

Somerset Waste Partnership Draft Business Plan 2020 – 2025, Draft 2020/21 Budget and Changes to the Inter-Authority Agreement

Cabinet Member(s): Cllr David Hall - Cabinet Member for Economic Development, Planning and Community Infrastructure

Local Member(s) and Division: All

Lead Officer: Paula Hewitt - Lead Director for Economic and Community Infrastructure & Director of Commissioning

Author: Jon Doyle – Service Manager, ECI Commissioning

Contact Details: JYDoyle@somerset.gov.uk - 07977 401939

1. Summary / Background

- 1.1.** This report seeks a decision from the Cabinet on the Somerset Waste Partnership's Draft Business Plan 2020-2025. The plan provides a framework within which the Somerset Waste Board (SWB) can make decisions and steer the delivery of waste partnership services.

It also seeks approval of the draft budget for 2020/21 and approval of the proposed revisions to the Waste Partnership's Inter-Authority Agreement necessary to align it with the new collection contract and the approach to the roll-out of Recycle More. The draft Business Plan, draft 2020/21 budget and draft Inter-Authority Agreement were approved for consultation with partners by Somerset Waste Board in December 2019. These documents will then be considered, along with any responses from partners, at the Waste Board's meeting in February 2020.

- 1.2.** The draft Business Plan is attached as Appendix A.

The Business Plan contains three areas of focus, beneath which sit a range of activities. The three areas of focus are:

- Delivering excellent services
- Changing behaviours
- Building our capability

The actions set out continue to be the most significant set of changes to Somerset's waste services since SWP's inception in 2007, covering all aspects of their services, including the move to a new waste collection contract.

The move to the new contract will enable SCC and its District Council partners to continue to address the issues of Climate Change through considerably expanding the amount of type of materials that can be recycled at the kerb-side and will add significant social value to communities through the use of in-cab technology.

The move away from landfill will enable the generation of energy produced from sources other than from petrochemicals; the methane emissions from the residual waste that would otherwise have been emitted at landfill sites will be used to generate electricity.

2. Recommendations

2.1. That the Cabinet approves the Somerset Waste Partnership's Draft Business Plan 2020-25 (as set out in Appendix A).

That the Cabinet approves the Somerset Waste Partnership's Draft Disposal Budget of £29,988,500 as set out in Section 11.9 below, taking into account the potential savings requests from the County Council

That the Cabinet agree the draft amended Inter-Authority Agreement (IAA) (as set out in Appendix B)

3. Reasons for recommendations

3.1

- Approval of the Business Plan is required to set a clear mandate for SWP delivery of business activities for the period.
- An approved Business Plan is a constitutional requirement.
- When considering the draft Annual Budget for 2020/2021, current trends in demographic growth, service uptake and waste tonnages arising in 2019/2020 will be a key contributory factor in shaping the forward budget.
- There are a number of changes resulting from the new collection contract that require minor amendment to the IAA. Rolling out Recycle More requires considerable up-front costs, and the Somerset Waste Board (SWB) agreed principles in a revised draft inter-authority agreement at the meeting in December 2019. Only those changes that are necessary to reflect the new collection contract and roll-out of Recycle More have been made.

4. Other options considered

4.1. The SWP Business Plan is a constitutional requirement.

The only available alternative option for the Council is to not approve the draft

Business Plan. The risk of not approving the draft business plan is that this leads to a failure by the Somerset Waste Board to agree the Business Plan, and possibly the budget, leading to considerable negative financial and reputational implications for all partners.

Failure to approve the Draft Business Plan and Budgets will result in difficulties meeting the constitutional timescale for the process and in setting a viable budget.

Failure to have an amended IAA in place ahead of the 2020/21 financial year will mean that costs are not shared fairly and equitably or in line with the principles agreed by the Board.

5. Links to County Vision, Business Plan and Medium-Term Financial Strategy

5.1. The County Council has a statutory duty relating to the disposal of waste, which it has delegated to SWP. The current County Vision and the Somerset Waste Partnership's Business Plan supports keeping Somerset as a great place to live and work. Working in a Partnership accords with the Plan's aims and ambitions.

5.2. The County Vision is:

- A thriving and productive County that is ambitious, confident and focussed on improving people's lives.
- A County of resilient, well-connected and compassionate communities working to reduce inequalities.
- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live.
- A County that provides you with right information, advice and guidance to help you help yourself and targets support to those who need it most.

The Somerset Waste Partnership's draft Business Plan helps support the delivery of this vision.

6. Consultations and co-production

6.1. The Somerset Waste Board has considered the Business Plan, Draft Budget and amended IAA at its meeting on the 20 December 2019, building on discussions at the September 2019 Board meeting. The business plan, budget and IAA

were also endorsed by the Joint Waste Scrutiny Panel in December 2019, on which two SCC members sit. The Strategic Management Group, made up of senior officers of the partner authorities and the Managing Director of the SWP, have also played a part in shaping the draft plan. SCC's s151 Officer (and all other partner s151 officers) agreed the principles that are reflected in the amended IAA.

7. Financial and Risk Implications

7.1. Financial

The Board is almost exclusively funded from contributions from partners and, apart from one-off funding bids, has no automatic block grant from Central Government or any reserves. It is therefore dependent on agreement between partners on the level of funding provided by each of them in line with the cost sharing formula. Business planning and budget setting are part of the same process again this year with the Business Plan and draft budget being approved by the Waste Board in December 2019.

The Board has delegated authority for decision making across all services and therefore must make proposals to the partners on how savings can be made, taking into account any requirements to make savings and proposals on how this can be achieved.

Under the terms of the Inter Authority Agreement, the Board cannot make a decision that has an adverse financial implication on any partner without that partner's agreement. Recognising the need for partners to make difficult savings decisions, the Board does have discretion to determine how any savings targets handed down can be delivered, provided all partners sign up through approval of this draft plan.

When considering the draft Annual Budget for 2020/2021, current trends in demographic growth, service uptake and waste tonnages arising in 2019/2020 are a key contributory factor in shaping the forward budget.

The draft budget requirement for 2020/2021 was presented to the Somerset Waste Board in 20 December 2019. All disposal costs fall to the County Council. The assessment was that an uplift of 6.17% or £1,737,000 will be required to meet estimated contractual inflation, demographic growth and landfill tax price increases. This will continue to be reviewed until a final budget is approved by the Waste Board in February 2020.

The need for additional disposal costs has been included in all SCC MTFP budget requirement figures, although final agreement is still subject to the overall Somerset County Council budget process, which passes through the Council meeting in February 2020.

The Annual Budget, once approved, will become the new measure for the Waste Partnership's financial performance for 2020/2021. Costs will continue to be shared amongst partners in the same way as previously as set out in our Cost Sharing Agreement. As previously agreed, during the roll out period, no Recycle More savings will be taken by partners until the project roll out has been fully funded.

The proposed changes to the IAA will ensure that partners are not penalised or rewarded for when Recycle More rolls out in their area, and that no savings are taken out until the roll-out has been fully funded.

7.2. Risk

Failure to approve a Draft Business Plan and/or Draft Budget will result in difficulties meeting the constitutional timescale for the process and in setting a viable budget.

The risks vary between partners depending upon their role. The County Council, as waste disposal authority, is part of the Waste Partnership and is also its accountable body.

The key risk relates to the delivery of the future collection arrangement and its impact upon the County Council as disposal authority, an impact which is primarily financial (i.e. reduced residual waste volumes sent to landfill results in reduced costs to the County Council).

Failure to have an IAA in place ahead of the 2020/21 financial year will mean that costs are not shared fairly and equitably or in line with the principles agreed by the Board. There is a technical risk that through the consultation process partners could seek additional changes to the IAA that are not in the interests of the partnership overall, but this is considered unlikely as it would be contrary to the core principle that the Board cannot make a decision that has an adverse financial implication on any partner without that partner's agreement.

Risk is managed by the Partnership through its Board and Strategic Management Group (SMG), where senior officers represent the Partnership and the five councils that are partner members.

Likelihood	3	Impact	4	Risk Score	12
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8. Legal and HR Implications

- 8.1.** Somerset County Council has delegated its functions and powers under the Environmental Protection Act 1990 as a waste disposal authority to Somerset Waste Partnership. All four District Councils in Somerset have similarly delegated their functions and powers as Waste Collection Authorities. Although SCC's functions have been delegated SCC remains the body responsible for their fulfilment and so it is important that the Draft Business Plan sets out how SWP will fulfil those legal duties on SCC's behalf.

The proposals set out in the Draft Business Plan have a number of legal, contractual, procurement, data protection and regulatory implications for the partners of Somerset Waste Partnership as well as for SCC which is the legal entity responsible for entering into contracts on SWP's behalf. These implications will need to be reviewed in detail as and when the proposals in the Draft Business Plan are implemented.

SWP commissioned legal advice from the administering authority's (SCC's) legal services team to ensure that changes to the IAA are commissioned by SWP (and hence in the interests of all partners).

The IAA also reflects changes in the way costs are managed in relation to the small number of contractor staff who are members of the Local Government Pensions scheme – in line with the approach endorsed by SWB in September 2019.

9. Other Implications

9.1. Equalities Implications

Equalities Impact Assessments will be carried out as appropriate with the development of each Business Plan activity prior to proceeding with that activity. In most cases the decision to proceed based on the outcome of the impact assessment will be delegated to the Managing Director and Senior Management Team of SWP. Where significant issues are identified through the assessment process that would have implications for major projects or programmes the decision to proceed will return to the Board prior to commencing development. SMG will be given assurance that equalities are given due regard through the process of delivering the Business Plan.

9.2. Community Safety Implications

There are no foreseeable Community Safety implications from this decision.

9.3. Sustainability Implications

The Business Plan has an impact upon sustainability around reducing the amount of waste generated and increasing the levels of reuse and recycling. The principle behind Recycle More seeks to provide a more sustainable method of managing waste and the Business Plan continues the Partnership's commitment to this commencing in the new year.

The work of the Somerset Waste Partnership is an intrinsic contributor to the emerging Somerset Climate Emergency Strategy with the drive to move away from landfill and leading behavioural change to promote and facilitate a greater uptake in recycling.

9.4. Health and Safety Implications

There are no obvious Health and Safety implications of this decision.

9.5. Health and Wellbeing Implications

There are no obvious Health and Wellbeing implications of this decision. The Business Plan contributes to the Shared Vision for Health and Wellbeing in Somerset "People live healthy and independent lives, supported by thriving and connected communities with timely and easy access to high-quality and efficient public services when they need them". The Business Plan reflects the importance of considering how we can help improve health and wellbeing (e.g. how we can use our crews on the ground and in-cab technology to support Adult Social Care's prevention agenda) and through ensuring all staff are dementia aware.

9.6. Social Value

Through the procurement of a new collection contractor SWP has secured significant amounts of additional social, environmental and economic benefits to Somerset. A community benefits plan ensures these benefits are captured, including through apprenticeships, community payback schemes, driver training, dementia awareness training, reducing carbon emissions, creating opportunities for small and medium sized enterprises, and a jointly funded behavioural change fund.

The transition to the new collection contractor increases social value by enabling additional materials to be recycled, contributing to SCC's commitment to address climate related issues following the declaration of a

Climate Emergency. The move away from landfill will enable the generation of energy produced from sources other than from petrochemicals; the methane emissions from the residual waste that would otherwise have been emitted at landfill sites will be used to generate electricity.

The work with schools and wider communities will continue to engender behavioural change; encouraging people to reduce the amount of waste generated by households and schools, where possible reuse resources and recycle as much residual waste as possible.

10. Scrutiny comments / recommendations:

10.1. The Joint Waste Scrutiny Panel (including two members from SCC) have reviewed and were fully supportive of the draft Business Plan, Budget and amended Inter-Authority Agreement.

11. Background

11.1. Business Plan 2020 - 2025

The Board's business planning cycle requires a draft report to be approved by the Board in December and circulated to partners for comment prior to the adoption of the Board's Annual Budget and Final Business Plan the following February.

Once approved or noted by all partners, the plan will be formally adopted by the Board to provide a framework within which the Board can make decisions and steer the delivery of Waste Partnership services.

11.2. The process of review is continuous, but the Business Plan contains a snapshot of where the Partnership are now, those things that have a major impact on them, resources available, summary of the budget and priority work areas.

11.3. The actions in the Business Plan remain the most significant set of changes to Somerset's waste services since the Partnership's inception in 2007, covering all aspects of service. There are also expected to be the most significant set of changes to national resources and waste policy for a generation and the environmental impact of waste has a public profile higher than ever before. The scale of policy change expected will have significant impacts on the future business plans of the Partnership.

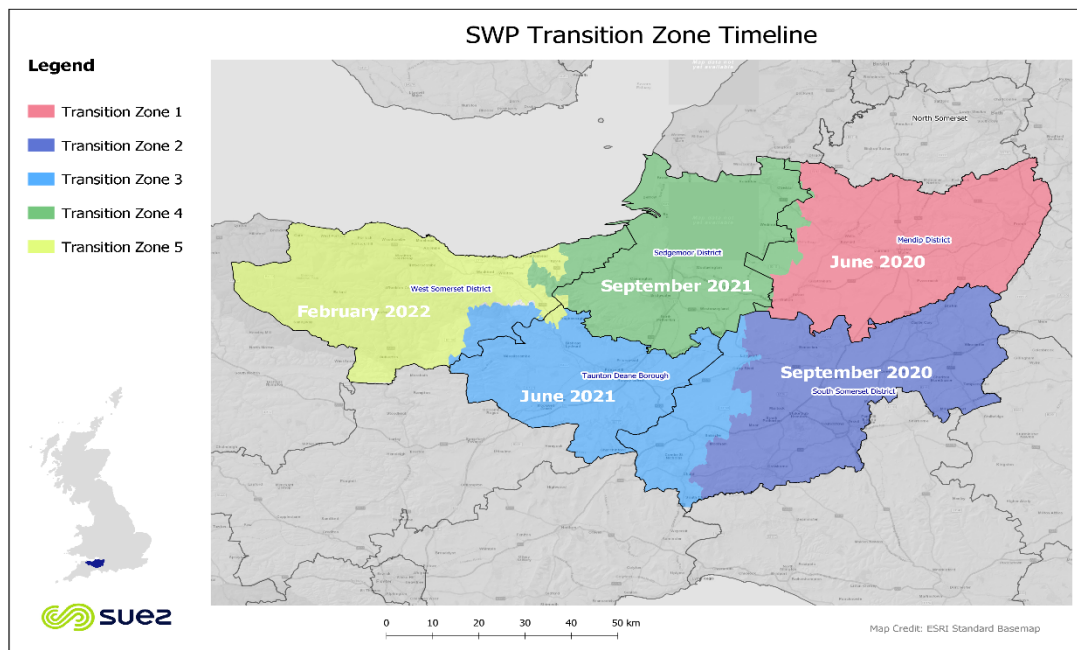
11.4. The three areas of focus set out the actions which reflect this but need to work together for maximum impact. For example, the transition to the

Recycle More service model is set out under the 'delivering excellent service' section, but this will not be a success unless it is supported by 'changing behaviours' and 'building capability' is vital to achieve this.

- 11.5.** The proposed actions can be found in sections 1, 2 and 3 of the Business Plan; as noted above, these are three linked areas of focus, beneath which sit a range of activities. The three areas of focus are Delivering excellent services, Changing Behaviours and Building our Capability'

As can be seen from the business plan 2020 is a year of significant change for SWP – a new collection contractor (SUEZ Recycling and Recovery UK), a move away from landfill to generating energy from waste, and the start of the Recycle More collection service model.

The current plan for the phased roll-out of Recycle More can be seen below:



11.6. Business Plan

The SWP Business Plan for 2020-2025 explains how they will work towards their Vision over the next five years. The Business Plan contains three areas of focus, beneath which sit a range of activities.

The three areas of focus are:

<i>Focus</i>	Delivering excellent services	Changing behaviours	Building our capability
<i>Outcome</i>	<i>Household waste is effectively</i>	<i>People trust SWP and see waste as a</i>	<i>SWP has the capacity, capability</i>

	<i>collected, reused, recycled and treated</i>	<i>resource - managing their waste properly</i>	<i>and influence to deliver our vision</i>
Activity	Changes to collections	Campaigns	Transforming systems and processes
	Changes to disposal	Looking beyond domestic waste	Strategy & Influence
	Improving services	Community Engagement	Building partnerships

Full details of proposed actions and activities can be found in the Business Plan in Appendix A of this report.

Each of the three areas of focus help contribute to SCC's commitment to address climate and environmental matters following the declaration of a Climate Emergency.

11.7. Draft Budget

The latest tonnage trends available have been used to set this budget. Key forecasts used to set the draft budget are:

- Landfill Tax rates from 1 April 2020 have been confirmed by the Treasury as **£94.15 per tonne**. This is an increase from £91.35 of 3.07% on the 2019/2020 rate. This has less of an impact as we are moving away from landfill.
- Contract inflation for disposal is based on a number of indices within the various disposal contracts. These are highly volatile, particularly the civil engineering ("Baxter") index, which is an industry standard and includes a significant fuel element. Indices for disposal run from February 2019 to February 2020 and are not published until March.
- Volume growth is based on projected household growth. The current assessment is 1.0% growth.
- The total additional budget required for the above pressures is £351,400 (landfill, inflation and volumes).
- There is an additional pressure regarding the construction of the Energy from Waste facility at Avonmouth of £1,746,700. This is the reversal of the savings (pre-contract payments) which were taken early by SCC (reflecting the particularly acute budget pressures on SCC in recent years). Energy from Waste remains cheaper and more environmentally friendly than landfill.
- In addition, the County Council is requesting savings from the Somerset Waste Board of £361,100
 - £200,000 – Year 2 of the core services contract extension

- (previously agreed by the board in November 2018)
- £20,000 - Fly-tipping compensatory scheme removal (cessation of scheme agreed by the board in September)
 - £36,000 - Minimisation Cap (linked to core contract extension)
 - £105,100 – Slim my Waste, Feed my Face food campaign

The standstill cost for the disposal budget is therefore **£1,737,000**, an increase of 6.17% on the original 2019/2020 budget to **£29,988,500** for 2020/21.

11.8. Amendments to the Inter-Authority Agreement

The overall savings from Recycle More are anticipated to be over £2 million per annum once it is fully rolled out. The Board have previously agreed that the roll out will be funded from the Recycle More Project Fund (and where appropriate from capital), and that no savings as a result of the new collection contract will be taken until all roll out costs have been fully funded. Roll out is due to complete in February 2022. Savings will start to be seen in 2022/23 once roll out has been fully funded.

The following were agreed by SWB in September 2019, following agreement to these principles by the SMG and all partner Section 151 Officers. All revenue costs will be funded from the Recycle More Project Fund. These principles have informed the revisions required to the IAA (Appendix B):

- District collection partners should not be penalised or rewarded for when they roll out within the programme. No savings will be taken from the Somerset Waste Partnership until roll out has been fully funded.
- As a significant proportion of Recycle More savings will be from disposal costs, the disposal partner SCC will also contribute its savings from Recycle More until the break-even point has been reached (2022/23). Should there be extraordinary circumstances, beyond what has been forecast that have a significant impact on disposal costs or savings, then a view would need to be taken at the time on their fair apportionment.
- Somerset Waste Partnership hold the Recycle More Project Fund and any deficits will be funded through contract savings before they then become attributable to partners.

Once breakeven point is reached, contract savings will be shared on the basis currently stated in the IAA.

The IAA has also been changed to reflect the fact that under the new collection contract, SUEZ will not be liable for the costs of secondary contributions for the small number of employees who are eligible for the

Local Government Pension Scheme. As has been agreed by SMG and all partner s151 officers, passing this liability on to the contractor would simply result in risk pricing from SUEZ, meaning that partners would in effect pay more to achieve the same aim. These costs will be shared by District Council partners in accordance with household numbers. It should be noted that there will be no deficit on day 1 of the contract and future payments will be made in accordance with future actuarial assessments.

The Somerset Waste Partnership and SUEZ will share recycling revenue risk. Recyclate revenue can fluctuate according to the tonnages of each materials collected and due to market prices. Once roll-out of Recycle More has been completed all partner section 151 Officers (endorsed by SMG) agreed that an equalisation reserve should be put in place in order to smooth out the risk of fluctuations in the level of recyclate income received by District Council partners (noting that this will not impact on SCC). The following principles were endorsed by the Board in December:

- The equalisation reserve should only be commenced after roll-out is complete but similar prudent forecasts should be used during the roll-out period (without building up a reserve)
- The fund should be built up from 20% of SWP's recyclate revenue as this value was considered prudent.
- The level of the reserve will be reviewed annually as part of the budget setting process.

District Partners will pay Somerset Waste Partnership the gross monthly costs and will then receive a quarterly payment in arrears for their share of recyclate income.

All partners have agreed capital borrowing to purchase the vehicles, fund depot works and equipment, and purchase the new containers. Each district partner is borrowing £5.0m on behalf of the Somerset Waste Partnership and SCC have approval to borrow up to £10m at a return of PWLB plus 1%. and Section 151 officers have agreed the borrowing principles and schedule and to capitalise the new container costs within this. Loan agreements have been agreed between SCC and the Districts for this, and a number of minor amendments to the IAA are necessary to ensure consistency between the IAA and these loan agreements.

Changes to the IAA

A draft amended IAA is appended to this paper (Appendix B), as approved by the Somerset Waste Board in December 2019. To aid Cabinet members in identifying the changes to the IAA, the following bullet points highlight what has changed in relation to the new contract and why:

- Definitions in schedule 3 paragraph 1.2 have been changed to make reference to the funding agreements being put in place between the administering authority and other partner authorities in relation to borrowing to fund new assets required by the new collection contractor (also updated in paragraph 20 of schedule 5).
- Paragraph 3.3.1 of section 3 has been amended to ensure that should there ever be a change in administering authority that everything transfers correctly.
- Paragraph 1.2 of schedule 5 has had additional content added in to embed the key principles related to recycle more roll-out funding into the IAA, namely that:
 - No partner authority should be penalised or rewarded for when they roll out
 - No partner authority can take savings until all the roll-out costs have been covered
 - Once we get to breakeven then normal IAA cost sharing rules apply
- Paragraph 1.5A of schedule 5 reflects the approach agreed to managing the risk of fluctuation in recycle revenue.
- Clarifies how LGPS pension costs will be shared going forward (paragraph 4 of schedule 5).
- Clause 13.3 reflects the fact that SWP receives income on behalf of partners (e.g. bulky waste) and therefore arrangements for transferring that income back to partners need to be clearer.
- Section 16 reflects changes to the requirements for how SWP is audited, as previously agreed by the board.
- Removing reference, such as in paragraph 13.8 to the Landfill Allowances Trading Scheme (LATS) which is long defunct.
- Updating Schedule 4 (form of annual budget) to align it with our new collection and disposal contracts e.g. inserting references to energy from waste reflecting this new disposal route for SWP's waste.

If approval of the amendments are made by all partners, a further report will be taken to the Waste Board in February 2020 reflecting the outcome of that consultation process and seeking the Board's final approval to the revised IAA. It is proposed to consult with monitoring officers collectively as part of this process, as has been the case when previous changes to the IAA have been made

The Business Plan reflects the intention to undertake a wider review of the IAA in 2020/21, as this may be necessary following national legislative change and how this informs SWP's long term strategy. This will also enable us to reflect the findings of the GDPR Internal Audit review that SWP requested and is currently being undertaken.

12. Background Papers

- 12.1. Appendix A – Final Somerset Waste Partnership Business Plan 2020-25
Appendix B – Final Inter-Authority Agreement - 2019 updates
Appendix C - SWP Finance Report - Draft - Dec 19

Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	13/01/20
Governance	Scott Woodridge	13/01/20
Corporate Finance	Sheila Collins	13/01/20
Human Resources	Chris Squire	13/01/20
Property	Paula Hewitt	02/01/20
Procurement / ICT	Simon Clifford	13/01/20
Senior Manager	Paula Hewitt	02/01/20
Commissioning Development	Ryszard Rusinek	N/A
Local Member	All	N/A
Cabinet Member	Cllr David Hall - Cabinet Member for Economic Development, Planning and Community Infrastructure	13/01/20
Opposition Spokesperson	Cllr Jane Lock and Cllr Liz Leyshon	11/01/20
Scrutiny Chair	Cllr Anna Groskop - Place Scrutiny	10/01/20