

## WIRRAL COUNCIL

### CABINET

12 APRIL 2012

<b>SUBJECT</b>	<b>ENVIRONMENTAL STREETSCENE SERVICES CONTRACT FINANCIAL REVIEW</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF TECHNICAL SERVICES</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR DAVE MITCHELL</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The Council's Contract Procedure Rules include a requirement that all financial variations (of over £50,000 for the life of the contract) be reported to Cabinet. This report summarises all relevant variations to the Environmental Streetscene Services Contract authorised by Cabinet, from the inception of the contract in August 2006.
- 1.2 This report also requests growth in the Technical Services Waste Budget 2012/13 of £67,100 to fund the waste disposal and treatment costs of waste collected from Council premises and the Property Count Uplift applicable from 2011/12. This variation to the Budget will require the approval of Council.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Environmental Streetscene Services Contract was awarded to Biffa Waste Services on 8 May 2006 (minute 598 refers) and came into force on 22 August 2006.
- 2.2 During the past five years, the Contract has achieved significant successes including:-
- The borough wide roll-out of the grey and green bin waste collection service to over 145,000 properties, including collections on Bank Holidays.
  - The restructuring and expansion of the garden waste service to over 108,000 properties.
  - The significant improvement in local environmental quality through better street cleansing and related activities has meant we have achieved the challenging Public Service Agreement (PSA) standard.
- 2.3 The Sustainable Communities Overview and Scrutiny Committee review the performance of the Environmental Streetscene Services contract annually. The fifth annual review was presented to Members on 30 January 2012 (Minute 63 refers).
- 2.4 For 2011/12 the value of the core contract with Biffa was £12.594m consisting of £7.805m for waste collection and £4.789m for street cleansing.
- 2.5 At Cabinet on 23 July 2009 (Minute 72 refers) a Contract Review report highlighted the need to fund a contractual Property Count Uplift that we expect to equate to annual growth of around £25,000 per year. This report details the actual requirement based on current property numbers.

## **ONGOING CONTRACT GROWTH REQUIREMENTS**

- 2.6 The Environmental Streetscene Services Contract includes for an annual review and adjustment of contract payments in line with the requirement to collect waste from an increase in the number of households and the impact of movement in base Retail Price Index (RPI) figures over the preceding 12 months. These apply on each 12 month anniversary of the contract start date of August.
- 2.7 Provision of £677,000 has been made in the 2012/13 budget to fund the full year effect of RPI applied in August 2011. There is an agreed formula to reflect the additional properties coming on stream during the preceding twelve months and the number of properties increased by 345 from August 2010 to August 2011 and the full year effect of this increase is £14,100. Cabinet are requested to approve the Property Count Uplift and associated budgetary changes.

## **COUNCIL OFFICE WASTE TREATMENT AND DISPOSAL COSTS**

- 2.8 Since 2010/11 the Council has been required by the Merseyside Waste & Recycling Authority (MWRA) to declare the quantity of residual and recyclable commercial waste it has delivered to them. Previously, this waste was mixed with the household waste tonnage and paid for as part of the annual Waste Disposal levy and, as the quantity of non-household waste was not known, an estimated figure was provided. This figure was under-estimated and based on the tonnage data for two consecutive years, the requirement is now known to be £123,000 p.a. as opposed to the £70,000 p.a. projected in 2010. This difference also reflects the annual increases applied to the cost per tonne to cover increased processing costs including Landfill Tax increases of £8 per tonne per year on residual waste. Cabinet is asked to approve a budgetary increase of £53,000 p.a.

## **2012/13 BUDGET REQUIREMENT SUMMARY**

- 2.9 I request that Cabinet approve an increase in the Waste budget for 2012/13 of £67,100 being £14,100 for the property count uplift and £53,000 for the Council office waste treatment and disposal costs.
- 2.10 I am reviewing the Environmental Streetscene Services Contract and a further report detailing savings opportunities linked to the future of the contract with Biffa Waste Services must be presented to Cabinet no later than June 2012. This links to the timing for the implementation or otherwise of the break clause which is set at August 2013.

## **EFFECT OF FINANCIAL CHANGES (VARIATIONS) TO DATE**

- 2.11 Recent changes to the Contract Procedure Rules (CPR) governing variations to contracts, and in particular the improvement in reporting to Cabinet on variations within Term Contracts such as the Biffa contract as set out in CPR Section 16A. In accordance with CPR 16A.2 and 16A.3, Table 1 identifies all those variations to the contract that have a value greater than £50,000 over the whole of the contract term (2006 to 2020). All variations to the Environmental Streetscene Contract will now be reported annually.

**Table 1: Variations greater than £50,000 in value (Excluding RPI increases)**

<b>Variation</b>	<b>Estimated cost over the contract term (2006-2020, 14 years)</b>	<b>Comment (includes Variation Order (VO) reference).</b>
Expansion of Garden Waste recycling to 10,500 properties	£1.7m	Introduced March 2008 (VO: Biffa 003 raised 23/01/08) Reported to Cabinet 03 April 2008 and 15 January 2009
Expansion of Garden Waste recycling to 4,900 properties*	£1.7m	Introduced March 2008 (VO: Biffa 004 raised 23/01/08) Reported to Cabinet 03 April 2008 and 15 January 2009
Removal of 1 x garden waste collection vehicle as a result of green waste procurement exercise	-£1.6m	From 2010/11: SAVING (Reported to Cabinet 15 June 2010)
Introduction of bulk bin recycling to multi-occ households	£1.7m	Introduced 2009/10 (Approved Cabinet 22 Feb 2010 minute 332 refers. VO: Biffa 005 raised 28/05/09)
Introduction of exclusion round to multi-occ households	£912k	Introduced 2009/10 (Approved Cabinet 22 Feb 2010 minute 332 refers) VO: Biffa 012 raised 19/03/12
Abandoned bin removal service	£56k	Introduced 2011/12 VO: Biffa 013 raised 19/03/12 From Provisional Items approved Cabinet 8 May 2006
Introduction of kerbside recycling to hard to reach properties	£69k	Introduced March 2011 VO: Biffa 008 raised 05/01/11 From Provisional Items approved Cabinet 8 May 2006
Removal of Schools service street Cleansing resource (1 x large mechanical sweeper)	-£540k	From April 2011: SAVING VO: Biffa 011 raised 31/05/11 Budget Cabinet 21 Feb 2011
Keep It Local Deep Cleanse Initiative	£85k (One off option 2011/12)	VO: Biffa 010 raised 21/04/11 Budget Cabinet 21 Feb 2011
Embankment Cleanse	£131k	VO: Biffa 014 raised 19/03/12 Introduced April 2008 From Provisional Items approved Cabinet 8 May 2006

\*Same cost as VO Biffa 003 as whole refuse collection vehicle resource required.  
3,300 properties to be added at no extra cost April 2012.

2.12 The impact of these variations on the contract is shown in Table 2. In summary the overall cost of the contract has increased by over £2.8m p.a. since its commencement in August 2006. This increase is associated with the service changes detailed above, the compounding RPI and property uplift changes.

**Table 2: Additional annual costs to the Environmental Streetscene Services Contract applied since the Contract start date of August 2006**

Area	Additional costs (p.a.) as of 2011/12
Service changes (excluding RPI)	£383,635
Inflation (RPI)	£2,339, 819*
Property Uplift	£127068
<b>Total</b>	<b>£2,850,522</b>

\*Includes RPI for core contract costs only plus service enhancements detailed in Table 1. Excludes RPI for variable provisional items such as rapid responses, "match day" cleansing, bin deliveries and bulky waste collections.

### **3.0 RELEVANT RISKS**

- 3.1 If the Waste budget is not increased then compensatory savings will have to be identified which could impact upon the delivery of services.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The other option is to identify compensatory savings which cannot be identified. The review of the future of the Environmental Streetscene Services Contract is to be reported to Cabinet by June 2012.

### **5.0 CONSULTATION**

- 5.1 No consultation has been required as a result of the recommendations proposed.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 6.1 There are no implications arising from this report.

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 7.1 The financial implications are for an increase in the Waste budget for 2012/13 of £67,100 being £14,100 for the property count uplift and £53,000 for the Council office waste treatment and disposal costs.
- 7.2 The management of the Environmental Streetscene Services contract will be contained within existing staffing resources.

### **8.0 LEGAL IMPLICATIONS**

- 8.1 There are no legal implications arising from this report.

### **9.0 EQUALITIES IMPLICATIONS**

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?  
No because there is no relevance to equality.

## 10.0 CARBON REDUCTION IMPLICATIONS

10.1 All current and planned activity surrounding waste collection aims to reduce overall waste arising and divert waste from landfill, supporting the reduction in carbon.

## 11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning implications arising from this report.

## 12.0 RECOMMENDATION/S

12.1 Cabinet is requested to: -

- (1) Approve the budget growth for 2012/13 onwards totalling £14,100 associated with the Property Count Uplift adjustment per section 2.7 of this report;
- (2) Approve the budget growth for 2012/13 of £53,000 to fund the disposal and treatment costs of the Council's own waste arisings per section 2.8 of this report;
- (3) Note all financial variations to the Environmental Streetscene Contract over the value of £50,000 in accordance with Contract Procedure Rules 16A.2 and 16A.3 as detailed in section 2.11 of this report.

## 17.0 REASON FOR RECOMMENDATIONS

17.1 The increased budget ensures that the Environmental Streetscene Services Contract is fully funded to August 2012 and that financial variations are reported in accordance with Contract Procedure Rule 16A.

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## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: Environmental Streetscene Services Contract Review	23 July 2009
Cabinet: Budget 2011/12	22 February 2010
Cabinet Budget 2012/13	21 February 2012