

# Wirral Council Waste, Recycling & Cleansing Services

Extension Proposal, Biffa Municipal Limited  
October 2014

## Background

This contract is a high profile contract for Biffa and is the largest in its portfolio. This, along with the excellent relationship we have with the Council and the excellent services we have provided and developed in partnership over the last 8 years, provides the platform for our discussions and this revised offer to extend the contract to 2027.

The Council has considered an initial offer and we have had subsequent discussions with officers on how and where the Council would like us to improve our offer.

We have taken into account all the feedback and discussions to produce this offer which, we believe, meets the Council's expectations.

## Summary of Offer

Whilst the Council values the quality of service we provide and the relationship we have developed over the last eight years, we understand that the primary requirement to extend the contract is to provide a straightforward discount within the current term that continues through the extended term to represent what the Council believes is value for money.

The financial side of the offer is as follows:

Financial Year	2014/15	2015/16	2016/17	Extension Years	Total Discount - Current Term	Total Discount - Extended Term
Discount	£500,000	£700,000	£1,000,000	£1,065,000	£2,200,000	£13,382,500

This is an offer only Biffa can make and includes:

1. A change of the indexation mechanism to CPI in the extended term;
2. The additional capital cost of replacing the current RCVs with Twin Packs if the Council decides to collect food waste separately. If the Council decides not to we will convert this to a further discount of £65,000 per year (included in the table above);

Compared to our previous offer considered by Wirral Council members, this offer provides the following improvements:

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- An additional £450,000 in the current contract term
- An additional £3,757,500 in the extended term

The rest of this document explains the details behind the discount numbers, as well as added value offerings.

## The structure of the £1m discount

The discount is two-fold, in that it is both an increase in a straight cash offer, but also a response to the request to tidy up some contract rates that do not reflect the cost of carrying out certain service elements. Whilst we are paid for a service and not a level of resource, we understand the Council's position here and are happy to use this exercise tidy up rates as follows:

<b>Discount Description</b>	<b>Annual Discount</b>
Original Offer	£750,000
New Brighton Seasonal Cleansing	£21,000
Bulk bins – parks & countryside	£20,000
Increased discount	£209,000
<b>TOTAL Discount</b>	<b>£1,000,000</b>

This offer has been made based on the current financial performance of the contract, so any further adjustments to individual rates are incorporated into the discount, i.e. any further tidying up of rates must not reduce Biffa's overall contract income. Clearly the existing variation procedure remains.

## Added Value

There are other elements of our offer that are difficult to quantify in financial terms, but add genuine value to our offer. These are:

- *Twin Packs* - Whilst the £65,000 per year offer relating to Twin Packs replacing standard RCVs does not apply to the current term of the contract, it genuinely adds value (£65,000 per year for the additional 10.5 years) to our proposal from both a financial and future-proofing perspective;
- *Weekend cleansing* – we currently provide weekend cover in areas that were amended by the 2013 street cleansing variation. This is over and above the requirements of the variation order, costs around £35,000 per year at no cost to the Council, and we commit to continuing this arrangement;
- *360° cameras* – we commit to providing this technology on all new green waste collection vehicles and at least one on each other collection service element. This will cost Biffa around £10,000 per year;
- *Break clause* – we are happy that the break clause remains in the contract and is put back to 2023. However there are three conditions of this:

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1. The break can only be exercised in the event of Wirral Council procuring a joint contract either with other Merseyside local authorities, or Cheshire West and Chester;
2. Compensation on termination will be payable based on the net book value of assets, outstanding interest payments (both on a straight line basis over 10.5 years), exit costs, and loss of overhead (3% of turnover at the time extrapolated to 2027);
3. Compensation will not apply if Biffa is awarded the replacement joint contract;

## **Resolution of other issues**

*Removal of AWC rounds* – We confirm that this offer is not linked in any way to the removal of AWC rounds, and is therefore not double-counted.

Should we be able to remove any AWC rounds as previously discussed, we will share the net savings on a 50:50 basis. In considering the removal of AWC rounds we need to be mindful of the commitment we gave of no further redundancies, when we negotiated the street cleansing variation order last year.

However, the Council may wish to consider an alternative proposal to absorb household growth to a capped level at no additional cost. Should this be of interest we will develop an offer.

*Joint monitoring officer* – we are happy to accept the Council's proposed variation to amend the joint-funded post from a communications officer to a joint monitoring officer.

*Neighbourhood working* – We commit to working on this basis and will form detailed proposals for this on acceptance of this offer.

*PDAs/In-Cab technology* – In keeping with our continuous improvement obligations, we commit to upgrading the Springboard system to the LLPG version and to re-training staff to use the system more effectively.