

**FUTURE WASTE SERVICES OUTLINE BUSINESS CASE****WDA/14/26****Recommendation**

That Members

1. Support the launch of a procurement programme to replace the current Waste Management and Recycling Contract by approving the Outline Business Case (OBC);
2. Endorse the proposed Future Waste Services (FWS) strategy which seeks to invest in: a new Materials Recovery Facility (MRF); upgraded and improved Household Waste Recycling Centres (HWRCs); and a new Waste Transfer Facility;
3. Approve the formal commencement of procurement, in accordance with the Procurement Strategy set out in the OBC, to seek a replacement contractor(s) in respect of the management of the MRF, HWRCs, Transfer Stations, Haulage services; food waste disposal services; and garden waste disposal services; and
4. Approve the use of Authority financial resources to undertake the procurement including the delegation to the Chief Executive, acting in consultation with the FWS Project Board, Director of Finance and Monitoring Officer, for the associated contractual, technical and financial decisions necessary to facilitate the procurement, prior to the award of any replacement waste management contract being approved by the Authority.

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## **FUTURE WASTE SERVICES OUTLINE BUSINESS CASE**

**WDA/14/26**

### **Report of the Chief Executive**

#### **1. Purpose of the Report**

- 1.1 This report sets out the key direction of travel for the Authority's procurement strategy to replace the services provided through current Waste Management and Recycling Contract ("WMRC") which expires in 2029 and seeks approval of the associated Outline Business Case. It summarises what replacement and new services are required from the market, how the services will be packaged to attract the optimum response from the market and how those new services will be paid for. The Report is supplemented by an Outline Business Case which uses the HM Treasury 'Green Book' model to assess the strategic, economic, commercial, financial and managerial considerations ('cases') of the approach.
- 1.2 The report seeks the approval from Members to the recommendations as set out.

#### **2. Background**

- 2.1 This report sets out the key direction of travel for the Authority's procurement strategy for infrastructure and services which will replace the current WMRC which expires in 2029.
- 2.2 The Authority entered into the WMRC with Veolia ES Merseyside and Halton Ltd (Veolia) in June 2009. The initial term of the contract was for 20 years, which means that the contract will be in place until 2029, subject to a potential five-year extension at the Authority's discretion. The contract involves a range of waste services being provided for Merseyside and its constituent Districts as well as for Halton Borough Council who delegated the function to MRWA for this contract.
- 2.3 Key services under the existing contract include: 16 Household Waste Recycling Centres ("HWRC"), 2 Materials Recovery Facilities ("MRF"), 4 Waste Transfer Stations ("WTS"); and associated haulage and recyclables reprocessing. All services are considered for procurement along with improving and maximising the re-use of items delivered into the system and a greater emphasis on social value, education and carbon reduction.

2.4 This report follows a number of previous reports and presentations to the Authority. More details and background to the project can be found in the previous Authority paper **Contract Procurement WDA10/23**.

2.5 The OBC is appended to this report.

### **3. The five-case model for the OBC**

3.1 The OBC provides qualitative and quantitative analysis to help support the Authority's decision making using the HM Treasury 'five case' model as set out in the Green Book<sup>1</sup>.

3.2 In the **Strategic Case**, MRWA's current waste challenges are set out, including policy changes and wider 'Net Zero' ambitions of the Authority and the Liverpool City Region (LCR).

3.3 The MRWA Zero Waste Strategy commits MRWA to develop a procurement plan to support the delivery of future reuse and recyclable waste treatment and disposal services, and residual waste haulage from 2029 onwards. From April 2026, Simpler Recycling requires the mandatory collection of a set of recyclable materials including Pots, Tubs and Trays and the weekly collection of food waste. Plastic bags and films will be required to be collected separately by April 2027.

3.4 The **Economic Case** identifies the waste service delivery options available to MRWA, being recommended scenarios to help group similar services into procurement packages and through their appraisal identifies the Preferred Option.

3.5 The Economic case approached the options analysis through two lenses: qualitative and quantitative.

3.6 The qualitative analysis assessed whether the options would have: a strategic fit with MRWA objectives; would be attractive to the market; and deliverability; and

3.7 The quantitative analysis assessed whether the options would provide value for money.

3.8 From this combined analysis a preferred option was identified for taking forward for Authority decision-making.

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<sup>1</sup>The Green Book is the government's guidance on appraisal, the process of assessing the costs, benefits and risks of different options for achieving government objectives. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

- 3.9 The **Commercial Case** considered the optimal contracting options, procurement strategy and delivery model for the preferred option identified through the Strategic Case and Economic Case.
- 3.10 The **Financial Case** set out the funding requirements of the Preferred Option and its notional affordability position over a 30-year term. The analysis demonstrated that the project as recommended is affordable.
- 3.11 The **Management Case** considered the role of governance and stakeholders in the project to ensure that the Authority had the appropriate controls and processes in place for the programme. A further section set out how the Authority would assess and monitor the benefits from the programme.
- 3.12 In whole, the OBC provides a comprehensive review of the procurement options available to the Authority and generated a preferred option to take forward.

#### **4. Key attributes and development of the Preferred Option**

- 4.1 To assess the options available to the Authority, a set of Critical Success Factors ('CSFs') were identified and against these possible options (scenarios) were tested.
- 4.2 The CSFs are as set out in Table 1:

| <b>Green Book CSF</b>                         | <b>Description<br/>How well the option performs:</b>                                  | <b>MRWA Future Waste Services CSF</b>                   |
|---|---|---|
| CSF1 - Strategic fit and meets business needs | Meets the agreed spending objectives, related business needs and service requirements | CSF-1.1 Improve recycling rate                          |
|   |   | CSF-1.2 Compliance with National policy and legislation |
|   |   | CSF-1.3 Delivery programme can meet target dates        |
|   | Provides holistic fit and synergy with other strategies, programmes and projects      | CSF-1.4 Waste prevention / reduction                    |
|   |   | CSF-1.5 Reuse, repair and refurbishment                 |
|   |   | CSF-1.6 Education and awareness and behaviour change    |
|   |   | CSF 1.7 Circular economy and localism                   |
|   |   | CSF-1.8 Consistent with MRWA strategy                   |
| CSF-2 Potential                               | Optimises social value (social, economic and environmental), in                       | CSF-2.1 Enhanced social Value                           |
|   |   | CSF-2.2 Carbon impact and climate change                |

| <b>Green Book CSF</b>                     | <b>Description<br/>How well the option performs:</b>   | <b>MRWA Future Waste Services CSF</b>   |
|---|--|---|
| value for money                           | terms of the potential costs, benefits and risks   | CSF- 2.3 Biodiversity   |
| CSF-3<br>Supplier capacity and capability | Matches the ability of potential suppliers to deliver the required services                  | CSF 3.1 Matches the ability of potential suppliers to deliver the required services |
|   | Appeals to the supply side   | CSF 3.2 Likely to be attractive to the supplier market                              |
| CSF-4<br>Potential affordability          | Can be financed from available funds   | CSF 4.1 Level of capital required   |
|   |  | CSF 4.2 Level of revenue spend  |
|   | Aligns with sourcing constraints   | CSF 4.3 Likely to attract investment  |
| CSF-5<br>Potential achievability          | Is likely to be delivered given an organisation's ability to respond to the changes required | CSF-5.1 Flexibility to respond to changing demands                                  |
|   |  | Matches the level of available skills required for successful delivery              |
|   |  | CSF -5.2 Skills are available in the market   |
|   |  | CSF-5.3 Capacity available in the market  |

#### 4.3 Against these CSFs, five scenarios were tested for best fit:

Scenario 1 - Business as usual – this is a non-compliant option because of the requirements of Simpler Recycling;

Scenario 2 - Do minimum - additional pickers at the current MRF and food waste transfer stations. Food waste merchant contract is managed by MRWA;

Scenario 3 – Moderate investment and new MRF that uses traditional separation technologies and systems. Reuse shops at some HWRCs. Garden and food waste merchant contract is managed by MRWA.

Scenario 4 – Higher investment and new MRF using advanced robotics and AI systems. New WTS in St Helens and investment in HWRCs. Reuse shops at some HWRCs, offsite reuse shops and a reuse hub. New garden waste facility. Food waste merchant contract is managed by MRWA.

Scenario 5 – is a ‘Hybrid’ solution of Scenario 3 and 4:

- From Scenario 4 – a new MRF using advanced robotics and AI systems. New WTS in St Helens and investment in HWRCs, and reuse; and
- From Scenario 3 - Garden and food waste merchant contracts managed by MRWA

4.4 Scenario 1 (Business as Usual) was discounted as it was not compliant with ‘Simpler Recycling’ requirements and anticipated future changes and need for a more flexible system.

4.5 Scenario 4 was also discounted as it assumed both a new food waste facility and a new garden waste facility. The former – which would require building an Anaerobic Digester (“AD”) for food waste – was discounted as not currently viable (although it could be in the future) and the latter was deemed not necessary because of good merchant provision for the disposal of garden waste in the region.

4.6 Three Scenarios (2, 3 and 5) were therefore taken forward for detailed financial modelling.

4.7 Scenario 5 provided the best combination of meeting the CSFs and providing value for money. Scenario 5 therefore became the ‘Preferred Option’.

## **5. Characteristics of the Preferred Option and route to market**

5.1 The Preferred Option had a number of key characteristics:

- It identified that a new-build MRF would best suit the Authority’s future requirements for Dry Mixed Recyclable disposal;
- It identified opportunities to invest in new, upgraded or replacement HWRCs and Waste Transfer Stations;
- It provided a cost-effective solution to future food and garden waste disposal without the need to build an AD in the near future.

5.2 These attributes supported the recommendation to ‘package’ the services into four contracts suitable for market testing and procurement.

5.3 The four packages recommended to take forward are therefore referred to as follows:

- Package 1: **HWH** – comprising of the HWRCs, Waste Transfer Stations and Haulage
- Package 2: **MRF** – a new build Materials Recovery Facility
- Package 3: **Garden Waste** (Merchant Contract)
- Package 4: **Food Waste** (Merchant Contract)

5.4 Further development is required on the detail of the procurements, particularly in Package 1, HWH, as this will require input from the Districts and – as it may change services provided through HWRCs - public consultation.

5.5 No binding proposals are made on investment in HWRCs in the OBC (which would be subject to Authority approval). The OBC uses potential investment examples to create a financial envelope to support affordability analysis.

## **6. Source of Finance**

6.1 The forecast net nominal cost of the Preferred Option over the 25-year term (being payments to the Contractor) plus the additional 5 years of costs (to align with the anticipated life of the assets) is £1,738m which is net of anticipated recharges to Halton Borough Council and revenue expected to be generated e.g. sale of recyclables put to the market.

6.2 At this stage it is believed that the above costs can be contained within the Authority's financial objective of limiting the overall annual levy increase to 2.5% (notwithstanding the implications of forthcoming government legislation such as the Emissions Trading Scheme). The full financial implications will become better understood as the project develops and bidders present their proposals.

6.3 The above Preferred Option is predicated on the investment required of £182.5m, (being £82.1m for Package 1 (HWH) and £100.4m for Package 2 (MRF)).

6.4 As outlined in Capital and Treasury Management strategies approved by Members in February, an opportunity exists for MRWA to finance all or part of the investment required, which could deliver a benefit to MRWA given its ability to borrow money at preferential rates through bodies such as the Public Works Loan Board in comparison to fully utilising external finance. A significant proportion of MRWA funding is currently factored into the financial projections and this will be explored further prior to and during procurement.

- 6.5 Other potential cost mitigation measures, should they be required in order for the proposal to remain affordable, include revisiting the scope of proposed capital investment, reviewing service requirements or altering the method of indexation to alter the profile of payments over the contract life.

## **7. Other considerations**

- 7.1 The OBC also considered the following:
- 7.2 Whether the current contract should be extended. The current contract is not fit for purpose. It does not fully promote recycling and reuse, has facilities and contract terms which restrict MRWA's ability to comply with developing legislation and is silent on Social Value.
- 7.3 Whether the services be brought 'in house'. The Authority is not set up as a 'small-medium' business and does not have the structure or capacity to manage approximately 300 transferring staff and the day-to-day operations of a complex waste system with all of the inherent risks that entails. Procuring the services of an experienced contractor is preferable.

## **8. Risk Implications**

- 8.1 The Strategic Case sets out the main strategic risks (Paragraph 2.7) that could materially impact or constrain the opportunity to achieve the desired outcomes and are for that reason broad, as follows:
- i. Ongoing regulatory uncertainty and legislative change relating to Simpler Recycling, Extended Producer Responsibility, and Deposit Return Scheme proposals, the Emissions Trading Scheme (ETS), which may affect the design of the procurement process, contracting strategy and detailed service requirements (e.g. the capacity and functionality of the required waste management facilities). This means that there is a need to ensure that flexibility is built into the process to deliver the replacement to the WMRC and the contract(s) will need to account for ongoing uncertainty.
  - ii. It is imperative that replacement services are provided from the point of expiry of the WMRC Contract, and a failure to make arrangements to secure these is therefore a key risk.
  - iii. That the handover of the services to the new contractor(s) does not run smoothly, especially as the current integrated/single contractor model may be replaced by several different contractors.

- iv. Lack of internal and external resources within the MRWA which puts the delivery of the procurement process and a new contract and its outcome at jeopardy.
- v. The form of contract (or the packaging of the services) and/or the rules for the procurement process fail to attract sufficient market interest to ensure competition - or worst-case result in no deliverable bid for a particular service package or lot.
- vi. Lack of meaningful engagement with stakeholders resulting in opposition to the proposed service delivery model arising from the OBC or in relation to proposals by bidders in response.
- vii. Public opposition to changes to HWRC services: MRWA intend to run a public consultation about any proposals, but HWRC changes are typically perceived as controversial.

8.2 The project risk register is a live document and will be subject to change throughout the duration of the project. Each risk has an owner, and the register is reviewed monthly by the Programme Board.

## **9. Environmental implications**

- 9.1 Proceeding with the recommended Option 5 presents MRWA with the best opportunity to achieve the ZWS objectives and the environmental benefits the Strategy is intended to achieve.

## **10. HR Implications**

- 10.1 Following the procurement process, MRWA will have at least 5 contracts to manage, rather than the single integrated WMRC. A more disaggregated contract structure brings with it potential interface risks which could demand more management time. However, keeping the main transfer station and haulage contract together with HWRCs reduces this risk.
- 10.2 MRWA will need to consider the impact of these additional contracts on its internal teams' structure and prepare for any additional resource deemed necessary to be in place in advance of the transfer to new arrangements.

## **11. Financial Implications**

- 11.1 The forecast financial implications of the proposed Future Waste Services Contracts are set out in the economic and financial case sections of the Outline Business Case. These forecast costs have been incorporated in the

Medium-Term Financial Plan and Capital Strategy approved by Members at the Authority Meeting of 6th February 2026.

- 11.2 A separate budget is set aside to fund the costs of procurement as follows:
- £1.058m for 2025/26 (of which invoiced expenditure as of 28 February 2026 was £0.611m);
  - £4.993m for 2026/27 to 2028/29.
- 11.3 Expenditure against this budget is reported monthly to the FWS Project Board and within the quarterly financial reports submitted to the Authority. Forecast expenditure will be kept under review and in the event of any significant change to the forecast, options will be put to members for consideration and approval.

## **12. Legal Implications**

- 12.1 Procurement of the contracts as set out in the OBC will need to comply all relevant legal requirements such as planning, procurement and commercial.
- 12.2 External legal advisors form a core strand of the project delivery team.

## **13. Conclusion and Next Steps**

- 13.1 The OBC demonstrates a compelling case for the Authority to procure a new set of contracts to replace the existing WMRC contract when it expires in 2029.
- 13.2 This was presented to Members and District Partners at the workshop held in October 2025, and Members provided a positive steer and support for the direction of travel at that workshop.
- 13.3 The new set of contracts will include the construction of a new technology-led MRF and investment in upgrading various HWRCs and WTSs. Food waste and Garden waste services will be provided through merchant contracts.
- 13.4 The level of ambition is affordable and will also provide an opportunity for the Authority to invest capital in the programme thus reducing long-term costs.
- 13.5 The next steps are:
- Work with Districts to agree strategies for HWRCs, Reuse, Social Value and WTSs;
  - Prepare for relevant public consultations; and
  - Prepare procurement documents.

- The Authority will be updated on the progress at appropriate milestones throughout procurement and officers will continue to report to the FWS Project Board monthly.

13.6 Members are therefore requested to approve the recommendations as follows:

- i. Support the launch of a procurement programme to replace the current Waste MRC by approving the Outline Business Case (OBC)
- ii. Endorse the proposed Future Waste Services (FWS) strategy which seeks to invest in: a new Materials Recovery Facility (MRF); upgraded and improved Household Waste Recycling Centres (HWRCs); and a new Waste Transfer Facility;
- iii. Approve the formal commencement of procurement, in accordance with the Procurement Strategy set out in the OBC, to seek a replacement contractor(s) in respect of the management of the MRF, HWRCs, Transfer Stations, Haulage services; food waste disposal services; and garden waste disposal services; and
- iv. Approve the use of Authority financial resources to undertake the procurement including the delegation to the Chief Executive, acting in consultation with the FWS Project Board, Director of Finance and Monitoring Officer, for the associated contractual, technical and financial decisions necessary to facilitate the procurement, prior to the terms of any replacement waste management contract being approved by the Authority.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.