

# **Economic Impact Assessment of the Continuation of the GREAN Project**

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### **1.0 Executive Summary**

- This study is primarily to review the economic impact on the South East Sutherland economy of the GREAN project and measure its likely effects if the project was to be closed down due to the loss of the SWF SLA.
- The loss of GREAN would have 3 fold consequences, economic, social and environmental.
- The project supports 16 direct FTEs and 6.4 indirect and induced FTEs. In addition, it generates significant annual benefit to the local economy of £490,000, gross, of additional household income, which after displacement and leakage equates to a net benefit of around £270,000 per annum.
- GREAN provides full time jobs, plus some training and volunteering opportunities, for those who would be unlikely to find work elsewhere locally. Only 2 of the 16 employees came from other jobs all the rest were either unemployed or came through New Deal, with some supported by the Workstep Programme for young people who need the extra support available at GREAN which is not always available through purely commercial businesses. This level of supported training and employment is not available locally and therefore there are no alternative local employment opportunities for this vulnerable group. This will lead to many of the redundant workers having to rely on benefits as income adding to the existing high benefit claimant levels within the Golspie area.
- GREAN will take just over 1000 tonnes of recyclate out of the waste stream in 2008/09. This is a significant amount towards the Landfill Directive targets and given the small population base that it is drawn from represents capture and participation rates that most local authorities and other recyclers would find difficult to match.

### **2.0 The Brief**

#### 2.1 General

The brief is the completion of a time limited study, the purpose of which is to determine the

economic impact, and therefore the potential loss, of this social business to the local economy and businesses within East and Central Sutherland.

This is in light of the Scottish Government's Budget Spending Review 2007 where the existing SWF for projects currently being funded will in future not be ring fenced and instead be part of the overall Local Government Funding Settlement.

This document is based on current business turnover and workforce.

## 2.2 Specifics

GREAN commissioned Lomond Partnership to measure the economic impact of the Project on the area and therefore the likely knock on effects of the closure of the business.

### **Scope and Methodology of the Study**

- Lomond Partnership to review existing business model.
- Lomond Partnership will also measure the economic impact of the proposals using current Scottish Executive and HIPP multiplier indices to forecast both the potential indirect and induced job creation and additional monies into the local economy.
- Lastly, Lomond Partnership will review the potential closure of the business and how this will impact on local unemployment and benefit claims.

### **3.0 Background to GREAN**

#### 3.1 Background.

3.1.1 Golspie Recycling & Environmental Action Network (GREAN) formed as a result of a public meeting held in Golspie in December 2000. This followed several months during which a working group had met on several occasions to look at the feasibility of developing locally based recycling solutions in line with Highland, Scottish, UK and EU Directives on Waste diversion from Landfill. The working group consisted of the local Highland Council member and various Council departments, CASE, environmental bodies such as WHAM, SNH and SEPA and local members of the public.

GREAN was formally established as a registered charity no SC031539 in 2001 and is also registered as an environmental body with ENTRUST no 160195. GREAN became a Company Limited by Guarantee on the 21<sup>st</sup> January 2004, Company Number 262247.

#### 3.1.2 GREAN's objectives as recorded with the Inland Revenue are:

To recycle locally produced waste

To reduce landfill

To reduce waste disposal costs incurred by local businesses.

To promote a green identity and establish green credentials for the Golspie area, attracting capital and revenue support

To promote a positive community awareness on waste minimisation

To provide and support educational initiatives on waste minimisation

To assist agriculture locally

To attract interest, including tourist interest to community activity in Golspie which will result in revenue to the area

To establish core enterprises initially and thereafter add on further linked enterprises as and when resources and opportunities become available.

To provide job opportunities with an emphasis on social inclusion when resources and opportunities become available

3.1.3 GREAN took as its first priority to raise environmental awareness, to undertake environmental education and to encourage the take up of recycling through kerbside collections within Golspie.

To date GREAN have been directly involved in the kerbside collection and recycling of paper, card, cans, textiles, bicycles and lawnmowers and, uniquely in Highland, plastics, in Golspie, Dornoch, Helmsdale, Brora and Lairg/Bonar Bridge; waste awareness and education; a community composting and garden scheme in Golspie; and the provision of New Deal training placements.

## 3.2 Structure.

### 3.2.1

A Board of Management of 6 Directors has overall control with three of the Board Members taking up the posts of Chairman, Vice-Chairman, and Treasurer. Policy direction and monitoring of progress are provided by the Board of Management, which is elected at the AGM and drawn from local concerned individuals.

The Project Manager is the overall manager for the project on a day-to-day basis with all staff reporting directly to him. In addition, the Project Manager reports directly to the Board of Management and is a member of the Board as Company Secretary. The Chairman acts as his line manager.

### 3.2.3

The company currently employs 16 full time staff and benefits from the services of a small group of regular volunteers who run the Community Garden scheme. Of the 16 full time employees 14 have been recruited either through training placements or from unemployment. In addition, 6 under 21 have some level of disability.

## **4.0 Background to the continuation of the Project**

### 4.1 General

Since January 2005 GREAN has been providing a kerbside collection on behalf of Highland Council. This was initially just in Golspie but in April 2006 this service was widened out to take in all significant conurbations within the South East and Central area of Sutherland. The main settlements of Golspie, Brora, Dornoch, Lairg, Bonar/Ardgay and Helmsdale were included as well as all the minor settlements accessible from the main routes.

### 4.2 Collections

From an initial estimate of around 190 tonnes from Golspie GREAN are now estimating that in 2007/08 they will collect and process around 635 tonnes and in 2008/09 around 1017 tonnes.

GREAN works on a weekly cycle of collections of household recyclates from the various settlements. Each day two 3.5 tonne vans each with a 2 tonne trailer leave the Golspie depot for the day's collection. Crews of three, two pickers and one driver uplift kerbside boxes and bags on regular rounds. Materials already partially sorted by householders are separated as far as possible at the kerbside and new bags are returned.

On return to the depot the material coming in from the collections is separated and processed throughout the day and to achieve the highest price for the separated recycle this must be done mainly by hand. The processing is the most labour intensive part of the operation with up to 9 people being involved in this work each day and they average around 4 tonnes per day throughput.

This level of kerbside collection and processing is labour intensive and requires all the 16 full time employees to achieve these results.

#### 4.3. Funding

The income to fund this operation comes primarily through a Service Level Agreement with Highland Council using funds from the Scottish Government's Strategic Waste Fund, as well as deferred Gate Fee and Landfill Tax Savings from Highland Council.

GREAN has grown from a turnover in 2004/5 less than £100,000 to almost £320,000 in 2007/08. During this time employment has risen from 4 to 16 and the number of households services from around 200 to 3000

In light of the Scottish Government's Budget Spending Review 2007 the funding for this vital work will need to come from the Block Grant that Highland Council receives from the Scottish Government and there is a level of uncertainty regarding the continued funding.

## **5. Economic Impact Assessment**

### 5.1 Background.

This assessment will focus on the current business and the additional indirect and induced jobs created from this. In we will look at the additional funds that the project creates in East and Central Sutherland and from this the further indirect and induced employment created.

### 5.2 Methodology

The Economic Impact Assessment is based on the estimated employment and income figures to the end of March 2008. We have not taken this estimate into further years as it is difficult to estimate income after this point.

All multiplier indices have been taken from the Scottish Government's Type 1 and 2 Output, Income and Employment Multipliers Scotland 2003, the latest figures available.

The use of both Type 1 and Type 2 will allow us to estimate both indirect and induced job creation

from the GREAN project.

Through discussions with the Scottish Government's Central Statistics Unit in Edinburgh we are using code 84 Miscellaneous Manufacturing NES which now includes Recycling.

The projections are based on the current project which will cease at the end of March 2008 with the loss of all jobs if a new Service Level Agreement is not secured. A full time equivalent (FTE) post is based on a minimum of 30 hours per week.

### 5.3 Direct Local Economic Impact.

The most immediate impact would be the retention of 16 full-time posts.

Using Type 1 Multipliers the indirect, or downstream, creation of employment would be 16 multiplied by 1.3 equating to 20.8 FTEs of which 4.8 are additional indirect FTEs.

If we then calculate the induced increase in employment using Type 2 Multipliers this would be 16 multiplied by 1.5 equating to 24 FTEs which when we subtract the 20.8 already estimated means 3.2 jobs being created as a result of induced demand.

However, to fully calculate the net benefits of the indirect and induced job creation on the East Sutherland economy we must look at what leakages and displacements will occur due to this increased economic activity.

Due to the type of jobs being created directly there is unlikely to be displacement as there are no other similar jobs locally. However, due to the remoteness of Golspie and the lack of substantial indigenous industry most consumer and business supplies are imported into the area, this leads to considerable leakage in the local economy and therefore we estimate that there will a reduction in local induced employment of 50% thus the total is now

16 direct FTEs  
4.8 indirect FTEs  
1.6 induced FTEs.

Therefore the outcome from the loss of GREAN to the local jobs market would be in the region of 22.4 full time equivalent posts, very significant in local terms.

When you look at where the full time employees of GREAN originated, all bar 2 from either training placements or unemployment, and the fact that 6 of the current workforce has a disability to some degree this number of individuals coming onto the local unemployment register will cause localised problems for Jobcentre Plus.

### 5.4 Economic Impact Household Expenditure

Using the Scottish Executive information it is possible to value the additional expenditure in East Sutherland through the creation of the jobs generated by the project.

With existing project it is difficult to see how any of the existing funding would have come to the Golspie area without the GREAN project being in place. Therefore, in the current financial year it is estimated that GREAN will turnover a total of £318300 has been brought into the Golspie economy. Using Scottish Government statistics on average pay within the East Sutherland and Edderton Ward, average wage 2006 was £26778 (source Nomis/CACI Paycheck 2006) we can deduce that the 6.4 indirect and induced FTEs are bringing in an additional £171380. This gives a total of

around £490,000 additional money into the local economy annually. If we take a figure of 44% displacement due to the remoteness of the area and therefore the potential leakages from the local economy we still have a net loss of around £275k from the economy annually if the project was not to continue.

### 5.5 Other Economic Challenges

The multi-member ward of East Sutherland and Edderton faces some significant challenges in regards to how the potential loss of 16 direct and 6.4 indirect and induced full time jobs could be absorbed within the existing workforce. East Sutherland and Edderton has relatively high numbers of seasonal jobs which results in unemployment levels varying throughout the year. Unemployment, long term unemployment and Incapacity Benefit claim rates are all above the Highland average, as is the Council Tax Benefit claim rate. (Highland Council Ward Statistics 2007)

Using Scottish Government's Index of Multiple Deprivation 2006, no datazones within the Ward were identified as severely deprived but the proportion of people classed as employment deprived and income deprived are both above the Highland average. Average household incomes are the lowest in Highland, with 12.3% of all households having a total income of less than £10,000 per annum. (Highland Council Ward Statistics 2007)

Given these facts it is difficult to see how the existing GREAN workforce of 16, almost all of these coming from Golspie, would be able to be easily absorbed into the local economy as this would be a significant rise in those seeking employment in this small community. This is will made even harder for those made redundant as of the 16, all bar 2, were either unemployed or were placed with GREAN as trainees and 6 have disabilities to some degree.