-world cost-sharing requires budgets to be built from the bottom up. We have nonetheless applied a set of principles consistent with those agreed by finance officers to the business case model and which we have presented to the finance officers for their scrutiny. Should the authorities choose to progress the partnership then further detailed discussion will be required around the cost-sharing mechanisms to be applied in practice.

The costs and savings for Cheltenham Borough Council associated with the formation of the Gloucestershire Waste Partnership are summarised in Table 3-1. Given the degree of uncertainty surrounding various elements of the business case, a range of savings was produced in the detailed business case. However, for the purposes of this report, the mid-point costs and savings are presented in Table 3-1 below. As demonstrated, the overall partnership savings available to Cheltenham Borough Council are projected at £330k per annum, once all authorities have joined the joint collection service within the partnership.

**Table 3-1: Cheltenham Borough Council Business Case**

<b>Item</b>	<b>Savings per annum*</b>
Infrastructure	<b>-£8.0k</b>
Operational Management	£31k
Vehicles	£53k
Front-Line Workforce	<b>-£93k</b>
Improved Market Response	£29k
Productivity Gains	£296k
Back Office	£22k
<b>Total</b>	<b>£330k</b>
Per hhld	£6.27

*\*based on all authorities having entered into joint collection service with existing service delivery arrangements.*

A brief description is provided for each of the broad areas of costs and savings over the following sections.

### **3.1.1 Infrastructure: Waste Depots, parking vehicles and tipping waste**

The business case envisages the development of a joint Gloucestershire network of depots and waste transfer stations based partly on the use of existing facilities and partly on the development of new facilities. The purpose of this infrastructure network will be to ensure that facilities are correctly located for the needs of the service as jointly delivered. This brings a number of benefits.

Firstly, a planned network of depots will allow facilities to be shared thus releasing some of the currently used depots, potentially for sale or redevelopment. In Somerset the partnership moved from a service based around seven depots to one which now relies on only five depots.

Secondly, ensuring that where possible waste depots have capacity for waste to be tipped and bulked means that crews no longer need to spend productive working time making unnecessary extra journeys to tip waste: at the end of the working day the crews return directly to the depot where they finish work. This of course means that operatives can spend longer collecting waste and recycling and that fewer total crews and vehicles are required.

Thirdly, where depots are designed with capacity for waste to be tipped, then waste transfer stations (currently provided by the County Council to receive District Council collected waste) become redundant. All waste is now tipped at the newly redesigned depots which are owned and jointly operated by the partnership. The practicability of this proposal has, of course, been tested with the appropriate GCC waste officers.

For the purposes of the business case, we have modelled two potential new infrastructure configurations, one of which would require a depot and transfer station at Swindon Road, the other which would not require the use of the Swindon Road depot. Given the possibility that the depot might be required by the partnership and hence would not be released for sale, we have modelled that Cheltenham Borough Council only receives 50% of the total savings available from the potential release of its depot. Based on the cost-sharing assumptions used for the purposes of this modelling, Cheltenham Borough Council

subsequently ends up paying slightly more for the new infrastructure than it receives from existing infrastructure arrangements; hence there is a small overall net cost to Cheltenham Borough Council in Table 3-1.

### **3.1.2 Operational Management**

Related to depot optimisation, the potential exists to streamline operational management and supervision. Waste collection management structures tend to be based around the depot as the 'unit of operation' and therefore several additional opportunities for savings follow from the reduction in the number of depots in the new rationalised arrangement.

### **3.1.3 Vehicles**

When treating all partners' waste vehicles as a single fleet (as opposed to six fleets), reduced vehicle cover is needed to cover maintenance downtime; a smaller pool of spare vehicles will provide this cover across the whole fleet. Similarly, authorities need specialist vehicles for specialist tasks (for example, narrow-access RCVs). These have the potential to be under-used by an individual district and could be shared across the whole county, to reduce inefficiency and redundancy.

There will also be procurement advantages in purchasing a larger fleet which will allow for better prices to be negotiated. Furthermore, gains are available through an improved joint approach to vehicle finance.

### **3.1.4 Front-Line Workforce**

The front-line workforce refers to the refuse and recycling collection crews and the street cleaning crews. A potential financial downside of integrating the waste collection services is the risk that, in creating one operational workforce, average terms and conditions will gravitate towards the highest current terms and conditions. Integration costs have thus been factored into the business case based on the average cost of accounting for the possible increase in salaries and associated pensions if the service is to be run in-house, compared to the additional profit margin costs that would need to be applied in the outsourced scenario for those authorities that currently deliver the service in-house.

On the plus side, in combining the workforces across the authorities, less overall provision of cover for holiday and sickness would be required. In addition, the concentration of the workforce into fewer depots would create greater potential for internal cover to be used more efficiently, resulting in a reduced need for agency support staff.

### **3.1.5 Improved Market Response**

The scale of the proposed joint procurement in Gloucestershire would be likely to have a positive impact on competition (and therefore price). The estimate provided here is for a joint (rather than single authority) procurement based on discussions with potential suppliers as to the ranges within which they tend to 'mark up' their tenders, as well as experience in Somerset, where the winning contractor reduced bidding margin versus their standard margin by some 2%.

Clearly improved market response is inapplicable in the case where the service is delivered by a DSO although similar scale efficiencies can be achieved by a public sector workforce as are available to the private sector.

It should also be possible to reduce the number of procurements required, potentially to zero in the case that a DSO workforce delivers the service but certainly significantly in any case.

### **3.1.6 Productivity Gains**

Productivity gains relate to a number of factors. By removing district boundaries an opportunity is created to optimise round design on the basis of Gloucestershire as a single service area. This helps to ensure that operational staff spend as little time travelling and as much time collecting waste and recycling as possible. In particular, larger operational areas present the opportunity to balance rounds so that all crews work equally hard. When round balancing in a larger operational area, then there is increased likelihood that the accumulated savings will be sufficient to design out a whole round. This is rarely possible on a single-district basis because small productivity gains made on each round don't usually add up to one whole, now redundant, round.

The rigorous application of best practice in workforce management will also bring significant savings. Sickness and absenteeism can be addressed wherever this is problematic. Balanced cross-boundary districts can be grouped into zones to allow for a fairer interpretation of 'task and finish' based contracts. Where crews are made collectively responsible for the collection of waste from a whole zone, the 'task' is considered 'finished' only when the whole zone is cleared. Once a crew has finished its round, it can support neighbouring crews in completing their rounds. This is equitable in that it ensures that all crews do an equal amount of work. It is productive in ensuring that small numbers of crews do not benefit from smaller allocated workloads for reasons of geographic chance and (from their perspective) fortunate round design.

In Somerset the authorities were able to achieve 12% productivity savings through measures such as these. These productivity gains are taken by operating fewer rounds, thus requiring fewer vehicles and fewer agency staff.

### **3.1.7 Back Office**

The business case is based on the early formation of a joint service management team. We have modelled both the costs of this new team and the costs of the support services that will be required.

The business case also projects savings associated with the formation of this team. These projections are based in part on work we have done for a number of authorities on service management design structures and, recently, a project for Defra and Bucks on the development of a Business Process Improvement (BPI) toolkit for waste services. We have carried out the first phases of BPI work for Gloucestershire and validated project savings relating to reduced duplication of data management and the transfer of financial information across the two-tiers together with the ability to optimise the remaining roles across the authorities, particularly at management level.

Savings may also be achieved through the 'managing down' of certain overheads within each authority, for example, by rationalising office space, via the sale or transfer of redundant equipment, and the re-organisation of partial FTEs in support services as other services also undergo efficiency reviews and business process re-engineering type activities. An estimate of these savings has been accounted for within the business case.

## 3.2 Benefits of Increased Recycling

### 3.2.1 High Recycling Performance and Partnership

Given high landfill disposal and other waste treatment costs, Eunomia were asked to look at the likely savings that increased recycling will deliver. Modelling shows that if all Gloucestershire authorities are able to achieve a recycling rate of 60%, then the disposal cost savings, net of new waste treatment costs and the roll out of the necessary recycling collection services will be significant.

Superficially these improvements are unconnected to the formation of a waste partnership given that the Gloucestershire collection authorities are independently committed to achieving a high recycling performance. However, there are two key reasons that high performance is more likely in the context of a partnership and that these very considerable gains can be considered pertinent to the partnership debate.

Firstly, Waste Collection Authorities are not statutorily obliged to achieve the recycling targets established in the Gloucestershire Joint Municipal Waste Management Strategy (JMWMS). Collection systems which divert large proportions of waste from disposal to composting and recycling are relatively expensive and largely discretionary. Current financial pressures have led a number of authorities nationally to start to re-examine the services which they are providing and there are a number of authorities which are now looking to cut back on recycling collection services. If collection authorities become required to achieve cuts of 30-40% as predicted by the Secretary of State for Communities and Local Government, then it is inconceivable that waste and recycling services, which account for approximately 30% of district council budgets, can remain intact.

Recognising the pro-active achievement of the County Council in establishing incentive agreements with a number of Gloucestershire collection authorities, bilateral negotiations may lead to the agreement of further incentive packages that sufficiently compensate authorities to cover the costs of enhanced recycling and composting collection services. There will though be a significant overhead in negotiating these arrangements, the probability that negotiations will take time and lead to delays in service roll-outs and a real chance, as with any negotiation, that not all partners will conclude deals.

Where services are jointly managed so that officers with responsibility for collection and disposal work side-by-side within the same organisation, there is only a very limited possibility that the opportunity to achieve large avoided disposal savings by investing in collection services will not be exploited.

Secondly, cost pressures already leave authorities with sometimes rather poorly resourced officer teams. Where services are jointly managed, a single officer team will include a sufficient number of the type of skilled resource and expertise required to roll-out major service improvements. The fact that these roll-outs will take place, in some cases on a whole-county basis, will of course also reduce the management cost of the change. Without a partnership, the current trend towards ever thinner management structures is likely to leave the Gloucestershire authorities without the necessary officer capacity to deliver the changes required to gain the high recycling performance laid out in the JMWMS.

### 3.2.2 The Costs of Achieving Higher Performance

To reduce the amount of household waste that requires treatment and disposal, improved and potentially more expensive recycling and composting collection services will be required. The true value of avoided disposal cost savings can only be calculated therefore once any increased cost of these collection services is taken into account.

The combination of existing contractual commitments and recent service changes means that a single integrated service delivery organisation with responsibility for all or most districts, operating a single co-ordinated service is not immediately realistic. However, a WRAP facilitated inter-authority member workshop in February 2010 found general support for the principle of harmonisation of service design over time. Additionally, a number of participants were interested to find fairly significant similarities between current services.

On the basis of the findings of the member workshop and having considered the questions listed above, we have priced enhanced collection services on the basis that all authorities harmonise over time, as contracts and other arrangements allow, around the following basic service:

- Enhanced dry recycling collections (including cans, glass, paper, cardboard and plastic). Tewkesbury are projected to offer a commingled service whilst all others separate materials manually at the kerbside as at present;
- A separate food waste collection;
- Fortnightly refuse collections; and
- A charged garden waste service.

The above service configuration will perform to a high standard (in terms of diverting waste from landfill), will be affordable and, based on the consensus emerging following the WRAP workshop, may find favour.

It should be noted, however, that this approach has been used merely for the purposes of demonstrating the *level* of savings that *might* be available from this type of service configuration; authorities may collectively, or separately, choose to roll-out different services from these.

We have not carried out a detailed modelling exercise of the type which we use when supporting procurements; to do so would be disproportionate to the needs of this analysis. Instead, we have developed a relatively reliable but simple cost projection model based on average service costs drawn from our experience of other authorities' services.

### 3.2.3 Paying for Increased Performance

In the absence of statutory obligations and under severe financial pressure, District Councils are likely to require financial support from the County Council to roll-out service enhancements. Given that these new services will create significant disposal cost savings, there is a strong business case for the County Council to provide collection cost support. Indeed this logic is already apparent and reflected in the arrangements for compensating districts.

To support further improvements, against an increasingly difficult financial backdrop, extending the current incentive arrangements may be necessary. To reflect this we have incorporated some of the principles that the Dorset partnership have recently agreed given that the fundamentals underpinning the negotiations in that authority area are similar to those facing the Gloucestershire authorities. This allows for 40% of the *additional* avoided disposal costs to be passed to the districts to the extent that their performance justifies this.

A more sophisticated piece of work will be required at some point to understand exactly how, in the real world as opposed to in business case modelling, the partnership principles should be best implemented in Gloucestershire so that avoided disposal savings are passed to the districts so that this is sufficient, but no more than sufficient, to incentivise the roll-out of the services which will lead to such significant benefit for Council Tax payers.

### 3.2.4 Overall Benefits of Increased Recycling

The overall costs and savings associated with moving towards an enhanced harmonised service are shown for Cheltenham Borough Council in Table 3-2. The high-level modelling undertaken on enhanced recycling in Gloucestershire, which is based on our extensive experience regarding waste collection services, suggests that an increase in recycling could be achieved in Cheltenham Borough Council without any significant additional cost of collection. The increase in costs associated with collecting separate food waste and additional dry recycling at the kerbside (plastics and heavy card) would be more or less offset by a switch to fortnightly residual waste collection and the introduction of a charge for the garden waste scheme. Table 3-2 also illustrates the associated additional recycling credits and material revenues that would result from increased recycling in Cheltenham Borough Council.

Finally, there is potentially a significant additional amount of savings that may be made available by the County to Cheltenham Borough Council due to the increased diversion of material from landfill/ other disposal routes and the resultant reduction in disposal costs; these savings are termed 'avoided disposal savings' in Table 3-2.

**Table 3-2: Benefits of Increased Recycling for Cheltenham Borough Council**

Item	Savings per annum
Cost of introducing new collection services	£8k
Material revenues (more material and better marketing of material)	£414k
Additional recycling credits available to district	£300k
Avoided disposal savings available to district*	£254k
<b>Total</b>	<b>£976k</b>

\* *Avoided disposal savings refer to the costs of disposal that the County would avoid paying as more material is collected for recycling rather than requiring disposal. For the purposes of the modelling, it has been assumed that the districts will receive 40 % of the remaining avoided disposal savings that are derived from increased recycling. However, in reality, this will be subject to further discussion around cost-sharing between the tiers.*

### 3.3 Authority Specific Additional Benefits

In addition to the cash benefits of partnership as modelled in the business case there are a number of other benefits that are specifically relevant to Cheltenham Borough Council:

- The depot at Swindon Road will either be part of the network provided (and leased) by the partnership as a whole, thus attracting revenue for Cheltenham BC, or it will no longer be required, thus allowing this asset to be released for sale or re-development by the authority;
- The partnership creates an ideal legal and practical framework to manage the evolving and closing relationship between Tewkesbury and Cheltenham as well as facilitating closer co-operation with other partners. Clearly at some point such a framework will be required if the two authorities are to continue to work closely together;
- A service delivery partnership is likely to require a competitive process to select a service provider. However, in the short-term other authority partners may see an advantage in having services provided by Cheltenham BC's DSO. This would create short-term revenue generation opportunities, a window in which the DSO can prepare itself more fully to bid competitively to supply services to the whole partnership and

the opportunity therefore to develop longer-term revenue generation opportunities through, for example, the establishment of an Arm's Length Operating Company to deliver waste and potentially other services to local authority and other clients;

- The business case assumes that the partnership will pay for short-term efficiency reviews for collection authorities and, because the partnership is paying, savings generated will benefit the partnership as a whole (and not just the authority where any efficiency gains are achieved). There is a strong case for the partnership to share this benefit, given that it is paying for this work (whether authorities agree that the full benefit passes to the partnership as a whole or only a proportion of it is a matter for negotiation). In the event that agreement is reached on this point, then those authorities which currently offer the most efficient services will benefit from the partnership's ability to design out inefficiencies in other partners' authorities;
- When working in a partnership, authorities can more easily learn from the experience of other partner authorities where service changes have been introduced and these have proven to be acceptable, cost-effective and to lead to higher performance. For example, where a single client group of officers is managing a service where, refuse collection is weekly in one part of the partnership but fortnightly in another, then a decision regarding the acceptability of converging on one model or the other can be completely informed by a full understanding of exactly how well the balance between cost and service performance considerations works.

### 3.4 Cash Flow

The release of savings will require up front project expenditure<sup>1</sup> and will not be fully realised until all authorities are part of a single collection service using the proposed new infrastructure configuration.

The business case incorporates a series of assumptions regarding the likely timing of different districts joining the shared service, and the sharing of one-off project costs between authorities. The resulting cash flow presented here provides an indication of the size of savings that would be available to Cheltenham Borough Council over the course of the next few years as a result of partnership working and increased recycling.

Figure 3-1 shows the net annual cash flow for Cheltenham Borough Council derived from the partnership. A positive cash flow is first obtained in 2012/13, with savings rising steadily thereafter, and cumulative savings in the region of £2.3 million by 2022/23. It should be noted that a slight reduction in savings occurs in 2021/22, because we have assumed that a small amount of one-off costs would be incurred as each authority joins the joint waste collection service; hence in 2021/22, it is assumed that Gloucester City would enter the joint waste collection service, at a small cost to all authorities concerned.

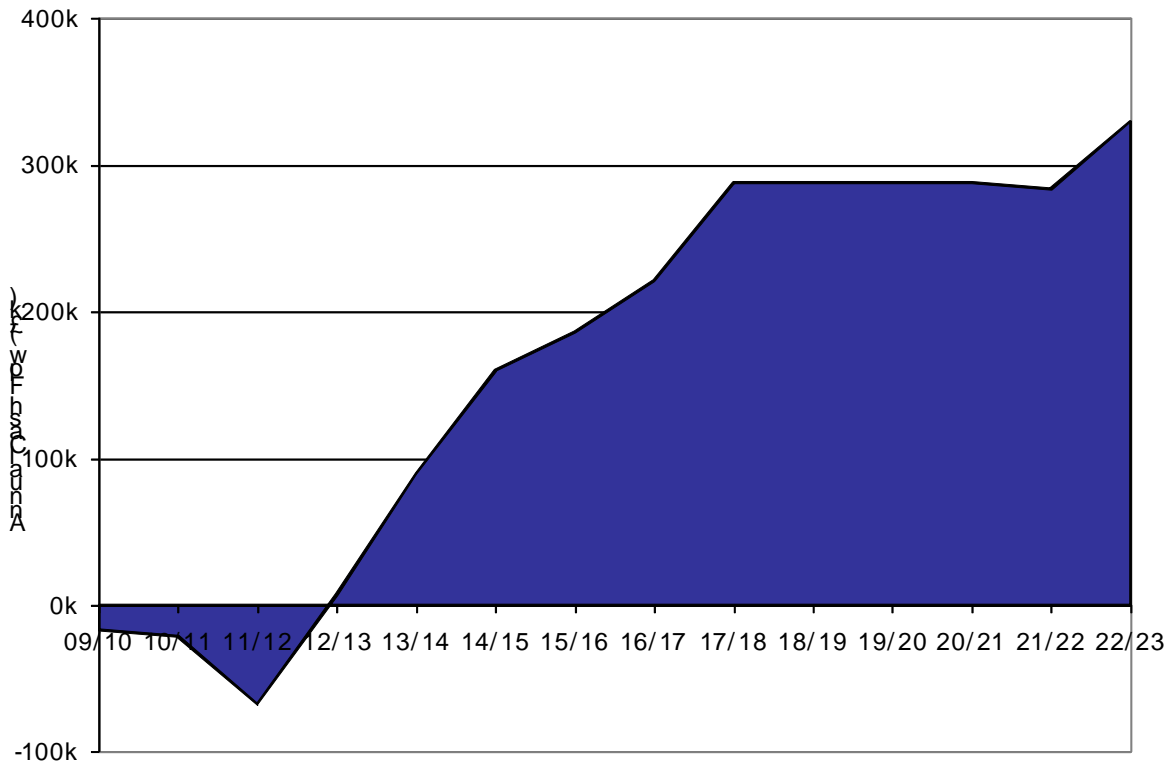
Figure 3-2 shows the cash flow that would be derived from increased recycling, based on the assumption that Cheltenham BC would be able to move towards an enhanced recycling joint collection service in 2013/14 alongside Tewkesbury BC and Cotswold DC.

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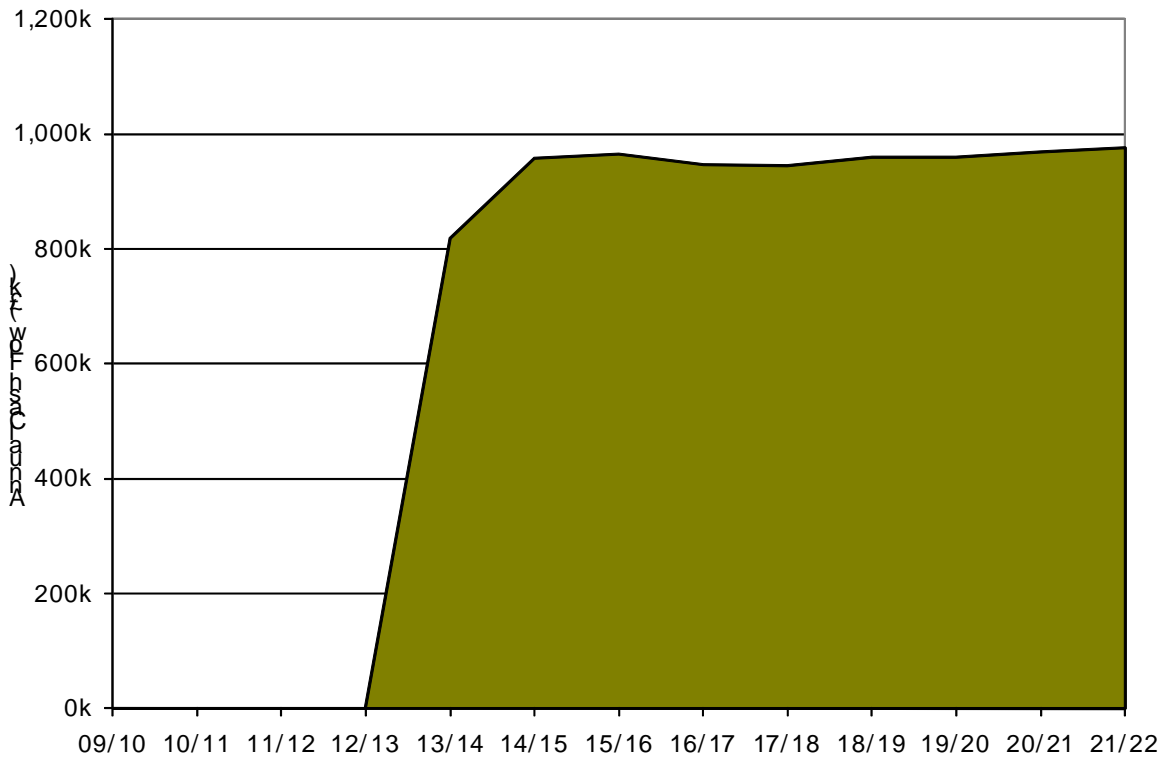
<sup>1</sup> Such as set-up costs for the joint waste team (for office infrastructure, IT etc) and redundancy costs apportioned 28% to the County with the remainder to the districts based on number of households, together with programme management-related costs which have been apportioned 50% to the County with the remaining 50% split equally across the districts. Further detail is available in the full business case report.



**Figure 3-1: Annual Cash Flow for Cheltenham Borough Council – Partnership Savings**



**Figure 3-2: Annual Cash Flow for Cheltenham Borough Council – Increased Recycling**



## 4.0 How will The Partnership Work

In considering whether to move towards joint working arrangements, officers and members will wish to consider how the partnership arrangements might look. Although much work remains to be done, a fair amount of work has already been completed which illustrates how the partnership might function.

### 4.1 Governance

The governance arrangements for a waste partnership were discussed with authorities individually and with the GWP and JIB during late December 2008.

Two main legal structure options are available: authorities may choose to form a Joint Waste Authority under statutory provisions which are as yet untested; or instead may achieve very similar ends through the use of a Joint Committee with delegated responsibility for the management of waste services. Both approaches are potentially viable and a final decision on which is most appropriate has not yet been taken.

Whichever of these two organisational structures is used to provide partnership governance, decisions relating to how the organisation should work are largely unaffected.

Recommendations have been made and accepted by GWP and JIB that the following principles should apply:

1. For a Waste Partnership to be deliverable, arrangements must be made to ensure that the interests of the authorities it represents are protected.
2. To be successful (in delivering better value) a Waste Partnership must be allowed as much freedom as is consistent with point 1 above.

In line with these principles:

1. Constituent Authorities remain responsible for:
  - a. Annual ratification of the Joint Waste Partnership's Medium Term Financial Plan (MTFP) and business plan; and
  - b. The exercise of vetos to protect interests.
2. The Partnership becomes responsible for:
  - a. All day-to-day delivery and operational decisions such as may be required for the most efficient possible delivery of the business plan.

Regarding voting arrangements, GWP and JIB also agreed the principle that all authorities should nominate two Members to serve on the executive of the Joint Waste Authority (or similar). Each Member will hold a single vote of equal value.

This agreement is predicated on the condition that safeguards will be put in place to ensure that constituent authorities are empowered to exercise a veto over resolutions or any activity of the Joint Waste Authority which they consider to run contrary to their own interests whether financial or reputational.

### 4.2 Finance

Similarly in late 2008 work was done to understand how partnership funding arrangements might work. JIB subsequently accepted Finance Officers' recommendation that a cost-sharing model should be developed based on the following principles:

- Waste disposal costs remain with the County Council;
- Waste collection costs remain with the Waste Collection Authorities;
- Cost allocation will be fair, transparent and there will be no cross-subsidy;
- Infrastructure will be designed to meet the needs of the partnership as a whole and costs will be spread equally across the districts;
- The formula for predicting the share of costs of the new service arrangements to be borne by each district to be based upon the Somerset formula, as an indication of how things may work and to form the basis for further discussion;
- The formula should also seek to recognise and share those benefits arising where district collection arrangements are changed to the benefit of both collection and disposal authority.

If authorities now choose to join a full partnership for the delivery of waste services, work to develop this cost model will be taken forward.

### 4.3 Service Management

Taking into account the information gathered from the 'As-Is' project and also the experience of the Somerset Waste Partnership in forming a similar organisation, possible interim and end state organisation structure have been produced. The latter would be in place once all authorities' legacy contracts have come to an end and the transition from pre-partnership service arrangements has been completed. This possible end state structure is described in more detail, together with the assumptions used, in a separate report<sup>2</sup> and is illustrated in Figure 4-1.

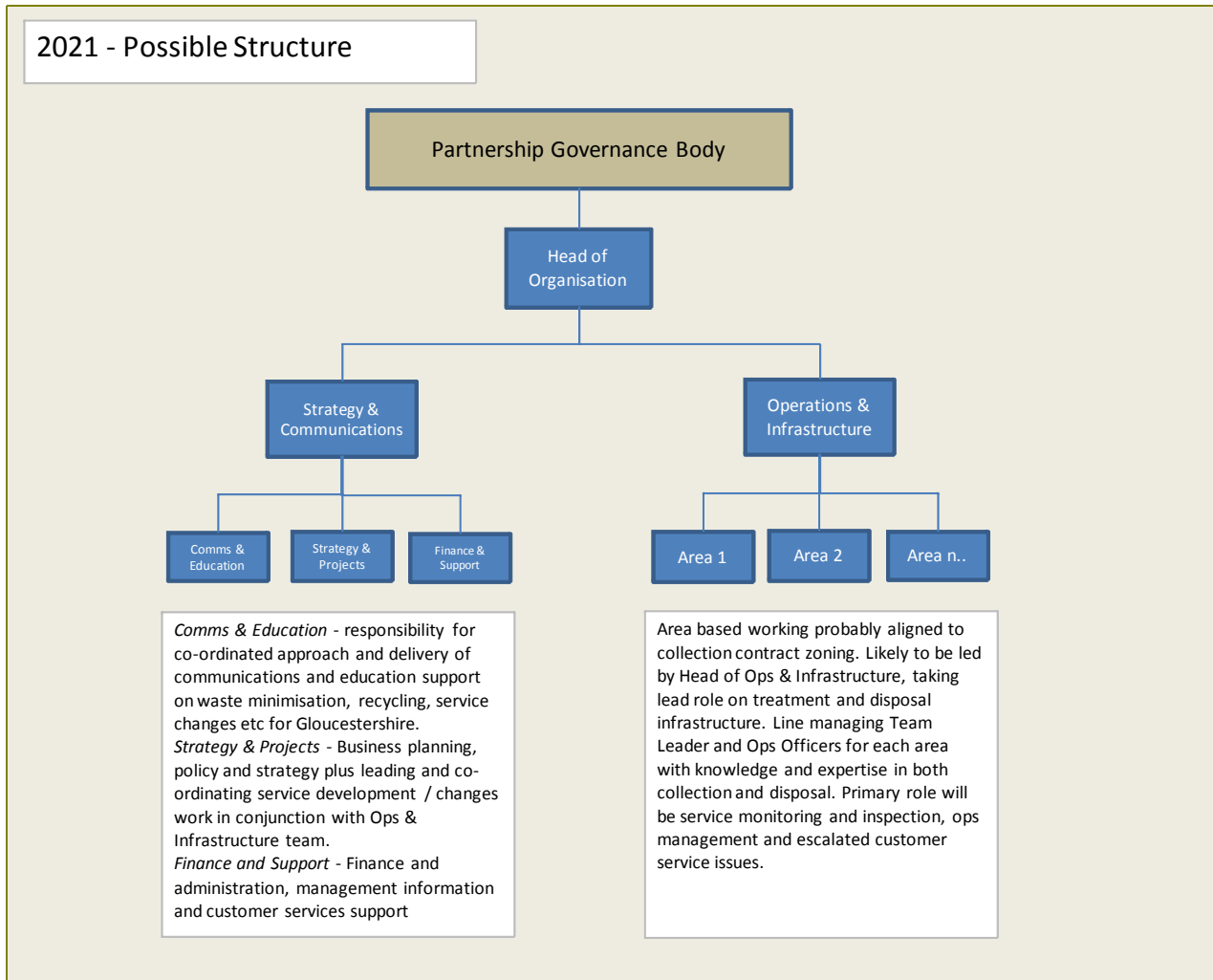
The structure has been designed to:

- Eliminate the current barriers between disposal and collection service management, whilst still recognising the knowledge and experience of staff and the need to have a lead officer in each of these specific areas;
- Eliminate the current split of staff between administrative boundaries;
- Recognise the prevailing move towards area / locality based service provision in local authorities and the variation in service needs between different areas of the county;
- Provide an organisational focus on and legitimacy for the value of strategy and communications in supporting working further up the waste hierarchy (which can often suffer from a relative lack of focus currently when compared to managing day to day operational issues).

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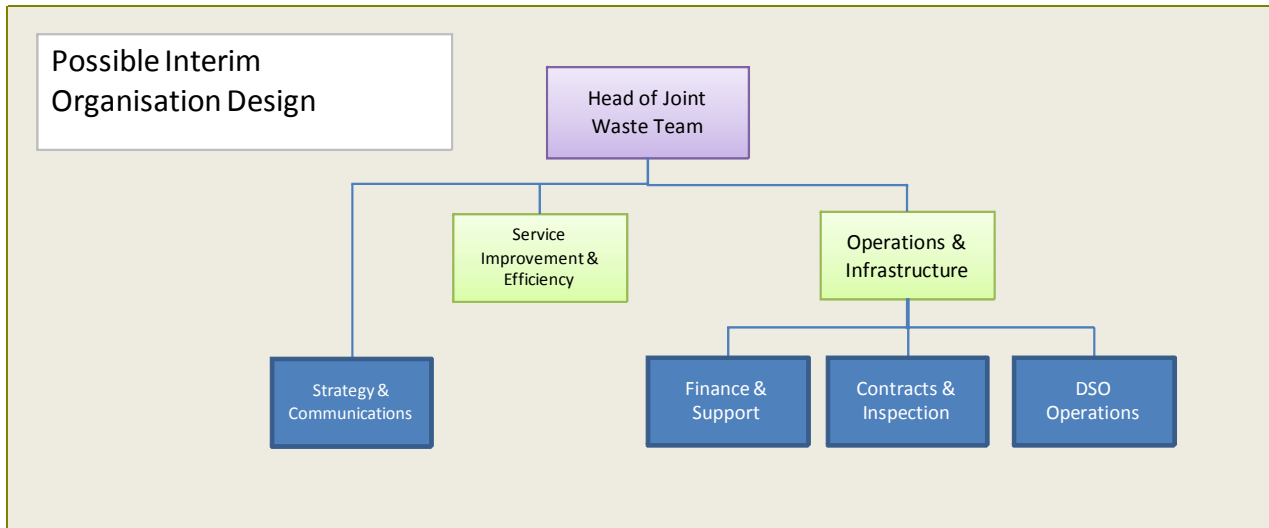
<sup>2</sup> Eunomia WP32 High Level Organisation Design

**Figure 4-1 Possible 'To-Be' Joint Waste Team Organisation Structure**



It is recognised however, that on day one of the partnership, all existing pre-partnership legacy contracts and service arrangements will still be in place. This requires an interim organisation structure to manage the transition from pre-partnership service arrangements towards the 2021/22 vision of all authorities being covered by the same set of contractual and service arrangements. A proposal for this interim structure can be found in Figure 4-2.

**Figure 4-2 Possible Interim 'Day One' Joint Waste Team Organisation Structure**



## 5.0 Next Steps

### 5.1 Evolutionary Logic

A partnership cannot be expected in the short-term to entirely take over all aspects of service management. An arrangement is envisaged which will allow the partnership to run the services on behalf of the individual constituent authorities and to move towards operational and wider integration as this is sensible, convenient and acceptable.

In this way short term savings can be delivered in such a way as to maximise the partnerships' long term efficiency.

### 5.2 Immediate next steps

#### 5.2.1 Governance

The SJWB's terms of reference mean that it is empowered to bring forward proposals for joint working. If the authorities agree to progress the project, the SJWB will need its terms of reference reviewed and probably re-drafted so that it can become responsible also for implementation of the programme.

#### 5.2.2 Programme Implementation

Clearly a considerable number of projects will be required to deliver joint working arrangements. These have been designed elsewhere. However a small number of fundamental considerations are pre-eminent amongst these:

<p><b>Managing the new arrangements</b></p>	<p>The Gloucestershire authorities will need to collaborate on designing a structure for joint service management which is specific to its own needs and pulls together best practice and available resources. Defra has produced a 'BPI toolkit' that has been trialled with the Buckinghamshire authorities. This is available to the Gloucestershire authorities and is designed to be largely usable without external support.</p> <p>Clearly designing service management arrangements will be</p>
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	<p>a priority and this piece of work should be taken forward as soon as the authorities have a clear picture of the likely membership of the joint waste arrangements.</p>
<p>Sharing the costs and benefits of joint working</p>	<p>The purpose of the project is to deliver efficiency savings. We have attempted in this paper and elsewhere to illustrate the scale of the savings available to each authority. However, joint working requires a joint budget. Detailed negotiations will be required to establish this.</p> <p>The Gloucestershire authorities will benefit from the work that has already been carried out with finance officers to agree the principles which would equitably facilitate this development and the approach successfully being used in Somerset could certainly accelerate the process of negotiations in Gloucestershire. Nevertheless the importance of establishing fair processes will not be under-estimated by any party and it should be expected that work to build the budget will take some time and effort. This work should be brought forward with some urgency.</p>
<p>Commissioning new services</p>	<p>Services are currently provided by a number of different organisations. The authorities need to collectively establish how, when working together, services will be jointly commissioned. Some work has been done on this already. Further work will be required to agree a strategy and then to deliver this.</p>
<p>Implementing new partnership arrangements</p>	<p>Migrating from current arrangements to joint working arrangements will be complicated. However the practical complications relate only to the number of individual workstreams that need to be co-ordinated. A detailed project plan will need to be prepared mapping the transitional arrangements precisely. Again, work has been done on this, both for Gloucestershire and for other authorities implementing similar arrangements. This work will need to be picked-up, refreshed and agreed by the Programme Board so that the transitional arrangements can start to be managed to ensure the timely development of all staffing, service supply, support service and other logistical arrangements required for joint service delivery.</p>