

## **WIRRAL COUNCIL**

**CABINET – 23<sup>rd</sup> JULY 2009**

### **REPORT OF THE DIRECTOR OF TECHNICAL SERVICES**

#### **ENVIRONMENTAL STREETSCENE SERVICES – CONTRACT REVIEW**

##### **1.0 EXECUTIVE SUMMARY**

- 1.1 The Environmental Streetscene Services contract with Biffa has now been in operation for over two years and the purpose of this report is to advise Cabinet of matters relating to the contract which have financial implications.
- 1.2. Since the inception of the contract a budgetary shortfall relating to inflationary uplifts to the contract sum together with the effect of additional properties coming on-stream has arisen in the sum of £311,000 which has been accommodated mainly through increased recycling activity. In addition a re-engineering of the contract has allowed a permanent saving of £150,000 to be achieved.
- 1.3 Further annual costs of £285,000 as well as the annual property count increase are likely to arise in the near future and it is unlikely that I will be able to fully fund these increased requirements.
- 1.4 I propose to report back to Cabinet in the Autumn when the financial effects of the variations are known with certainty. The report will address the funding of the variations together with any further savings which may result from a current operational review of the Streetscene Services Contract.

##### **2.0 BACKGROUND TO THE CONTRACT**

- 2.1 The new Environmental Streetscene Services contract was awarded to Biffa Waste Services in May 2006 and came into force on 22<sup>nd</sup> August 2006.
- 2.2 During the past 31 months, the contract has achieved significant successes including the following:
  - The borough wide roll-out of the grey bin Alternate Weekly Collection service to over 138,000 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 A comprehensive report outlining the progress of the contract including contract management arrangements and realisation of proposed benefits was presented to Cabinet on 24<sup>th</sup> May 2007.

- 2.4 At the meeting on 3<sup>rd</sup> April 2008, Cabinet approved the use of 2008/9 Waste Capital Infrastructure Grant to fund the roll-out of co-mingled recycling facilities to multi-occupancy properties and on-street recycling facilities in primary and secondary retail areas, and also the progression of the procurement exercise for garden waste treatment facilities (Minute 576 refers).
- 2.5 At Cabinet on 15<sup>th</sup> January 2009, the new Garden Waste Composting Facilities contract commencing 1<sup>st</sup> April 2009 was awarded (Minute 340 refers). This report highlighted financial savings that need to be taken into account as a result of awarding the new contract as well as a number of other issues such as the proposed use of Recycling Credits and financial pressures on the Department's Waste and Environment budgets that would be the subject of a further report.
- 2.6 It is proposed that once the contract matters outlined in this report have been resolved and the overall Waste and Environment Budget has been recast, a further report will be submitted to Cabinet in due course setting out opportunities to value engineer and reduce the revenue cost of the Environmental Streetscene Services contract as requested by Cabinet in the budget resolution of 16<sup>th</sup> October 2008 (Minute 219d refers).

### 3.0 CURRENT CONTRACT VALUE

#### 3.1 Contract Variations to Date

- 3.1.1 At its inception in August 2006, the core contract was fully funded in the sum of £10,553,500. Since that time, however, there have been a number of variations bringing the contract sum to £11,417,400 as at 1 April 2009. These variations are summarised below and shown in full at paragraph 3.1.4:-

<b>Table 1</b>	
<b>Position at 1 April 2009</b>	
	<b>£</b>
Effect of Inflationary Increases to the contract sum	948,800
Inflationary Increases applied to Budget	<u>702,700</u> CR
Inflationary Shortfall	246,100
Additional Property Count	65,100
<b>Total Shortfall</b>	<b><u>311,200</u></b>

- 3.1.2 The contract is still fully funded as the above shortfall has been accommodated by a combination of increased recycling activity and a re-engineering of the contract with the necessary virements being reflected in the Estimates submitted to Cabinet on 23 February 2009. In addition, an efficiency saving of £150,000 with no reduction in service provision has been achieved.

3.1.3 The additional property count of £65,100 is an annual contractual obligation to uplift the contract by an agreed formula to reflect new properties coming on stream during the year and it is unlikely that I will be able to accommodate the whole of the 2009 uplift from within existing resources without impacting on service delivery. In addition, there are permanent increased costs arising during 2009/10 and detailed in paragraph 4.1 which I am also unable to fully fund at present. Similarly, there is no provision for the August 2009 inflationary uplift as the 2009-2010 budgetary allowance has been included as part of the above calculation. Current economic indications are however, that the applicable 2009 inflation uplift will be negligible.

3.1.4 Variations leading up to the contract sum of £11,417,400 at 1 April 2009 are as follows:-

### CORE STREETSCENE CONTRACT

Contract Sum					Budget	
	Payments	Waste Collection	Street Cleansing	Totals	Budget/ Amendments	Cumulative Shortfall Contract v Budget
2006/07	Annual Amount (£)	6,506,500	4,047,000	10,553,500	10,553,500	
2007/08	Savings	<b>-93,800</b>	<b>-56,200</b>	<b>-150,000</b>	<b>-150,000</b>	
	Property Count	40,000		40,000		
	Inflation (3.83%)	247,100	152,800	399,900	266,000	
	Total	6,699,800	4,143,600	10,843,400	10,669,500	<b>-173,900</b>
2008/09	Property Count	25,100		25,100		
	Inflation (5.05%)	339,600	209,300	548,900	215,200	
	Total	7,064,500	4,352,900	11,417,400	10,884,700	<b>-532,700</b>
2009/10	Property Count			0		
	Inflation			0	221,500	
	Total	7,064,500	4,352,900	11,417,400	11,106,200	<b>-311,200</b>

## 4.0 ENVIRONMENTAL STREETSCENE SERVICES CONTRACT – MATTERS REQUIRING RESOLUTION

### 4.1 Multi-Occupancy dwellings

There are currently two types of existing collection rounds scheduled that are in the process of moving across to a full recycling service:

- 4.1.1 Round 1 (exclusion round): Residual bins (240 litre) collected on a weekly basis, mainly communal bins used by all residents at the property.

In total this round services 138 multi occupancy locations covering approximately 2400 households. For the Environmental Streetscene Contract, it was assumed these properties would move to an alternate weekly collection service identical to that received by the majority of households in the borough. However, a detailed audit revealed many to be unsuitable, primarily due to space restrictions. Biffa are currently servicing these properties on a weekly residual round and have agreed not to charge the Council for this extra resource up until March 2009. The on-going cost to the Council to provide a weekly residual collection to this round (known as the "exclusion round") is £114,300 for April 2009/10 and will be subject to inflation.

- 4.1.2 Round 2: Residual bulk bins collected on a weekly basis, mainly communal bins used by all residents at the property.

In total there are 429 locations on this round, covering approximately 10,000 households. There will be various solutions implemented at these sites, ranging from weekly residual and weekly recycling to alternate weekly collections. The Environmental Streetscene Contract allows for the current level of residual collections, but excludes any recycling services. Biffa have proposed to provide a dedicated recycling round to service these locations and the full year effect of this cost is £171,000 (subject to inflation). Once these Rounds 1 and 2 are in receipt of full recycling services, the Council will work with RSL's and private landlords to reduce the number of locations on a weekly residual service in order to reduce the additional resource requirements in the longer term.

## **4.2 Garden Waste**

- 4.2.1 The financial commitment to deliver the new garden waste contract is already included within the 09/10 budget, however delays to the mobilisation of the green waste contract have occurred. This is due to Health and Safety concerns identified with the preferred bidders reception facility.
- 4.2.2 An independent Health and Safety review is being commissioned to report on the current condition of the site and if required, provide a list of improvements to be actioned. Technical Services is committed to working with the preferred bidder to resolve these issues as a matter of urgency. The review is due to be completed in June. In the unfortunate event that health and safety matters cannot be resolved, the Council will have to consider its options with regards to the existing procurement options.

## **4.3 Variations as a result of changes to household count**

- 4.3.1 The 2006/7 and 2007/8 property counts have resulted in an additional 1860 households requiring servicing since the Environmental Streetscene Contract was initiated in August 2006. In accordance with an agreed formula within the Environmental Streetscene Contract, this has resulted in a Property Count Uplift of £65,100 to be paid to the contractor. This additional financial commitment has been accommodated within existing resources in the waste budget to date, but it is proposed that provision for future uplifts will need to be made.

## 5.0 FUTURE CONSIDERATIONS

### 5.1 Bag round (Hard to reach round)

- 5.1.1 Approximately 500 households have their residual waste collected weekly in black bags. This service is fully funded through the Environmental Streetscene Contract. By 2010, these properties must also be able to recycle at least 2 materials from home in order for the Council to comply to the Household Waste Recycling Act 2003. The round is to be reviewed over the summer in order to reduce the round as much as possible and to explore alternative collection regimes for these residents. There are likely to be financial implications arising from any proposals (in the region of up to £50,000, which will be submitted to Cabinet in Autumn 2009.

### 5.2 On Street Recycling

- 5.2.1 The Council is currently piloting 22 on-street recycling bins in order to capture recyclable waste from shoppers. It has been agreed through the Partnering Board that Biffa will service these bins free of charge. In return, the Council have agreed to remove 22 mixed glass banks from across the borough once the rollout of recycling to multi-occupancy dwellings has been completed. Separated glass banks (serviced directly by a glass re-processing contractor) will remain at existing bring site locations such as Supermarkets. The results of the pilot and financial implications of any future proposals will be presented to Cabinet in Autumn 2009, along with recommendations for the future of this scheme.

## 6.0 FINANCIAL IMPLICATIONS

### 6.1 Additional Requirements

- 6.1.1 As highlighted in paragraph 4.1, the additional full-year effect arising during 2009-2010 are as follows:-

	<b>£</b>
Bulk Recycling	171,000
Exclusion Round	114,300
<b>Total</b>	<b>285,300</b>

- 6.1.2 The Property Count Uplift applicable from August is likely to be in the region of £25,000 in the current year.
- 6.1.3 Through maximising recycling credits and further re-engineering of the contract I should be able to contribute £100,000 towards the above increased requirements.
- 6.1.4 A summary of additional requirements, excluding the Property Count Uplift is given below.

<b>Table 2</b>	
	<b>£</b>
Bulk Recycling	171,000
Exclusion Round	114,300
Service Re-Engineering / Recycling Credits	100,000 CR
<b>Total</b>	<b>185,300</b>

## **6.2 Garden Waste Contract**

- 6.2.1 As detailed in paragraph 4.2, delays in the mobilisation of the new garden waste reception facility means that the previous contractor continues to process Garden Waste. As the gate fee is higher than budgeted for and the location of the site attracts additional transport costs the service is incurring an additional financing requirement of approximately £23,000 per month from 1<sup>st</sup> April 2009.
- 6.2.2 The full financial implications arising from the delay to the mobilisation of the reception facility will be reported to Cabinet once the outcome of the independent health and safety review has been completed and I am able to establish the best course of action to take in order to complete the procurement exercise.

## **7.0 EQUAL OPPORTUNITIES IMPLICATIONS**

- 7.1 There are no specific equal opportunity implications arising from this report.

## **8.0 PLANNING IMPLICATIONS**

- 8.1 There are no specific planning implications arising from this report.

## **9.0 COMMUNITY SAFETY IMPLICATIONS**

- 9.1 There are no implications under this heading.

## **10.0 ANTI-POVERTY IMPLICATIONS**

- 10.1 There are no implications under this heading.

## **11.0 SOCIAL INCLUSION IMPLICATIONS**

- 11.1 There are no implications under this heading.

## **12.0 HUMAN RIGHTS IMPLICATIONS**

- 12.1 There are no specific human rights implications arising directly from this report.

## **13.0 LOCAL AGENDA 21 IMPLICATIONS**

- 13.1 All current and planned activity surrounding waste collection aims to reduce overall waste arising and divert waste from landfill, supporting LA 21 objectives.

## **14.0 ACCESS TO INFORMATION ACT**

14.1 No background papers have been used in the preparation of this report.

## **15.0 LOCAL MEMBER SUPPORT IMPLICATIONS.**

15.1 The Environmental Streetscene Services Contract affects all wards across the Borough.

## **16.0 RECOMMENDATIONS**

16.1 Cabinet is requested to:-

- (1) Note the permanent increased costs of £185,300 applicable from 2009-2010 as detailed in section 6.1;
- (2) Note the proposed inclusion in the Technical Services budget the effect of the contractual Property Count Uplift on an annual basis throughout the remaining life of the contract and commencing from August 2009;
- (3) Instruct the Director of Technical Services to report the outcome of the Environmental Streetscene Contract Value Engineering exercise to Cabinet in Autumn 2009 to enable any necessary growth in revenue budget to be approved.

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