

11th December 2017

Decision Session – Executive Leader

Report of the Director of Corporate and Customer Services.

Group Reorganisation of Yorwaste and SJB Recycling

Summary

1. This report seeks to provide the Yorwaste Limited and SJB Recycling Limited Board of Directors shareholder approval to a group reorganisation following the purchase of Todd Waste Management Group (TWMG) by Yorwaste Limited.
2. This is being considered as an urgent matter to allow Yorwaste to make the organisational changes as soon as possible. The company in order to be Teckal compliant requires 80% of transactions of the company to be with the shareholders and the current company structure means this is currently not achieved.

Recommendations

3. The Executive Leader is recommended to
 - Agree to the hive up of assets of TWMG via dividend in specie into Yorwaste
 - Agree to the sale of share capital of Toddpak to SJB Recycling by way of an intergroup loan

Reason - to allow Yorwaste to deliver economic efficiencies and to maintain Teckal compliance

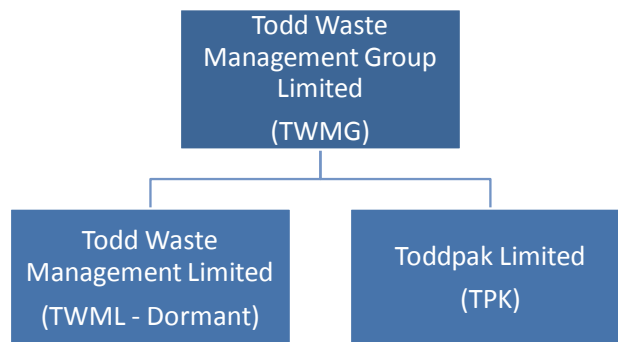
Background

4. CYC is a minority shareholder (22.27%) of Yorwaste Limited and SJB Recycling Limited. North Yorkshire County Council is the majority shareholder of both companies.
5. The City Council operates a Shareholder Committee to make certain decisions on behalf of the shareholder.

6. The CYC shareholder Committee (20th March 2017) provided their approval to the purchase of Todd Waste Management Group(TWMG) Limited and their subsidiary Toddpak Limited in order to strengthen Yorwaste's commercial market position within North Yorkshire. TWMG provided commercial waste collection services within North Yorkshire whilst Toddpak provides a package brokering servicing.

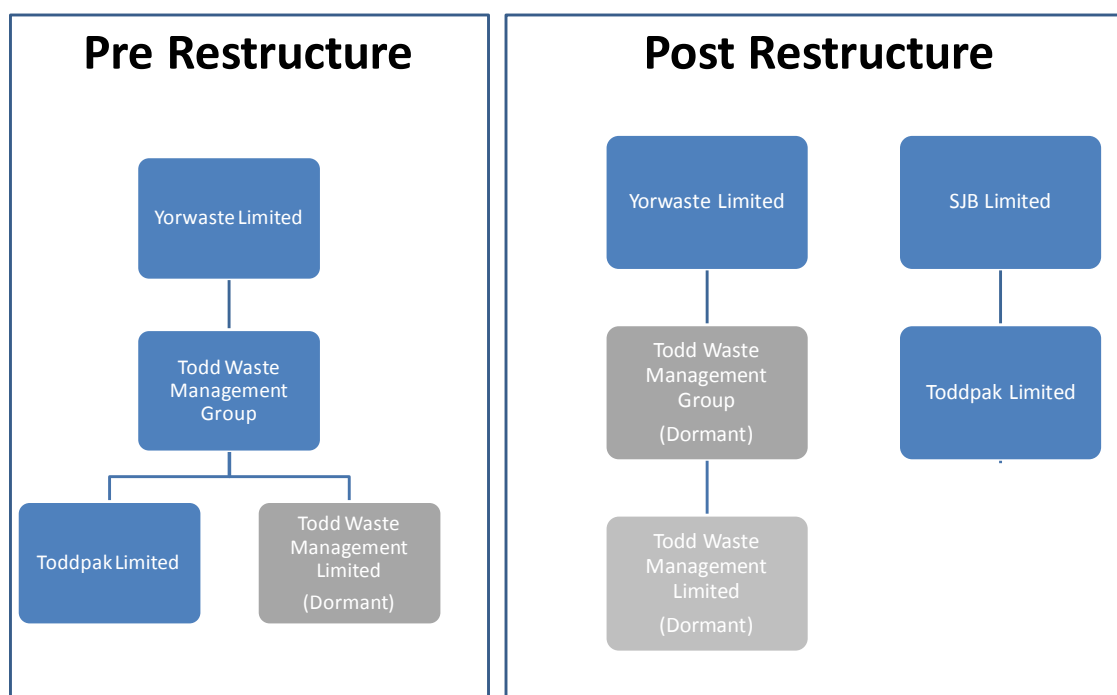
Proposal

7. On completion of the purchase of TWMG in June 2017 the companies were subsidiaries of Yorwaste Limited



8. The expectation at the time of acquisition was that TWMG would be incorporated into Yorwaste and Toddpak would be transferred to SJB Limited by the end of the financial year.
9. This has been brought forward for two reasons
 - a) There is a risk that the 80:20 Teckal compliance calculation will not be met without integration
 - b) There will be delays to the company realising operating synergies
10. The Yorwaste Board have taken advice from PWC as to the most efficient company structure and have concluded that the most practical way to restructure the group is to effect a hive-up via dividend in specie of TWMG into Yorwaste followed by an assignment of the contracts to NYCC.
11. Toddpak which operates as an Environment Agency Compliance Scheme would have the best opportunity to grow if it was transferred into SJB Recycling.

12. The diagram below shows the pre and post restructure situation



13. The dormant companies, having a zero net book value, will be struck off the companies register.

Consultation

14. Consultation has been undertaken with the board of Yorwaste Limited and officers of North Yorkshire County Council

Options

15. Option 1 – to provide approval as shareholder as per the recommendations

16. Option 2 - to not provide approval as shareholder as per the recommendations

Analysis

17. The Council gains a number of advantages from Yorwaste being a Teckal Compliant company. This includes being able to direct award service contracts for waste services such as management of

Household Waste Sites, management of garden waste and recyclates and also operation of the Waste Transfer Station at Harewood Whin. The arrangement also allows for the council to maximise waste into Allerton Waste Recovery Park and generate additional revenues from this waste that Yorwaste can source.

18. The arrangements proposed by Yorwaste require no funding from the shareholders and are all completed through inter-company arrangements. There are no changes to share ownership of the two companies.
19. Officers can see no reason to reject the request from the Yorwaste Board.

Council Plan

20. The service contracts and Teckal arrangements with Yorwaste ensures resources are available to maintain the key frontline Waste services.

Implications

21. Financial. The proposal does involve changes in the shareholding of the companies that CYC own however they have no impact on the overall value of the two companies.
22. Human Resources (HR) There a no HR implications
23. Equalities - There are no Equalities implications.
24. Legal - The Shareholder Committee approved the purchase of TWMG (20th March 2017) and the decision now is ultimately a detailed consequence of that purchase. However the Council's consent to this restructuring is still required as a shareholder. The matter was too late to be treated as normal business at the Executive in December and will not await the Executive Meeting in January. It is therefore being considered at this meeting.
25. Crime and Disorder There are no crime and disorder implications
26. Information Technology (IT) There are no IT implications
27. Property There are no Property implication

28. Other There are no other implications

Risk Management

22. The most significant risk to the Council is that the Teckal exemption can no longer be applied resulting in the Council requiring to undertake a procurement exercise for its Waste Services.

Contact Details

Author:

Patrick Looker
Finance Manager
Tel No.551633

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer and Corporate Services

Report Approved

☒

Date 05th December 2017

Specialist Implications Officer(s) List information for all

Legal
Andy Docherty – Assistant Director
Tel No. 551004

Wards Affected: *List wards or tick box to indicate all*

All

☒

For further information please contact the author of the report