

ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE

Monday, 15th July 2024

REPORT TITLE:	REFUSE COLLECTION & STREET CLEANSING CONTRACT REVIEW – OUTLINE BUSINESS CASE
REPORT OF:	DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT SUMMARY

This report provides members of the Environment, Climate Emergency and Transport Committee with recommendations for the future service delivery of waste collection and street cleansing services for Wirral.

Wirral Council has a legal duty to collect household waste and to carry out street cleansing activity. A contract is in place for delivery of waste collection and street cleansing services, which expires in August 2027 with no further option to extend. As such, the Council commissioned Eunomia Research and Consulting Ltd (Eunomia) to support a review of its waste collection and street cleansing contract, to thoroughly assess the options for waste collection and street cleansing service provision from August 2027.

This report and appendices pertained present the Outline Business Case (OBC), following a detailed assessment of the different service delivery options, below:

- Full in-house provision.
- A fully outsourced contract.
- Delivery via a local authority trading company (LATCo).
- or a combination of one or other of the above.

The OBC focuses on the service delivery aspect of the waste collection and street cleansing review. Its purpose is to outline the service delivery options available, whilst considering the risks and financial implications of the options, to allow Members to selectively review which options to proceed with to a Full Business Case (FBC).

Following both financial and qualitative assessment of each the options, the fully outsourced option is ranked as the most favourable, with the full LATCo option second. The spilt service delivery options were the least favourable.

As part of the FBC, a second phase, beginning in June 2024, will focus on the service specification, including how waste and recycling will be collected from households in Wirral and the street cleansing services required. The FBC will be presented to this Committee, later this year.

This report aligns to the following themes within the Council's strategic plan - **'Wirral Working Together: A Council Plan for 2023 – 2027:**

Theme 1: 'Working Together to create a more efficient, effective and accessible Council'.

Theme 5: 'Working Together to protect our environment'.

This matter affects all Wards within the Borough. This is a key decision.

RECOMMENDATION/S

The Environment, Climate Emergency and Transport Committee is requested to:

1. Note the attached Outline Business Case.
2. Instruct the Director of Neighbourhoods to prepare a Full Business Case with focus on exploring a fully outsourced provision, a full LATCo provision and outsourced waste collection with in-house street cleansing provision, to be presented to Committee later this year.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Based on the analysis carried out, considering costs and risks, the most favourable options to take forward for further consideration to Full Business Case are the fully outsourced option and the full LATCo option.
- 1.2 The Officer recommendation to exclude both the fully in-house provision (Option B), as well as Retender Waste Services, bring Cleansing into a LATCo (Option E) from the phase 2 Full Business Case, are based on both the financial performance, and associated risks as identified in the OBC.
- 1.3 The option to bring street cleansing in-house, while keeping waste collection outsourced (Option D), is a locally favoured option, that will be investigated further, to provide Committee with a full range of options.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The current waste collection and street cleansing contract expires in August 2027, with no option to extend. As such, the Council must either re-tender the services or provide the services in-house or via a LATCo, to continue to meet our legal obligations as a waste collection authority.

3.0 BACKGROUND INFORMATION

- 3.1 The Council provides waste and recycling collections for approximately 147,000 households in the Borough. Since 2006, refuse collection and most street cleansing services have been provided through a contract with Biffa Waste Services. The current waste and street cleansing contract is terminating in August 2027, with no further option to extend. The contract with Biffa includes: all household waste and recycling collections; waste collection from Council premises and schools; and street cleansing of adopted highways, pavements, and alleyways. Collection of litter and fly tipping on other Council land, including parks, is not part of this contract.
- 3.2 A multi-service contract review board, chaired by the Director of Neighbourhood Services as the nominated Senior Responsible Officer, was established in May 2023 to review current waste collection and street cleansing provision and prepare for the future provision post August 2027. The board meets monthly, reviewing works undertaken, monitoring progress against delivery timelines, managing issues and risks as well as unpicking any blockages, or challenges.
- 3.3 To support this work, the Board commissioned Eunomia Research & Consulting Ltd (Eunomia) to assess various service delivery models for the future delivery of waste collection and street cleansing services in Wirral post August 2027. Eunomia are an environmental consulting company with nearly 25 years' experience in resource efficiency and waste management. Their services include policy, strategy, and implementation, helping organisations reduce human impact on the planet. They have worked with over 1,000 clients within both public and private sector settings.

3.4 Eunomia were asked to consider current and expected legislation in the context of Wirral Council's services; local, regional and national strategies; the Wirral Plan; the Council's Local Plan; delivery models employed by similar councils; industry trends and innovation; and various aspects of operational delivery, including human resources, infrastructure, client function, information and communication technology (ICT), fleet management, procurement processes, implementation costs, and staffing adjustments that may be necessary with each option. The output of the assessment was the production of the OBC attached to this report, recommending at least two viable options to take forward for further analysis in a full business case in the second phase of work.

The OBC considered the following:

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|----------------------|--|
| 1. Strategic | Strategic fit and case for change |
| 2. Economic | Value for money and options appraisal |
| 3. Commercial | Procurement constraints/assumptions |
| 4. Financial | Estimated costs and/or savings / affordability |
| 5. Management | Resource requirements / achievability |

3.5 To complete the cost modelling, Eunomia worked closely with the Council and Biffa to gather detailed employee data and cost information regarding vehicle and overhead costs. All data provided by Biffa was clearly labelled within the model alongside Eunomia assumptions, and the basis for these assumptions. The next step was to build a cost model of the current baseline service and calibrate the 2022/2023 baseline costs, to ensure that all costs are captured in the baseline as accurately as possible. The final step in the process was to model each future delivery cost. Each future option was modelled for 2027, which aligns with the end of the current contract with Biffa. All costs were uplifted using indexation, to reflect estimated inflationary impacts between 2022/23 and 2027.

The Outline Business Case is attached as Appendix 1.

3.6 Once the final preferred delivery model has been identified to deliver these services, the Council will focus on developing the new specification for the delivery of waste collection and street cleansing services from August 2027, as well as procurement (if necessary) and mobilisation plans. The FBC will be presented to Committee later this year.

3.7 In parallel to the appraisal of options for delivery of Waste Collection and Street Cleansing, a new Waste Management Strategy is also being developed, to capture changes in legislation and ensure that the Council's waste collection service is fit for purpose to deliver the climate emergency and zero waste targets. The new Waste Management Strategy will also be presented to this Committee later this year.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The current budget for 2024/25 financial year for waste and street cleansing for contractor payments is £15.5m. Each year, the contract attracts a Consumer Price Index uplift, and this is applied at the beginning of each financial year. By the time the contract expires in 2027, the contract cost is likely to be in the region of £16m.
- 4.2 All of the options explored include a separate weekly collection of food waste, as this is a new legal requirement. The Government has committed to providing reasonable 'New Burdens' funding for the implementation and on-going running costs of the food waste collection service.
- 4.3 Finance officers are working with the Waste and Environmental Services team, to establish the financial envelope to deliver services in the future. This will include the implementation and mobilisations costs, plus communications with residents.
- 4.4 The key financial benefits of this project are derived from identifying the best value option for the delivery of waste collection and street cleansing services beyond August 2027. Figure 9 demonstrates the cost of each option compared to the baseline. In all options, the cost in 2027 is higher than the baseline cost. This is predominantly due to the introduction of food waste collections. As all options incur increased costs for the Council, the financial benefits do not reflect financial savings but identifying the most suitable option. There are a number of financial considerations for each option, which are outlined, below. The full financial case can be found within section 8 of the OBC.
- 4.5 It should be noted that the financials within the OBC are based on the costs of the current specification of the waste and street cleansing contract. In addition to rising costs because of inflation and introduction of food waste by 2027, other factors to consider include the introduction of services that are not currently part of the contract, such as weed spraying. It is possible that any introduction of new services will create efficiencies through economies of scale for the Council, however, any move away from current contract specification will have a significant bearing on the cost of the individual Waste Service, which would contribute to further rising costs.
- 4.6 The options considered for financial appraisal within the OBC include a fully out-sourced contract (Option A), fully in-house provision (Option B), delivery of all services via a local authority trading company (LATCo) (Option C), outsourced waste contract with in-house street cleansing (Option D) or outsourced waste contract with in-house LATCo street cleansing (Option E). A summary of the financials and associated rankings can be found in Table 1, below.
- 4.7 Option A: Retendering (Outsourcing) All Services
- Transition and mobilisation costs are expected to be £4.41m, with the cost of the contract in the first year being £18.32m. This is the second cheapest of the five options and was the highest scoring option on the qualitative assessment.
 - It should, however, be noted that this option is subject to ongoing transitional and mobilisation costs, of £0.38m per annum, increasing the yearly cost to £18.7m.

- This option has the benefit of allowing sharing of cost and performance risks with contractor including excess profit via a 'profit share' mechanism.
- However, reduced competition due to depot restrictions may increase contract costs.
- Total cost over 16 years: £303.16m, the second lowest of the 5 delivery model options.

4.8 Option B: Delivering All Services In-House

- Transition and mobilisation costs are expected to be £5.34m, the second lowest ranking, with the cost of the first year being £18.71m. This is the third cheapest of the five options.
- Unlike Options A, D or E, this option is not subject to any ongoing annual transitional and remobilisation costs.
- It should be noted with this option that the Council has full exposure to all financial and performance risks.
- High transition and mobilisation costs are attached to this option as a new depot(s) would have to be sought and/or upgrades to existing sites implemented.
- Higher pension costs would also apply as staff would be entitled to LGPS.
- However, despite these costs, an all-in-house model would allow for greater visibility of spend and greater control over budgets.
- Total cost over 16 years: £304.68m, the mid-point of all five delivery model options.

4.9 Option C: Delivering All Services via a LATco

- Transition and mobilisation costs are expected to be £5.71m, with the first costs being £18.06m. This is the cheapest of the five options, although the one-off mobilisation costs are high due to the requirement of the council needing to find a depot(s).
- It should however be noted with this option, that pension costs are lower than an in-house service.
- This model also allows for greater visibility of spend and greater control over budgets. Although the LATCo model does come with full exposure to all financial and performance risks.
- There may be more opportunities for income generation so long as 80% of its services are provided for Wirral. Any surplus associated with chargeable services could (after covering operational costs) be reinvested back into services.
- Total cost over 16 years: £294.70m, the lowest total cost of all five delivery model options.

4.10 Option D: Retendering Waste Services, and Bringing Cleansing In-House

- Transition and mobilisation costs are expected to be £2.54m, with the cost of the contract in the first year being £19.19m. This is the most expensive of the five options and has the second highest one-off mobilisation costs. This model is also subject to ongoing annual mobilisation costs of £0.32m per annum, increasing annual costs to £19.52m.
- It should be noted that within this model, street cleansing staff would be entitled to LGPS.
- This option does allow for greater visibility of street cleansing spend and greater control over budgets. However, the Council has full exposure to all financial and performance risks of the street cleansing service.
- Total cost over 16 years: £318.43m, the highest total cost of all five delivery model options.

4.11 Option E: Retendering Waste Services and Bringing Cleansing into a LATCo

- Transition and mobilisation costs are expected to be £2.94m, with the cost of the contract in the first year being £19.09m. Not only is this the second most expensive of the five options, but it also has the highest one-off mobilisation cost of £6.97m. This option is also subject to ongoing annual mobilisation costs of £0.38m per annum, increasing annual costs to £19.47m.
- Unlike the fully in-house model, the LATCo part of this model would not be subject to the same pay conditions, and therefore pension costs for this option would be lower.
- As with the other LATCo models within the OBC, this option allows for greater visibility of spend and greater control over budgets, as well as the opportunity for income generation as long as 80% of its services are provided for Wirral. However, with that comes with the added risk of full exposure to all financial and performance risks.
- Total cost over 16 years: £318.10m, the second highest cost of all five delivery model options, although only marginally.

4.12 Table 1: Financial overview and rankings of the 5 delivery model options.

	Option A	Option B	Option C	Option D	Option E
Financial Cost	£18.32m	£18.71	£18.06	£19.19m	£19.09m
Ranking	2	3	1	5	4
One off Remobilisation Costs	£4.41m	£5.34m	£5.71m	£6.57m	£6.97m
Ranking	1	2	3	4	5
Annual Remobilisation Costs	£0.38m	£0	£0	£0.32m	£0.38m
Ranking	3	1	1	2	3
Total Cost Over 16 Years*	£303.16m	£304.68m	£294.70m	£318.43m	£318.10m
Ranking	2	3	1	5	4

Qualitative Assessment	71%	54%	54%	42%	45%
Ranking	1	2	2	3	4
Total Ranking	9	11	8	19	20

*Total costs based on first year cost *16 years. This does not account for any RPI/CPI. As inflation increases, so too will costs.

- 4.13 Table 1 above shows the financial costings of each of the models, as well as their respective rankings against the other options. Further detail on the qualitative assessment criteria can be found in section 6.2 of the OBC. The full financial overview can be found within Section 8 of the attached OBC.

5.0 LEGAL IMPLICATIONS

- 5.1 Wirral Council is required by the Environmental Protection Act 1990 to provide collections of household waste.
- 5.2 The Environment Act 2021 placed new requirements on the Council to collect a wider range of materials from households, including food, plastic pots, tubs and trays, and other packaging. This will be resolved as part of the FBC.
- 5.3 The Council has a duty of care under Section 89 (1) and (2) of the Environmental Protection Act 1990, to keep specified land clear of litter and refuse, and to keep public highways for which they are responsible clean.
- 5.4 As part of the FBC, full legal consideration will need to be undertaken regarding the LATCo status and relationship with the Council as a trading arm, including governance, finance, risk, and legal implications.
- 5.5 There is no option to further extend the current contract. The Council must have either procured a new contract or made alternative provision for the services to be delivered either in-house or via a LATCo from August 2027.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Mobilisation and implementation costs and initial investments requirements will be determined and developed as part of a preferred option to be selected by this Committee.
- 6.2 The FBC will be developed with support from an external consultancy and overseen by the contract review board. The 'second phase' consultancy support is currently being procured. The FBC will provide full details on the Council's capacity to deliver or facilitate the waste collection and street cleansing services in the future, including the structure and capacity of the Waste and Environmental Services Team, and well as IT, HR, and Finance.

7.0 RELEVANT RISKS

- 7.1 Information on the key risks faced by the Neighbourhood Services Directorate and the organisation and the associated mitigations and planned actions are set out in the in the Corporate, Directorate, and Refuse Collection & Street Cleansing Review Programme's risk registers. The review of risk and mitigation oversight is managed via the contract review board in liaison with the Audit & Risk Compliance Team.
- 7.2 As part of the reviews included in the OBC, Eunomia have listed the main risks for each option, and these have been factored into our considerations. The risks identified for each of the options are:

Option A – Retender (outsourcing)	<ul style="list-style-type: none"> • The Council is unable to source suitable depot space and requires bidders to provide one instead which may restrict competition (the last time it was tendered the Council received two bids)
Option B – In house delivery	<ul style="list-style-type: none"> • The Council is unable to source suitable depot space. • The Council is unable to recruit suitable management personnel to mobilise and manage the service. • Council has full exposure to all financial and performance risks. • Higher operational risk as new in-house service for the Council. • There may be differences in terms & conditions between TUPE'd staff and council employees, which may cause issues.
Option C – Deliver via a LATCo	<ul style="list-style-type: none"> • The LATCo is unable to source suitable depot space. • The LATCo is unable to recruit suitable management personnel to mobilise and manage the service. • LATCo has full exposure to all financial and performance risks. • There may be differences in terms & conditions between TUPE'd staff and council employees which may cause issues.
Option D - Retender Waste Services, bring cleansing in-house	<ul style="list-style-type: none"> • The Council is unable to recruit suitable management personnel to mobilise and manage the service. • Council has full exposure to all financial and performance risks of the street cleansing service. • Division of responsibility between waste

	<p>and street cleansing needs to be very clear.</p> <ul style="list-style-type: none"> • Lack of depot for waste and smaller contract may make it less attractive to the market.
Option E - Retender Waste Services, bring Cleansing into a LATCo	<ul style="list-style-type: none"> • The LATCo is unable to recruit suitable management personnel to mobilise and manage the street cleansing service. • Waste collection bidders will have to provide a depot which may limit competition. • A combined waste and cleansing service might be more attractive to service providers. • LATCo has full exposure to all financial and performance risks.

7.3 In addition, Eunomia carried out a detailed risk assessment, reviewing each of the options against an agreed set of criteria. The criteria selected as the basis for the evaluation are based upon Eunomia's experience of the key factors which impact decision making regarding services of this type and scale. The criterion being assessed as well as their weightings, were agreed with the Council and are outlined, with the results, in Section 6.2, Table 4, of the OBC.

7.4 Proactive project risk management and issue resolution has been undertaken within the context of the corporate risk management methodology. This has included the contract review board conducting several deep dive review exercises. Significant risks can be seen below: -

Category	Risk	Mitigation
Finance	<p>Resources aren't adequately determined and allocated, taking into account the Council's other interdependencies.</p> <p>The Council MTFP and budget pressures could result in inadequate ongoing funding available when preferred options are agreed in order to fully implement the new solution.</p>	<ul style="list-style-type: none"> • A robust contingency plan developed. • Regular reporting to Investment and Change Board. • Effective project management controls. • Appropriate procurement frameworks in place. • Soft market testing and engagement. • Ongoing dialogue with current and potential contractors. • Engagement with similar councils. • Sufficient reserves. • Advice from consultants. • Support from Head of Finance, providing assurance to board.
Political	Changes to the Political landscape and/or changing statutory guidance.	<ul style="list-style-type: none"> • Ensure compliance with statutory duties/legal requirements via members

	<p>Electoral activity could impact the original project scope/approach/delivery timescales of the project and our ability to remain compliant.</p>	<p>of legal and democratic services representation on the strategic board.</p> <ul style="list-style-type: none"> • Regular dialogue with Department for Environment, Food & Rural Affairs (DEFRA). • Regular communication to SLT. • Veolia/MRWA supporting mitigation of proposed changes.
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8.0 ENGAGEMENT/CONSULTATION

- 8.1 Officers have been engaging with the Committee’s Chair and Party Spokes in regular briefings through a so called ‘Hot House’ briefing programme and committee workshops. There have been a number of these sessions covered related topics, as well as Member workshops and presentations, which have shaped and informed the recommendations of the report.
- 8.2 Officers are currently planning engagement with residents about new legislative changes for waste management and proposed new refuse collection system, that will be coming into force and the timeline around those changes. The consultation is planned for late summer 2024 and the results of the consultation will be included in the FBC.
- 8.3 Officers are engaging regularly with the LCR Joint Waste Partnership Manager, to establish connections with the LCR Zero Waste Strategy and collection system modelling options.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. A full Equality Impact Assessment will be carried out as part of the phase 2 service design and production of the FBC.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The approach to the future contract and service delivery model for refuse collection and street cleansing is an integral part of the Council’s response to the Environment and Climate Emergency Declaration and Environment & Climate Emergency Policy.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 The Community Wealth principles will be completed as part of the FBC.

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APPENDICES

Appendix 1 – Outline Business Case

BACKGROUND PAPERS

Environment Act 2021 - <https://www.legislation.gov.uk/ukpga/2021/30/contents/enacted>
DEFRA Simpler Recycling - <https://www.gov.uk/government/consultations/consistency-in-household-and-business-recycling-in-england/outcome/government-response>

TERMS OF REFERENCE

This report is being considered by the Environment, Climate Emergency & Transport Committee in accordance with section (g) of its Terms of Reference, in relation to waste and as waste collection authority, litter authority, including but not limited to dealing with litter, street cleansing, abandoned vehicles and dog fouling, and the Council's relationship with Merseyside Recycling & Waste Authority (MRWA) as the joint waste disposal authority.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
No related reports in the last 3 years.	N/A