



ENVIRONMENT, CLIMATE EMERGENCY AND TRANSPORT COMMITTEE

Monday, 27 January 2025

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

REPORT SUMMARY

This report provides this Committee with recommendations for the future service delivery of the Council’s refuse collection and street cleansing services for Wirral.

The Council has a legal duty to collect household recycling, 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 the Council’s full review of its refuse collection and street cleansing contract, to assess the options for waste collection and street cleansing service provision from August 2027.

This Committee received an Outline Business Case (OBC) in July 2024, following the completion of the first phase of the service review. Committee approved the OBC and resolved that 3 service delivery options were taken forward for detailed scrutiny as part of the development of the Full Business Case (FBC), these options being:

- A fully outsourced contract.
- Delivery via a Local Area Trading Company (LATCo); and
- Outsourcing waste collection but insourcing street cleansing.

Following the completion of the FBC, which included the financial and qualitative assessments of each the options, the fully outsourced option was identified as the most favourable service delivery option. The LATCo option was deemed to be too high-risk following detailed scrutiny by both internal legal officers and Eunomia Consulting Ltd. The outsourcing of refuse collection and insourced street cleansing service delivery option was considered the least favourable, being expensive to implement and establish and exposing the Council to high levels of risk.

This report supports the Council Plan: Wirral Working Together 2023-27 specifically the ‘Protecting our Environment and Safe, Resilient and Engaged Communities themes’. This FBC is a fundamental aspect of the delivery of that theme.

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

RECOMMENDATION/S

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

- (1) Approve the Full Business Case for outsourcing of refuse and recycling collection and street cleansing services under a new contract as attached at Appendix 1; and

- (2) Authorise the Director of Neighbourhood Services to:
 - a. commence a competitive tendering exercise for the new contract for the provision of refuse and recycling collection and street cleansing services to commence in Spring 2025; and
 - b. bring a report back to this Committee with full costs and further information following the completion of the tender exercise, to seek approval to award the contract.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 As part of this Committee's review of the Outline Business Case in July 2024, 3 service delivery options were taken forward for detailed scrutiny as part of the FBC. Several other service delivery options were not taken forward for the Full Business Case, with the reasons for this set out in the Outline Business Case.
- 1.2 The Officer recommendation to exclude both the fully in-house provision, as well as Retender Waste Services and bring Street Cleansing into a LATCo from the phase 2 Full Business Case, were based on both the financial performance, and associated risks as identified in the OBC.
- 1.3 The Officer recommendation to fully outsource the Waste Services and Street Cleansing is based on financial and risk implications which can be found within the Full Business Case (Appendix 1).
- 1.4 The recommendations will ensure that the Council continues to progress the future of this important statutory service and ensures value for money whilst complying with the relevant provisions of the Environment Act 2021.

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.
- 2.2 The alternative options that have been considered are those set out within the Full Business Case (FBC) – Appendix 1 to this report.
- 2.3 The project management board conducted a soft market engagement exercise, and this provided valuable insight into several issues, particularly regarding procurement methods and service innovation. In the Full Business Case, the preferred procurement arrangement proposed is the use of a new Competitive Flexible Procedure. That has now been amended to Competitive Flexible Procedure based on the market engagement feedback and advice from the Council's external legal advisors for the project. A Competitive Flexible Procedure can be undertaken in a similar timeframe as Competitive Procedure with Negotiation and the process includes additional flexibility. Bidders in this market are also familiar with this approach which reduces the likelihood of non-compliance with the rules.

3.0 BACKGROUND INFORMATION

- 3.1 The Council provides waste and recycling collections for approximately 147,000 households in the Wirral 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 has met monthly, reviewing works undertaken, monitoring progress against delivery timelines, managing issues and risks, as well as unpicking any blockages, or challenges.
- 3.3 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 FBC attached to this report.
- 3.4 The purpose of the FBC is to recommend the option which has the potential to deliver the best outcomes for the Council and align with Wirral's Council Plan and the wider Liverpool Region Zero Waste 2040 Strategic Framework and delivers value for money for the residents of Wirral.
- 3.5 The purpose of this FBC is to focus on the preferred commissioning option for the services, not on specific waste collection methodologies. The ability to change services in the future has been factored into the qualitative assessment of each of the options.
- 3.6 To complete the cost modelling, Eunomia worked closely with the Council and Biffa to gather detailed information regarding vehicle and overhead costs. 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.
- 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 environment & climate emergency and zero waste targets.

The new Waste Management Strategy will be presented to this Committee in March 2025.

- 3.8 A Soft Market Engagement Notice was published on 26th July 2024 and closed on 24th September 2024
- 3.9 The Council received a good response from the market, with five responses received from the following organisations:
- Bagnall & Morris (Waste Services) Ltd
 - Biffa Waste Services Ltd
 - FCC Environment (UK) Limited
 - SUEZ Recycling and Recovery UK Ltd
 - Veolia Environmental Services
- 3.10 A further summary of the soft market testing exercise can be found within Table 4.1 of the Full Business Case as set out in Appendix 1 of this report.

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. This figure does not include the additional finance required to collect food waste from April 2026 until contract end, which is expected to be in the region of £2.9m including inflationary increases from the current Biffa quote. The additional finance of £2.9m is Council related. Other items relating to partner organisations are still to be determined, but it is expected this will be in the region of £3.1m in total. Wirral Council are working collaboratively with the Merseyside Recycling Waste Authority to collect household & non-household food waste from 2026.
- 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 have been 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. 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 several financial considerations for each option, which are outlined, below.

- 4.5 It should be noted that the financials within the FBC 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 As is the case for all English local authorities, the Council is still awaiting further clarity from Government in terms of the revenue costs impact of the 'New Burdens' funding. It is currently unclear if there will be a budget pressure.
- 4.7 To review the full options appraisal, including financial detail, advantages and disadvantages and associated risks, please refer to Appendix 1.
- 4.8 The costs for services will be contained within available budget provision, which is yet to be formally approved given that the contract will commence in 2027. Economically advantageous quotes will be considered as part of the tender process; as budget provision across years is subject to change then contract amounts may need to be varied during the life of the contract. The tender process will include appropriate mitigating measures to address this.

5.0 LEGAL IMPLICATIONS

- 5.1 The Council has a statutory duty under the Environmental Protection Act 1990 to provide collections of household waste and recycling.
- 5.2 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 to keep clean.
- 5.3 The Environment Act 2021 placed new requirements on the Council to collect a wider range of materials for recycling from households, including food, plastic pots, tubs and trays, and other packaging. This will be addressed as part of the FBC.
- 5.4 Early market engagement is now specifically permitted in the legislation when using Prior Information Notices. This means buyers can talk openly to suppliers about the procurement before the tender is released and this is what officers have been doing.
- 5.5 A new legal regime under the Public Procurement Act 2023 will come into full force and effect on 24th February 2025. This Act will replace the Public Contracts Regulations 2015, the Utilities Contracts Regulations 2016, the Concession Contracts Regulations 2016 and the Defence & Security Public Contracts Regulations 2011. As a result, all the procurement rules applicable in the UK (outside Scotland) will be found in a single, consolidated instrument.
- 5.6 The tender for the new contract for recycling and waste collection is due to commence in Spring 2025, and the procurement exercise will be governed by and

will comply with the Procurement Act 2023. The Board will have to ensure that the suite of procurement documents is updated to reflect the new legislation. This presents a risk to delay in completing the documents.

- 5.7 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will be applicable to the staff currently employed by Biffa to provide the services, should Biffa not be successful in winning the contract.
- 5.8 As part of the FBC, full legal consideration has been undertaken regarding the option to incorporate a LATCo to deliver the waste and recycling and street cleansing services, including governance, finance, risk, and legal implications. The same consideration was applied to review the option of insourcing street cleansing. Both copies of these papers can be found within the Full Business Case (Appendix 1).

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 recommendation to be selected by this Committee.
- 6.2 The FBC has been developed with support from Eunomia and overseen by the strategic contract review board. The recommended option of outsourcing both refuse collection and street cleansing will mean that the Council does not require any additional contract management resource. However, for the pending future refuse collection system change, there will be additional resource requirements, such as ICT, HR, and Finance. This will be set for future consideration by this committee.

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 Council’s Audit & Risk Compliance Team.
- 7.2 As part of the reviews included in the FBC, Eunomia detailed the main risks for each option, which can be found within Appendix 1.
- 7.3 Proactive project risk management and issue resolution has been undertaken within the context of the corporate risk management methodology. This has included the Council’s Strategic Contract Review Board conducting several deep dive review exercises. Significant risks detailed below (a more detailed copy of the risk and issues log is available upon request):

Category	Risk
Financial	Resources aren’t adequately determined and allocated, considering the Council’s other interdependencies.

	The Council MTFP and budget pressures could result in inadequate ongoing funding available when preferred options are agreed to fully implement the new solution.
Political	Changes to the Political landscape and/or changing statutory guidance. Electoral activity could impact the original project scope/approach/delivery timescales of the project and our ability to remain compliant.
Financial	Not receiving new burdens funding in time. There will be a significant impact if the Council does not receive clarification of the revenue funding with sufficient notice to implement the new food waste service.

7.4 An internal audit review of the operation of the current Refuse Collection and Street Cleansing Contract was carried out in the autumn of 2024, one of the reasons for this task was to provide assurances and any necessary input into the ongoing processes for the future management of refuse collection and street cleansing services. Feedback from engagement with Committee members highlighted a request and expectation that the review exercise will drive service innovation and that existing performance related issues will be resolved as part of the new management arrangements.

7.5 There was a positive outcome from the audit and the Audit & Risk Management Committee, subsequently acknowledged that ‘for a contract of this size that the evaluation of the governance, performance, and financial aspects examined, did not lead to any high priority or urgent recommendations’. The internal audit report was presented at Audit & Risk Management Committee (AMRC) meeting 22 October 2024.

8.0 ENGAGEMENT/CONSULTATION

8.1 Committee will be aware that a longstanding briefing programme, referred to as the ‘Hot House Briefing Programme’, has been delivered to keep Members updated on the service review and provide technical details of the considerations going into the review. Through the Hot House Briefing programme, officers have been engaging with the Committee’s Chair and Party Spokespersons, delivering over 12 bespoke sessions on relevant topics, all of which were recorded.

8.2 Officers are currently planning engagement with residents to shape the Council’s new Waste Management Strategy, responding to new legislative changes for waste management and proposed new refuse collection system, that will be coming into force and the timeline around those changes.

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. An equality impact assessment will be undertaken as part of the development of the specification.

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 tender process.

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APPENDICES

Appendix 1 – Wirral Borough Council Full Business Case (FBC) FINAL

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
Environment, Climate Emergency and Transport Committee - Outline Business Case (OBC) report	15 th July 2024