MERSEYSIDE RECYCLING AND WASTE AUTHORITY

FUTURE WASTE SERVICES

Outline Business Case

April 2026

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FUTURE WASTE SERVICES OUTLINE BUSINESS CASE

1 Executive Summary 3
2 Strategic Policies And Objective (Strategic Case)..... 14
3 Economic Case Part 1 – Options Appraisal 32
4 Economic Case Part 2 - Capital and operational cost estimates..... 59
5 Conclusion and Recommendation 79
6 Procurement Delivery (Commercial Case)..... 81
7 Costs, Budgets And Funding (Financial Case)..... 96
8 Management Case..... 97
9 Conclusion 114

10 Appendix

Appendix 1 Waste Flow Model Scenario Assumptions

Appendix 2 Long List Evaluation

Appendix 3 Contract Packaging Options

Appendix 4 MRWA Costings

Appendix 5 Economic and Financial Case supporting information

Appendix 6 MRWA OBC Glossary

Appendix 7 Waste Projection Assumptions

Appendix 8 Social Value

Appendix 9 MRWA Optimism Bias and Operational Risk assessment

Appendix 10 Risk Register

Appendix 11 Terms of Reference

1 EXECUTIVE SUMMARY

1.1 PURPOSE OF THIS OUTLINE BUSINESS CASE

1.1.1. The Merseyside Waste Disposal Authority (MWDA) is the statutory body to make arrangements for the treatment and disposal of Local Authority Collected Waste (LACW) collected by the five Waste Collection Authorities (WCAs) of Knowsley Borough Council, Liverpool City Council, Sefton Borough Council, St Helens Borough Council, Wirral Metropolitan Borough Council and through a separate agreement, provide services for Halton Borough Council (a metropolitan unitary authority). The WCAs and Halton are collectively referred to as 'Districts' in this document. MWDA's public facing name is the Merseyside Recycling and Waste Authority (MRWA) which is the term used throughout this report.

1.1.2. MRWA holds two large waste management contracts:

(a) Waste disposal contract for residual waste, referred to as the Resource Recovery Contract ('RRC') held with Merseyside Energy Recovery Ltd., and operated by Suez (contract period: 2013-2043, with an option to extend to 2048); and

(b) Waste management contract for recyclable waste, and the transfer and haulage of residual waste, referred to as the Waste Management and Recycling Contract ('WMRC') held with Veolia ES Merseyside and Halton Ltd. ('Veolia') (contract period 2009-2029, with an option to extend to 2034).

1.1.3. MRWA is now facing the medium-term prospect that the WMRC will come to an end in 2029 and a decision will need to be made to determine the future arrangements for the management of recyclable waste and transfer and haulage of recyclables and residual waste. It should be considered that there are provisions in the current contract for extending the WMRC for a further five years. However, the current Materials Recovery Facilities (MRFs) are aged and are not designed to sort the additional materials required by UK Governments Simpler Recycling initiative and the Household Waste Recycling Centres (HWRCs) are mostly outdated and in need of modernising to current standards.

1.1.4. This Outline Business Case ('OBC') considers the challenges and opportunities for each potential service delivery and procurement option and uses the methodology set out in the HM Treasury Green Book to identify a Preferred Option for the future arrangements for the management of recyclable waste and transfer and haulage of recyclables and residual waste.

1.1.5. This OBC includes the following key elements:

(a) **Policies and Objectives (Strategic Case):** this element of the OBC makes the case for change and demonstrates how potential service delivery and procurement options fit with the policies and objectives of MRWA and the partner Authorities (i.e. the Waste Collection Authorities (WCA) and Halton Borough Council.

(b) **Options Appraisal (Economic Case):** this element of the OBC appraises options (starting with a longlist then a shortlist) and identifies a Preferred Option. This element is split into two sections: an Options Appraisal and a Costs Assessment.

(c) **Procurement Delivery (Commercial Case):** this element of the OBC considers the approach to procurement and the commercial strategy for the Preferred Option.

(d) **Cost, Budgets and Funding (Financial Case):** this element of the OBC demonstrates the affordability and funding of the Preferred Option.

(e) **Programme Management and Risk (Management Case):** this element of the OBC demonstrates that robust governance and risk arrangements are in place for delivery, monitoring and evaluation of the procurement programme that will be implemented.

1.2 STRATEGIC POLICIES AND OBJECTIVES (STRATEGIC CASE)

1.2.1. The Strategic Case of the OBC demonstrates that change is needed and then defines the scope of this change.

1.2.2. The scope of the OBC is "the waste management contract(s) for recyclable waste, and the transfer and haulage of recyclables and residual waste".

1.2.3. The Liverpool City Region Zero Waste Strategy (LCR ZWS) was approved by the LCR Waste and Resources Partnership in 2025. It sets the strategic direction for the Partnership and aims to achieve zero avoidable waste by 2040. The LCR ZWS will be delivered through the Partnership work programme and individual partner strategies and plans, including the MRWA Zero Waste strategy.

1.2.4. The MRWA Zero Waste Strategy (MRWA ZWS) focuses on the MRWA's contribution to the LCR targets and objectives. Three critical focus areas in the MRWA ZWS include:

(a) the development of MRWA's education programme;

(b) food waste is the largest discrete component of LCR household residual waste by weight and can be most effectively reduced through coordinated awareness, prevention, composting, collection, and treatment initiatives; and

(c) development of reuse and repair services and infrastructure.

1.2.5. The Strategy highlights the need for urgent action on climate change, and the MRWA ZWS demonstrates how zero waste action can reduce waste and carbon emissions for the benefit of people, the planet and the economy.

1.2.6. The LCR and MRWA ZWS commit MRWA to develop a procurement plan to support the delivery of future reuse and recyclable waste treatment and disposal services, and residual waste haulage and transport from 2029 onwards and to report to the Merseyside Councils on the development of the procurement plan. From April 2026, Simpler Recycling requires the mandatory collection of a defined and consistent set of recyclable materials including plastic Pots, Tubs and Trays (PTTs) and the weekly collection of food waste. Plastic bags and films will be required to be collected separately by April 2027. This will require additional provisions at all the current Waste Transfer Stations (WTSs) to receive and manage the additional materials and segregated food waste and the provision of a MRF which can separate all materials collected. The OBC represents the first step towards the implementation of the procurement plan.

1.2.7. The OBC seeks to meet the aims and objectives set out in the MRWA ZWS and also demonstrates there is a market for the delivery of the required services and the potential capability to deliver the services which are required at the expiry of the WMRC.

1.3 OPTIONS APPRAISAL (ECONOMIC CASE)

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

1.3.2. In line with HM Treasury guidance (including Green Book 2022), a longlist of potential waste service delivery options were considered and appraised with reference to the key criteria set by MRWA that reflect the specific Critical Success Factors (CSFs) for the project. These criteria that align with the five Green Book 2022 CSF categories are the attributes that any successful proposal must have if it is to deliver MWRA's objectives.

1.3.3. The MRWA CSFs are as shown in the table below, including demonstration of alignment with Green Book 2022. All longlist service delivery options were subject to a detailed analysis and assessed against the MRWA CSFs.

Table 1-1: Critical Success Factors applied to FWS

Green Book CSF	Description How well the option performs:	MRWA Future Waste Services CSF
CSF-1 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 value for money	Optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks	CSF-2.1 Enhanced social Value
		CSF-2.2 Carbon impact and climate change
		CSF- 2.3 Biodiversity
CSF-3 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 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

Green Book CSF	Description How well the option performs:	MRWA Future Waste Services CSF
CSF-5 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

1.3.4. A longlist of individual service delivery option choices was generated which gradually combined the requirements into four procurement packages for the market. These would become the recommended four service contracts to replace the WRMC.

1.3.5. The four packages taken forward are therefore referred to as follows:

(1) Package 1: **HWH** – comprising of the **H**WRCs, **W**aste Transfer Stations and **H**aulage

(2) Package 2: **MRF** – a new build **M**aterials **R**ecovery **F**acility

(3) Package 3: **Garden** Waste (Merchant Contract)

(4) Package 4: **Food** Waste (Merchant Contract)

1.3.6. A further assessment was carried out which assessed these packages across four initial investment scenarios as follows: (1) Business as Usual ('BAU', no investment); (2) business as usual with legal compliance; (3) low investment; and (4) greater investment.

1.3.7. Following further analysis, Scenario 1, BAU, was not taken forward as it was not compliant with incoming legislation. Further, during the optioning process a hybrid option (Scenario 5) was developed which was a combination of the best package options in Scenarios 3 and 4. Consequently Scenario 4 (high impact) was not taken forward and Scenario 3 was retained as a 'low investment' comparator.

1.3.8. A summary of the three short listed scenarios (2, 3 and 5) which were assessed in detail is set out below. The assessment undertaken led to the identification of Scenario 5 as being the '**Preferred Option'**:

(a) **Scenario 2: Do minimum**

i. This scenario has been included as a Business as Usual (BAU) type comparator, it is not termed BAU as that would imply no change, which would be non-compliant. The key change to BAU being the addition of the temporary food waste transfer buildings at the existing WTSs and additional pickers and equipment at the existing MRFs to allow the collection and processing of additional materials that are required by Simpler Recycling to be separated in 2026. The current MRFs are unable to separate out plastic films which are required to be collected separately from April 2027. Garden waste would continue to be managed by the districts under this scenario, but food waste would be managed by MRWA using merchant facilities. The network of Household Waste Recycling Centres (HWRCs) would remain as it is with minor repairs to maintain their current functionality.

ii. The services under this scenario will be packaged as follows:

(1) Package 1: Household Waste Recycling Centres, Waste Transfer Stations and Haulage (HWH) and MRF.

(2) Package 2: Garden.

(3) Package 3: Food.

(b) **Scenario 3: Moderate change and a new MRF**

i. This scenario reflects a moderate impact/medium impact scenario; it includes the provision of a new MRF which uses traditional separation technologies to separate mixed dry recyclables. Both current MRFs would be closed under this scenario. Some HWRCs would be provided with reuse containers including Formby, Southport, Sefton Meadows, South Sefton, Old Swan, Huyton. New reuse shops would be built at Sefton Meadows and Huyton HWRC's and the former reuse shop at Old Swan HWRC would be reopened. Garden and food waste would be managed by MRWA using merchant facilities. **Appendix 1** (*Waste Flow Model Scenario Assumptions*) provides an overview of the level of investment.

ii. The services under this scenario will be packaged as follows:

(1) Package 1: HWH.

(2) Package 2: MRF.

(3) Package 3: Garden.

(4) Package 4: Food.

(c) **Scenario 5: Large scale change and a new MRF**

i. This scenario reflects a high impact scenario; it includes the provision of a new MRF which will use robotics and Artificial Intelligence (AI) systems able to separate out the mixed dry recyclables further into purer material streams (e.g. plastics into different polymer types). This produces high quality outputs resulting in higher and more secure off take revenues and importantly the flexibility that both MRWA and the WCAs require. Both current MRFs would be closed under this scenario.

ii. This scenario also assumes:

(1) the existing Huyton WTS being rebuilt and a new WTS being built in St Helens;

(2) of the 16 existing HWRCs, some will be replaced or refurbished with the potential option of relocation or expansion; and

(3) Reuse containers would be installed at selected HWRCs, alongside up to seven onsite reuse shops, six offsite reuse shops and a reuse hub.

iii. Any new sites would be subject to site identification and verification.

iv. Garden and food waste would be managed by MRWA using merchant facilities (with the option of considering a food waste Anaerobic Digester project in the future subject to the availability of green gas subsidy).

v. The services under this scenario will be packaged as follows:

(1) Package 1: HWH.

(2) Package 2: MRF.

(3) Package 3: Garden.

(4) Package 4: Food.

vi. The options were considered to reflect a viable spectrum between the minimum and MRWA's preferred amount of change. **It should be noted that these scenarios were for reference purposes only to inform the Financial Case, and are not necessarily what the market will offer &/or what MRWA will eventually procure.**

1.3.9. A simplified summary definition table of the scenarios is set out below:

Table 0-1: Summary of shortlisted scenarios for each package

Scenario *Package*	**Scenario 2** Do minimum	**Scenario 3** Moderate change and new MRF	**Scenario 5** Large scale change and new MRF
Package 1 HWH	Existing HWRC and WTS with minor upgrades	Existing HWRC and WTS with minor upgrades	Existing HWRC and WTS with minor upgrades. Some HWRCs refurbished and replaced. New WTS.
Package 2 MRF	Improvement works and operate at both existing MRFs	New build MRF • Traditional separation technologies	New build MRF • Robotics and AI systems
Package 3 Garden	n/a[1]	Merchant, being MRWA managed	Merchant, being MRWA managed
Package 4 Food	Temporary food buildings at each WTS	Merchant	Merchant

Quantitative Assessment

1.3.10. The quantitative assessment undertaken has been based on building up the cost of each package (e.g. HWH; MRF; Garden; Food) within the Scenario to determine the whole life cost of the relevant Scenarios.

1.3.11. In line with HMT Green Book Guidance, the Preferred Scenario for each Package is based on a balanced judgement of the alignment with MRWA's CSFs (detailed in **paragraph 1.3.3**) and the Net Present Social Cost (NPSC) of each scenario. The Preferred Scenario for each of the Packages, when brought together as a holistic waste service solution, is then taken forward as the Preferred Option.

1.3.12. The Net Present Social Cost (NPSC) of each Scenario has been calculated over a 25-year timeframe (01/06/29 to 31/05/54), which is calculated as the sum of:

[1] Garden waste is currently managed by Sefton Council on behalf of MRWA. However, it is understood that Sefton Council do not wish to continue this arrangement and no alternative organisation has been identified to manage this service. Therefore, there is not a deliverable solution for a "Do Minimum" scenario.

(1) The Net Present Cost ("NPC"), calculated by forecasting the whole-life nominal costs and revenues over the 25-year evaluation period and discounting this by the HMT Green Book discount rate; plus

(2) Adjustments for Optimism Bias and Operating Risk, as detailed in **Appendix 9** (*MRWA Optimism Bias and Operational Risk assessment Report*); less

(3) An adjustment for the monetised value of CSF benefits, as defined in **Appendix 8** (*Social Value*).

1.3.13. As noted in **paragraph 1.3.12**, whilst the Economic Case evaluates each Scenario by comparison with the other Scenarios for that Package, **Table 1-3** provides a summary position based on the aggregation of each Package within the relevant Scenario. Scenario 5 represents the combination of the Preferred Scenario for each Package (HWH – Scenario 4; MRF – Scenario 4; Garden – Scenario 3; Food – Scenario 3).

1.3.14. On this basis, the resulting NPSC and comparative ranking of the Scenarios are as per **Table 1-3** below.

Table 1-3: Net Present Social Cost and ranking for scenarios

£m NPSC	**Scenario 2: Do Minimum**	**Scenario 3: Moderate Change**	**Scenario 5: Large-Scale Change**
NPC of Whole Life Costs	553.2	537.6	620.9
NPC of Optimism Bias	7.6	13.3	19.7
NPC of Operating Risk Adjustment	13.4	9.2	5.3
Risk-Adjusted NPC (WLC + Risk + OB)	**574.2**	**560.0**	**645.9**
Monetised CSF Benefits	(51.6)	(32.1)	(127.8)
Net Present Social Cost	**522.5**	**528.0**	**518.1**
Rank (lowest NPSC ranks 1st)	**2nd**	**3rd**	**1st**

1.3.15. Scenario 5 is identified as the Preferred Option with it deriving the lowest NPSC of the three scenarios. This Scenario, whilst costing more from a risk adjusted NPC perspective can derive greater monetised CSF benefits that result in it having the lowest NPSC, indicating it offers the best value for money, and hence is ranked first.

1.3.16. To deliver Scenario 5, whilst assets will revert when the current Contract ends, investment will be required for specific Packages that make up the Scenario with merchant facility capacity required for other Packages to access treatment capacity, as summarised below:

(A) **Package 1 (HWH)**: Investment in modernising and replacing/refurbishing a number of HWRCs and WTSs (Scenario 4);

(B) **Package 2 (MRF)**: Investment in a new MRF, with robotics & AI technologies (Scenario 4);

(C) **Package 3 (Garden)**: Using merchant services to dispose of and compost collected garden waste (Scenario 3); and

(D) **Package 4 (Food)**: Using merchant facilities to dispose of and compost collected food waste with an option to revisit a new build facility in the future (Scenario 3).

1.4 PROCUREMENT STRATEGY/DELIVERY (COMMERCIAL CASE)

1.4.1. The Commercial Case considers the optimal contracting options, procurement strategy and delivery model for the procurements, focusing on the Preferred Option identified through the Strategic Case and Economic Case outlined above.

CONTRACTING OPTIONS

1.4.2. The Commercial Case considers the contracting options for the Preferred Option and concludes that:

(a) extending the existing WRMC with Veolia is not considered a viable option on the basis that while this approach would have the benefit of using existing assets and resources and would avoid re-procurement costs, these benefits are outweighed by the disadvantages:

i. the form of contract is outdated and does not reflect current market practice – including lacking provisions in respect of social value, carbon requirements and an outdated approach to KPIs;

ii. the contract does not reflect latest policy and statutory requirements and so continuing with the existing assets and services would be statutorily non-compliant;

iii. there are operational concerns with the current contract, including the interface with the RRC and capacity concerns;

iv. there are procurement risks with an extension (as extending on existing terms would, from a technical perspective, be statutorily non-compliant, so the contract would need to be varied giving rise to a risk of the extension being an unlawful direct award under the Procurement Act 2023; and

v. the maximum extension under the WRMC is 5 years, so a further re-procurement would be required in a maximum of 5 years in any event.

(b) In-house service delivery is not considered a viable option on the basis that, while an in-house option would allow MRWA greater control and greater flexibility in service design, with potential cost savings (reduced procurement overheads and internal cost management), these benefits are outweighed by the disadvantages including:

i. the MRWA organisation and governance arrangements are not set up for in-house delivery, and establishing a LATCo structure would require additional costs and complexity, including:

ii. significant workforce implications (the current workforce of approx. 30 personnel would increase by approx. 350 TUPE transfers into the LATCo);

iii. additional administrative infrastructure would be required, with increased liabilities for MRWA (including additional payroll and HR responsibilities and union interfaces; and health and safety and regulatory responsibilities such as permitting);

iv. a requirement for financing underwriting and/or insurances to cover the increased financial liabilities;

v. MRWA would bear all delivery and performance risk, including interface risks and cost and performance uncertainty; and

vi. the procurement would lose the benefit of competition potentially driving market innovation and cost efficiencies and would lose access to the benefits of existing operators' networks of offtakers and suppliers.

(c) The procurement of **new outsourced services** is therefore the **preferred option**, on the basis of the packaging options described in the Strategic and Economic Cases.

DELIVERY OPTIONS

1.4.3. The **Garden Waste** and **Food Waste Packages** are procurements for capacity, with services to be provided from the service providers' own assets. These contracts will be simple service contracts under which the service providers will agree to accept MRWA's waste up to an agreed available capacity threshold.

1.4.4. The **HWH** and **MRF Packages** require both capital assets/expenditure and ongoing service operations. Having considered the various available delivery models for these Packages, the Commercial Case has concluded that:

(a) for the **MRF Package**, as MRWA does not intend to fund the full capital requirements for construction of the asset, private finance will be required. On this basis, a **DBFO** model is the only available delivery option for the MRF Package. Under this model a single private sector contractor is appointed to design, build, finance and operate the project/asset. Once the asset is successfully commissioned, the authority pays the contractor a monthly payment which pays for the provision of services by the contractor, but also the recovery by the contractor (over a long term contract period) of the capital costs incurred in constructing the asset. The contractor will secure the financing for the construction of the asset either from its own balance sheet or the funding market. This model has been used extensively in the UK in the waste sector through the PPP/PFI model.

(b) For the **HWH Package**, there are more delivery model options available depending on the capital investment required and the appetite of MRWA to provide funding. This could include a **DBFO** model as above (if MRWA elects not to fund the full capital cost of the works), or a **DBO** model (under which a single private sector contractor is engaged to design, build and operate the asset, with the public sector authority financing the capital cost) or a **DB&O** model, under which a contractor is appointed to design and build the asset, but a separate contractor is then appointed to operate the asset.

PROCUREMENT ROUTES

1.4.5. The procurement of the 4 Packages will be subject to the requirements of the Procurement Act 2023. Having considered the available procurement procedures available under that Act, the Commercial Case concludes that the **Competitive Flexible Procedure** is the most appropriate procedure for these procurements. This procedure replaces the previous multi-stage procedures (e.g. the restricted procedure, competitive dialogue and negotiated procedure under the previous Public Contract Regulations 2015), with a single adaptable framework with a customisable structure which can be tailored to the requirements of each procurement. This procedure has an emphasis on pre-market (soft market) testing and engagement and allows for a down-selection to a limited number of tenderers with whom MRWA can then engage.

1.4.6. This process also allows for dialogue sessions where specific contractual elements can be discussed with tenderers, allowing the optimal commercial and value for money solutions to be developed with the market.

CONTRACT TERMS

1.4.7. The **HWH** and **MRF Packages** are longer term, complex arrangements which will require clear commercial position and risk allocations to be detailed in the contract terms. These will be bespoke forms of contract, based broadly on established precedents and reflecting risk profiles which are familiar to the market (and, where applicable, "bankable" in order to attract private finance). The terms will reflect current market positions and risks will be allocated within the contract terms taking into consideration the party best placed to manage the risk, recent market positions and value for money considerations. The terms will also reflect lessons learned from the current Veolia arrangements.

1.4.8. The capacity contracts (**Garden Waste** and **Food Waste**) will be relatively simple service contracts, which will be bespoke forms of contract reflecting market standard terms.

PAYMENT MECHANISM

1.4.9. Each Package will require its own bespoke payment mechanism.

1.4.10. The **HWH** and **MRF** Packages which potentially require external finance to fund capital expenditure (subject to MRWA decision as to whether to provide finance) will be based on a unitary charge mechanism[2] for the delivery of the services. The core principles that will apply are as follows:

(a) the unitary charge will only apply once the facility(ies) have passed final Acceptance Tests and commence operation;

(b) the unitary charge will be set through the competitive procurement process and cover servicing the operating costs incurred by the Contractor including repayment and servicing of the external finance it provides;

(c) where Authority funds are used, milestone payments for capital works may be required subject to the contract structure;

(d) service standards and performance levels will be set, with deductions to incentivise the Contractor to deliver the services as required;

(e) income sharing should incentivise the Contractor to maximise revenues generated from sale of recyclate product and/or WTS capacity;

(f) payment will be made monthly in arrears and reflect the performance for the previous month; and

(g) MRWA will only pay for services when there is adequate evidence that they have been delivered.

1.4.11. The project intends to adopt a Payment Mechanism commonly used for waste projects, adapted and updated to reflect current best practice.

1.4.12. The **Garden Waste** and **Food Waste Packages**, which involve accessing merchant capacity, will be based on mechanisms which vary according to tonnage and unit prices, with payments commencing as soon as tonnages are accepted.

1.4.13. Any interim contracts for the **HWH** and **MRF Packages** will likely fall to be somewhere in between those described above. They may be derived from the existing

[2] A Unitary Charge is a single monthly payment designed to cover all core services and any debt financing. It is not a variable charge and is not related to tonnes processed.

arrangements, but simplified to reflect market appetite for short term contracts and the ageing asset base.

1.5 COST, BUDGETS AND FUNDING (FINANCIAL CASE)

1.5.1-10 Redacted

1.5.11. The financial forecast demonstrates that the Preferred Option is notionally affordable, over the contract life, taking into account the Authority's financial objective of a 2.5% annual increase to the levy. The projected financial profile suggests increased costs in the earlier years offset by surpluses in later years, meaning both MRWA and Halton will need to ensure that appropriate budgetary provision, reserves strategy, and cost mitigation measures are in place to manage any temporary affordability pressures. The full financial implications will become better understood as the project develops and bidders present their proposals

1.5.12. A significant proportion of MRWA funding is currently factored into the financial projections and this will be explored further prior and during procurement This helps to both mitigate costs and reduce the cost pressures in early years. Other potential cost mitigation measures, should they be required in order for the project to remain affordable, include revisiting the scope of proposed capital investment, reviewing the service requirements, or flexing the contract indexation to alter the payment profile over the life of the contract.

1.6 PROJECT GOVERNANCE AND RISK MANAGEMENT (MANAGEMENT CASE)

1.6.1. The management case builds on arrangements originally set in place in 2024 as part of the establishment of the Future Waste Services Programme.

1.6.2. The case covers project scope and restates the project plan, governance structure, and estimated costs. These are consistent with the 2024 decisions of the Authority and have proved to be working well for the FWS programme.

1.6.3. Additional detail is provided on wider stakeholder engagement, reflecting the role of the Liverpool City Region (LCR) Resources and Waste Partnership, and the involvement of the LCR and Halton Chief Executive Officers (CEOs), and leaders and the Combined Authority.

1.6.4. The project Risk Register is provided in **Appendix 10** (*Risk Register*) in the version live at the date of this business case.

1.6.5. The Management Case also recognises that MRWA will need to consider changes to resourcing in 2029 in order to manage a larger number of contracts than currently with potential interface risks.

1.6.6. A benefits identification and management framework will be put in place to ensure the project delivers the expected outcomes and this process is tracked through the procurement.

2 STRATEGIC POLICIES AND OBJECTIVE (STRATEGIC CASE)

2.1 PURPOSE

The Strategic Case of the OBC demonstrates that change is needed and then defines the scope of this change.

2.2 ORGANISATION OVERVIEW

2.2.1. MRWA OVERVIEW

(a) Merseyside Recycling and Waste Authority (MRWA) is the public facing name of the statutory waste disposal authority, Merseyside Waste Disposal Authority (MWDA), which is responsible for waste management and disposal in the Merseyside region including, by agreement, Halton Borough Council. MRWA has a statutory duty to make arrangements for the treatment and disposal of the Local Authority Collected Waste (LACW) collected by the five Waste Collection Authorities (WCAs):

i. Knowsley Borough Council;

ii. Liverpool City Council;

iii. Sefton Borough Council;

iv. St Helens Borough Council; and

v. Wirral Metropolitan Borough Council)

(b) Through a separate agreement, MRWA also provides services for Halton Borough Council (a metropolitan unitary authority). The WCAs and Halton are collectively referred to as 'Districts' in this document.

(c) These arrangements are currently discharged through the following two large waste disposal contracts held by MRWA:

i. Waste disposal contract for residual waste, referred to as the Resource Recovery Contract ('RRC') held with Merseyside Energy Recovery Ltd., and operated by Suez (contract date: 2013-2043 with a 5 year option to extend); and

ii. Waste management contract for recyclable waste, and the transfer and haulage of residual waste, referred to as the Waste Management and Recycling Contract ('WMRC') held with Veolia (contract date: 2009-2029 with a 5 year option to extend).

(d) Outside of these contracts, MRWA manages seven closed landfill sites along with developing the Authority's policy and strategy and delivery of education and behaviour change campaigns[3]. MRWA is now facing the medium-term prospect that the WMRC will come to an end in 2029 and a decision will need to be made to determine the future arrangements for the management of recyclable waste and transfer and haulage of recyclables and residual waste. It should be considered that there are provisions in the

[3] MRWA, 2024. Annual Report 2022/23. Available at: https://www.merseysidewda.gov.uk/wp-content/uploads/2024/11/MRWA-Annual-Report-2022.23.pdf.

current contract for extending the WMRC for a further five years. However, this option is not recommended (see **Section 6.2**) as the current MRFs are aged and are not designed to sort the additional materials required by UK Governments Simpler Recycling initiative meaning this option would not be compliant with future legislation.

2.2.2. HOUSING AND POPULATION

(a) The MRWA provides services across the Liverpool City Region (LCR), and this covers an area of 82,061 hectares and a population of approximately 1.5 million. These figures come from the Office of National Statistics (ONS) via the Waste Data Flow system[4].

(b) The 2021 Census estimates that there are approximately 675,000 households in the MRWA area. The types of housing, in each District/Unitary Authority is described below:

i. Knowsley – 90.6% street level properties, 9.1% purpose built flats, 0.3% flats above a shop or commercial building.

ii. Liverpool – 81.9% street level properties, 17.2% purpose built flats, 0.9% flats above a shop or commercial building.

iii. Sefton – 85.4% street level properties, 13.6% purpose built flats, 1% flats above a shop or commercial building.

iv. St Helens – 92.3% street level properties, 7.2% purpose built flats, 0.5% flats above a shop or commercial building.

v. Wirral – 87% street level properties, 11.9% purpose built flats, 1.1% flats above a shop or commercial building.

vi. Halton – 90% street level properties, 9.5% purpose built flats, 0.5% flats above a shop or commercial building.

(c) In general, it can be seen that there are above 80% street level properties in the LCR area, with between 5 - 20% in purpose-built flats and around 1% or less in flats above a shop or commercial building. Despite being highly urbanised, between 33% and 50% of land in all the districts except Liverpool is designated Green Belt. The vast majority is high quality agricultural land and farming remains economically important particularly in Sefton, St. Helens and Wirral[5].

(d) The industrial heritage of LCR has created derelict and brownfield land across the area as well as high levels of unemployment as a result of declining industries. In recent history, employment patterns in LCR have changed from being dependent on industry to a more commerce and service-based economy, although this varies locally. Halton, Knowsley and St. Helens still have significant manufacturing industries within their districts. A number of the derelict areas in the region have been marked for regeneration, and the construction of affordable homes are targeted. The Liverpool City Region has committed to delivering over 20,000 homes over

[4] https://www.wastedataflow.org/reports/default.aspx.

[5] Halton Council, Knowsley Council, Liverpool City Council, Sefton Council, St. Helens Council and Wirral Council,2013. Joint Waste Local Plan. Available online at: https://www.sefton.gov.uk/media/1798/mside-halton-waste-localplan2013.pdf.

the next five years[6]. Post 2024, an updated LCR Housing Strategy is in development. Following the 2024 General Election, Government have committed to a significant increase in housebuilding nationally.

2.2.3. WASTE ARISINGS

(a) **Table 2-1** shows the approximate quantities of the five district authorities and Halton's main waste streams collected and delivered to MRWA facilities in 2023/24.

(b) At the time of developing this OBC, the most recent audited tonnage data available is for 2023/24.

Table 2-1 – Waste streams delivered to MRWA (2023/24)[7]

Waste Stream	Tonnages 2023/24		
	WMRC MRWA Sites Only	Direct Delivered to offtaker/ 3rd party WTS/processor	Direct to Rail Transfer Loading Station (RTLS)
Kerbside Residual Waste	304,300	3,500	51,800
Kerbside Dry Recyclables	105,700	10,300	0
Kerbside Green waste	4,000	54,800	0
Street Sweepings	14,500	11,900	0
Fly Tipping and Bulky Residual	8,700	0	0
Textiles	0	23	0
Clinical Waste	150	0	0
Trade waste	240	5,200	0
Highway Waste	300	280	0
Street Cleansing	220	0	0
HWRCs	162,600	89,200	0
Veolia Commercial	40,000	0	0
Charity	26	0	0

2.2.4. WASTE GROWTH

Figure 2-1 sets out the overall total MRWA predicted tonnage from 2023/24 to 2055/56 by Scenario type, an overview of the methods and the sources of data used to derive the waste projections are provided in **Appendix 7** (*Waste Projection Assumptions*). These three scenarios are as follows:

(a) **Limited progress scenario** – With funds currently only having been allocated for implementation of mandatory separate food waste collections, this is assumed to be the only Government policy that is fully implemented

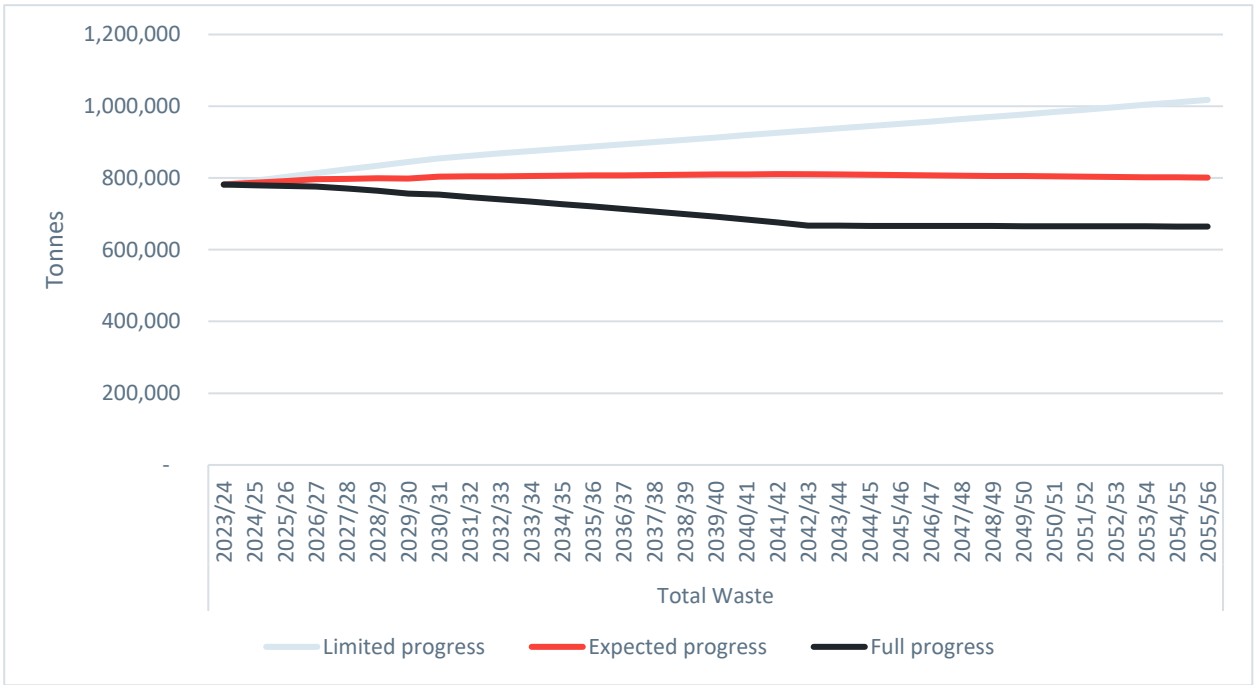
[6] Liverpool City Region (LCR), 2019. Our Housing Ambitions for the Liverpool City Region 2019-2024. Available at: https://api.liverpoolcityregion-ca.gov.uk/wp-content/uploads/2023/09/LCRCA-HOUSING-STATEMENT-2019.pdf.
[7] Includes St Helens Waste.

from 2026. The exact impact of this on a local authority level has been assessed using the Waste and Resources Action Programme (WRAP) Ready Reckoner model. Improvements are also made in collection rates for dry recyclables paid through the Government Extended Producer Responsibility for Packaging (pEPR) grants, but these improvements are minimal. Total waste generation is also assumed to continue growing in line with population growth (~1% per annum), assessed on a per local authority level using ONS data.

(b) **Expected progress scenario** – Mandatory separate collection of food waste is again successfully implemented, with some local authorities also adjusting collection regimes to maximise the amount of food waste effectively separated. Dry recyclables rates also improve with the successful implementation of pEPR and the Government's Deposit Return Scheme initiative (DRS). Total waste arisings are assumed to remain stagnant, seeing no general increase with population density, as has been seen for LACW over the past 10 years within Department of Food and Rural Affairs (Defra) reported data.

(c) **Full progress scenario** – The two leading UK Government targets of reaching a 65% recycling rate for LACW by 2035 and halving residual waste compared to 2019 levels by 2042 are assumed to be successfully met through a mixture of existing policy mechanisms, extensions to those mechanisms where appropriate, and new policy mechanisms.

Figure 2-1 – Total MRWA tonnage from 2023/24 to 2055/56 by Scenario type – Total MRWA tonnage from 2023/24 to 2055/56 by Scenario type



2.3 EXISTING ARRANGEMENTS

2.3.1. DISTRICT AUTHORITIES (AND HALTON) SERVICES

(a) The District authorities (and Halton) undertake the duties of waste collection and street cleansing for their respective areas. The intensity of the street cleansing services varies per authority.

(b) The waste service arrangements for each authority are structured differently. The waste service collection arrangements for street level properties are detailed in **Table 2-2** below.

Table 2-2 – Each Authority's current waste service collection arrangements for street level properties (2023/24)

Collection Authority	Recycling	Residual	Green Waste	Food Waste
Halton	Fortnightly commingled collection	Fortnightly collection	Fortnightly free collection	N/A – collected in residual waste currently
Knowsley	Fortnightly commingled collection	Fortnightly collection	Three weekly free collection	N/A – collected in residual waste currently
Liverpool	Fortnightly commingled collection	Fortnightly collection	Fortnightly subscription collection	N/A – collected in residual waste currently
Sefton	Fortnightly commingled collection	Fortnightly collection	Three weekly free collection	N/A – collected in residual waste currently
St Helen	Weekly kerbside sort collection	Fortnightly collection	Fortnightly subscription collection	Weekly collection – collected on the same vehicle as the dry recycling
Wirral	Fortnightly commingled collection	Fortnightly collection	Three weekly free collection	N/A – collected in residual waste currently

(c) Collection services to blocks of flats are fairly consistent, involving communal bins for both residual waste and fully commingled recycling at varying collection frequencies.

It should be noted that changes to collection services across the LCR area, are anticipated as part of the LCR response to Simpler Recycling legislation. Requirements include weekly separate food waste collection from all households and an expanded collection of dry recyclables from 31 March 2026. Additional dry recyclable materials include plastic pots, tubs, tubes and trays, cartons (e.g. tetrapaks), aerosols, aluminium foil, and other items not widely collected currently.

(d) Simpler Recycling also requires films to be collected separately from March 2027. **Appendix 7** (*Waste Projection Assumptions*) provides an overview of the waste flow scenario assumptions

2.3.2. MRWA SERVICES

(a) The statutory duty for MRWA to make arrangements for the treatment and disposal of the Local Authority Collected Waste (LACW) are currently

discharged through the following two large waste disposal contracts held by MRWA:

i. Waste disposal contract for residual waste, referred to as the Resource Recovery Contract ('RRC') held with Merseyside Energy Recovery Ltd., and operated by Suez (contract date: 2013-2043); and

ii. Waste management contract for recyclable waste, and the transfer and haulage of residual waste, referred to as the Waste Management and Recycling Contract ('WMRC') held with Veolia (contract date: 2009-2029).

(b) Under the WMRC, MRWA uses two Material Recovery Facilities (Gillmoss and Bidston) to separate recyclable waste. The WMRC also provides the use of four Waste Transfer Stations (WTSs) and a network of 16 household waste recycling centres (HWRCs). All facilities are managed by Veolia ES Merseyside and Halton Ltd. ('Veolia').

(c) Under the RRC, non-recyclable waste is managed at the Energy from Waste plant at Wilton International on Teesside by Merseyside Energy Recovery Ltd. The RRC also provides MRWA with use of a Rail Transfer and Loading Station (RTLS) in Kirkby for non-recyclable waste.

(d) **Table 2-3** summarises the facilities used for the WMRC and the capacity and throughput for each facility.

(e)

Table 0-3 –Waste capacities and throughputs

Site	Permitted Capacity (tonnes per annum)	2023/24 input (tonnes)
Material Recovery Facilities		
Bidston Material Recovery Facility	30,000	26,000
Gillmoss Material Recovery Facility	100,000	70,000
Waste Transfer Stations		
Bidston Waste Transfer Station	200,000	127,000
Gillmoss Waste Transfer Station	No restriction apparent	171,000
Huyton Waste Transfer Station	Not restricted by Consent	119,000
Southport Waste Transfer Station	Not restricted by Consent	39,000
Household Waste Recycling Centres		
Bidston Recycling Centre	25,000	17,000
Clatterbridge Recycling Centre	Not restricted by Consent	12,000
Formby Recycling Centre	Not restricted by Consent	6,000
Huyton Recycling Centre	20,000	15,000
Johnsons Lane Recycling Centre	Not restricted by Consent	7,000
Kirby Recycling Centre	15,0000	8,000
Newton Le Willow Recycling Centre	Not restricted by Consent	5,000
Old Swan Recycling Centre	15,000	14,000
Otterspool Recycling Centre	Not restricted by Consent	9,000
Picow Farm Recycling Centre	Not restricted by Consent	7,000
Rainhill Recycling Centre	Not restricted by Consent	4,000
Ravenhead Recycling Centre	15,000	14,000
Sefton Meadows Recycling Centre	Not restricted by Consent	13,000
Southport Recycling Centre	Not restricted by Consent	11,000
South Sefton Recycling Centre	Planning based on 18,000 but no restriction noted in consent	11,000
West Kirby Recycling Centre	Not restricted by Consent	9,000

2.4 LEGISLATIVE DRIVERS FOR CHANGE

2.4.1. Significant policy and legislative changes have taken place since the current Waste Management and Recycling Contract (WMRC) was procured. Collectively, these aim to drive decarbonisation and a reduction in residual waste arisings through a stronger focus on waste prevention, reuse and increased recycling. Key areas are identified below and are subject to ongoing policy and regulatory development.

2.4.2. CLIMATE CHANGE ACT 2008

(a) The Act requires the UK to reduce carbon emissions by 100% of 1990 levels by 2050. This is supported by the setting of 5-yearly national carbon budgets to maintain the UK pathway to net zero, with the 7th Carbon budget (2038-2042) currently in development. Carbon budgets have driven Government policies to decarbonise the waste sector including through the measures below.

2.4.3. EMISSIONS TRADING SCHEME (ETS)

(a) Government policy is to extend the UK ETS to waste incineration potentially from 2028 to incentivise a reduction in fossil carbon emissions from residual waste treatment. Materials including plastics, textiles and a wide range of composites, e.g. electricals, furniture and absorbent hygiene products, are significant sources of fossil carbon in residual waste. Waste Disposal Authorities face large increases in waste treatment costs pending confirmation of final ETS policy details. Potential increased costs can be mitigated by greater prevention, reuse and recycling of fossil carbon rich materials. MRWA's Wilton EfW facility is in scope for the planned ETS expansion to waste.

2.4.4. ENVIRONMENT ACT 2021 / TARGETS

(a) The Act introduces powers to deliver key waste reforms outlined in the national Resources and Waste Strategy 2018 as summarised below. The legislation also empowers Government to set product resource efficiency requirements and impose charges on single use items. These measures to reduce residual waste and increase prevention, reuse, repair and recycling are driven by the national target to reduce all residual waste by 50% by 2042 (from 2019 levels) and the existing national 65% municipal waste recycling and reuse target by 2035.

2.4.5. SIMPLER RECYCLING

(a) Simpler Recycling aims to improve recycling rates by expanding the range of materials to be separated for recycling across households, workplaces and other premises. Materials are detailed in the Separation of Waste (England) Regulations 2024 and include a wide range of paper, card, glass, metal and plastic items in addition to food and garden wastes. The national default collection methodology is to collect paper and card separately from other materials, with local flexibilities to allow full co-mingling of dry recyclables subject to a TEEP assessment. Legislation requires Simpler Recycling collections from households from 31 March 2026 except for plastic film which is required from 31 March 2027.

2.4.6. EXTENDED PRODUCER RESPONSIBILITY (EPR)

(a) Packaging EPR (pEPR) regulations require packaging producers to cover the waste management costs of packaging materials arising in the household waste stream, e.g. collection, recycling and residual waste treatment costs. pEPR is closely aligned with the implementation of Simpler Recycling and there is expectation, backed by regulation, that local authorities will use pEPR payments to support the expansion of packaging waste recycling in their areas. 2025/26 is Year 1 for pEPR and evolution of the scheme in subsequent years is expected to incentivise a shift to more easily reused, refilled and recycled packaging. Local authorities will be assessed on efficiency and effectiveness of their packaging waste services and may be subject to Improvement Plan processes and potential pEPR payment reductions if performance is below expectation.

(b) EPR may be expanded to improve the resource efficiency of other materials including waste electricals, batteries and textiles pending national policy development.

2.4.7. DEPOSIT RETURN SCHEME (DRS)

(a) The Environment Act 2021 provides Government with powers to introduce deposit return schemes as a form of producer responsibility to reduce waste. The current focus is to implement a DRS for drinks containers by October 2027 as detailed in regulations. A redeemable deposit will be placed on plastic drinks bottles and metal drinks cans which is repayable when returned to a deposit return point, e.g. a retailer. The scheme aims to achieve a 90% capture rate of these materials by Year 3 of operations. Local authorities have no specific role in delivering the scheme. If successful, the DRS is likely to divert material away from local authority recycling and residual waste collections and reduce the amount of material entering the household waste management system (with an associated impact on materials income streams and overall recycling rates). The primary legislation provides scope for the introduction of DRS schemes for other materials and products in the future.

2.4.8. DIGITAL WASTE TRACKING

(a) Digital waste tracking aims to improve the capture of waste movement data to support circularity and reduce waste crime. From October 2026 permitted waste receiving sites will need to add waste data to a national waste tracking system. Further expansion of the scheme may follow from 2027. Record keeping of individual collections of waste from households or individual deliveries to HWRCs is not required.

2.4.9. CIRCULAR ECONOMY GROWTH PLAN

(a) Government have been developing a Circular Economy Strategy to replace the Resources and Waste Strategy 2018. Recently the new Strategy has been renamed the Circular Economy Growth Plan with publication expected in early 2026. Consultations are expected on specific measures in the Plan. It is anticipated that the Plan will put a stronger emphasis on prevention and reuse and Government have signalled more engagement on reuse policy in 2026. Earlier development suggested a focus on resources and waste from construction, transport, agrifood, textiles, electricals, chemicals and plastics in the new strategy but details are to be confirmed. A stronger emphasis on circular economy aligns with the LCR and MRWA Zero Waste Strategy

themes of People, Planet, Economy with potential to deliver across waste reduction, decarbonisation, social value and growth in green skills and jobs.

2.4.10. LCR PLAN FOR PROSPERITY & LOCAL GROWTH PLAN

(a) The Liverpool City Region Combined Authority (LCRCA) do not have governance responsibility for waste, but hold a strategic lead for the City Region across areas ranging from economic growth to skills, housing and transport for example. The Plan for Prosperity (2022) is the LCRCA's overarching strategic plan, recently supported by the LCR Local Growth Plan (2025-2035) which sets out the region's growth priorities.

(b) These Strategies broadly support circular economy growth and achievement of a pathway to net zero. The LCRCA have set a 2035 net zero target for their organisation and are currently reviewing their Pathway to Net Zero and Climate Action Plan documents. These documents reference waste, but again there is no direct governance link between these plans and MRWA's waste management strategies or responsibilities. There is no single net zero target for local authorities in the City Region.

2.4.11. LCR ZERO WASTE STRATEGY (LCR ZWS)

(a) The Strategy was approved by all seven members of the LCR Waste and Resources Partnership in 2025. It updates and replaces the Resources Merseyside 2011-2041 document as the Joint Recycling and Waste Management Strategy for the region. Publication of the LCR ZWS was preceded by the LCR Zero Waste Strategic Framework (2023) which set out the ambition now detailed in the LCR ZWS and individual partner strategies.

(b) The LCR ZWS sets the strategic direction for the LCR Waste and Resources Partnership and its goal to achieve zero avoidable waste by 2040. It demonstrates the link between waste and achieving net zero carbon in the city region at a time when Government has committed to moving towards a zero waste circular economy.

(c) The Strategy's three key themes are People, Planet and Economy. These represent the three pillars of sustainability (the triple bottom line) and ensure social value principles are recognised in the Partnership's delivery of zero waste action.

i. People – delivery of the ZWS based on coordinated action and joint working to achieve our goals and ensure the creation of social value and thriving communities through engagement, education and behaviour change.

ii. Planet – using resources wisely and decarbonising our waste systems to progress towards net zero carbon. Adapting our infrastructure to meet national and regional waste reduction, reuse and recycling targets and our zero waste goals.

iii. Economy – delivery of efficient and effective services, the creation of green jobs and skills and support for sustainable businesses to drive the transition to a circular LCR through designing out waste.

(d) Strategic outcomes are identified under each key theme as summarised in in **Table 2-4**.

Table 2-4: Strategic outcomes from ZWS

People	Planet	Economy
Governance	Climate and Carbon	Green Jobs & Skills
Social Value	Resource Efficiency	Cost Efficiency
		Circular Economy

(e) 13 objectives underpin delivery of the Strategy:

i. To deliver the Strategy through co-ordinated action and a unified voice.

ii. Promote behavioural change in residents and business via education and raising awareness of zero waste and circular economy.

iii. Developing reuse capacity and maximising the social (community) value of reuse.

iv. Reduce food waste.

v. Reduce the carbon impacts of resource use and waste management.

vi. Provide waste infrastructure that allows future flexibility.

vii. Provide a whole system approach to waste management and waste reduction.

viii. Maximise waste prevention.

ix. Increase higher quality recycling to achieve national targets (65% by 2035).

x. Promote the use of renewable energy.

xi. Provide appropriate enforcement to protect the environment.

xii. Maximise opportunities for local green jobs.

xiii. Optimise sustainable economic activity.

(f) LCR ZWS sets the following key targets to reduce the total amount of our rubbish by 2040:

i. Reducing the total amount of rubbish handled by the Partnership by a third by 2040.

ii. Reducing our black bag rubbish by 50% of 2019 levels by 2040 – a maximum of 155kg/person.

iii. Recycling 65% of municipal waste by 2035.

(g) Implementation of the LCR ZWS will support partnership working to develop and deliver services to minimise waste, increase reuse, repair and effectively and efficiently recycle and compost more material to reduce residual waste. A trajectory towards less waste and greater circularity of resource use (the circular economy) will support a reduction in the carbon emissions associated with high levels of resource consumption and residual waste (the linear economy). The Strategy recognises the importance of joint working

across LCR including businesses, communities, schools and residents to understand attitudes and encourage positive change towards less wasteful behaviours.

(h) LCR ZWS will be delivered through the Partnership work programme and individual partners' strategies and plans, including the MRWA Zero Waste Strategy. These individual strategies and plans are aligned with the goals, objectives and targets of the LCR ZWS.

2.4.12. MRWA ZERO WASTE STRATEGY (MRWA ZWS)

(a) The MRWA ZWS:

i. is one of the seven individual partner strategies which sit beneath the overarching LCR ZWS.

ii. shares the same themes and strategic outcomes as the LCR ZWS.

iii. focuses on MRWA's contribution to the LCR targets, objectives and goals discussed above.

iv. identifies next steps linked to each strategic outcome to guide outgoing MRWA service development and delivery.

(b) In addition to the next steps, three focus areas identify critical areas for increased MRWA action. These are:

i. Education – development of MRWA's education programme is vital to support change towards zero waste behaviours.

ii. Food – food waste is the single largest fraction of LCR household residual waste and can be most effectively reduced through coordinated food waste awareness, prevention, composting, collection and treatment initiatives.

iii. Reuse – development of reuse and repair services and infrastructure based on an understanding of LCR reuse attitudes, behaviours and existing community reuse activities.

(c) The MRWA ZWS recognises the importance of working with residents and communities to understand attitudes and encourage positive change towards less wasteful behaviours. Accordingly, there is a strong interest in education, campaigns and community engagement to rethink resource use and encourage a reuse culture to reduce waste at source by as much as possible and achieve our zero waste ambition.

(d) The Strategy recognises that urgent action is required to tackle climate change which is exacerbated by high levels of residual waste. The Authority has a crucial role to play in preventing the waste of material resources. The MRWA ZWS shows how zero waste action can cut waste and carbon emissions to benefit our people, planet and economy.

(e) The MRWA ZWS offers the Authority's commitment to achieving zero avoidable waste by 2040 and demonstrates its leadership in working towards a zero waste city region.

2.4.13. MERSEYSIDE AND HALTON JOINT WASTE LOCAL PLAN 2013

The Joint Waste Local Plan (formerly the Waste Development Plan Document) has been produced collaboratively by Halton Council, Knowsley Council, Liverpool City Council, Sefton Council, St. Helens Council and Wirral Council through Merseyside Environmental Advisory Service (MEAS) to set a clear direction for future waste management development to 2027.

(a) The Plan vision is:

i. “By 2027, the Waste Local Plan will have facilitated the development of a network of sustainable and modern waste management facilities which serve the needs of the local communities of Merseyside and Halton, enabling them to be as sustainable and self-sufficient as possible in terms of waste management.

ii. The communities of Merseyside and Halton will have taken responsibility for their waste, and through effective resource management, created economic prosperity by transforming waste into a resource and moving waste up the Waste Hierarchy.

iii. This network of facilities will be designed and sited to avoid negative impact on health and amenity and enhance the natural and built environment, with site allocations being appropriate to the scale and type of waste management facility, and where possible enable waste management in Merseyside and Halton to support mitigation and adaptation to climate change.”

(b) The Plan strategic objectives are:

i. SO1 - To plan for sufficient waste management facilities to meet Merseyside and Halton's identified waste management needs.

ii. SO2 - To promote waste minimisation and optimise re-use and recycling of waste materials for both waste specific and non-waste planning applications.

iii. SO3 - To encourage waste management facilities which increase re-use, recycling and value/energy recovery of all waste types, including through the use of new, effective and safe waste management technologies where appropriate, and minimise final disposal, in order to meet national targets and Merseyside and Halton's local waste targets.

iv. SO4 - For Merseyside and Halton, as one of the North West's City Regions, to be a leader in promoting transformation of waste to resource to encourage social, economic, environmental and employment gain from sustainable waste management.

v. SO5 - To raise awareness in sustainable waste management amongst the people and business communities of Merseyside and Halton to reduce waste arisings and increase recycling rates, in particular given the low starting point for the sub-region in terms of recycling.

vi. SO6 - To minimise the adverse effects of waste management development (including transportation) and enhance positive impacts where possible, on human health, local amenity and the natural and urban environment and heritage of Merseyside and Halton.

vii. SO7 - To promote high quality development for waste management facilities.

viii. SO8 - For all new waste management facilities on Merseyside and Halton to take account of and contribute to reductions in greenhouse gas emissions and mitigate the effects of climate change.

(c) Through the inclusion of specific policies, the Plan lists out the planning considerations and requirements that need to be met in order for new waste developments to be approved, including where alternative waste transport should be considered if it provides a more sustainable transport option. The Plan also provides a list of sites which has have been allocated for the consideration of new waste development. Where waste development is proposed for a non-allocated site, the Plan provides an additional set of requirements to be considered and met.

(d) The Plan includes the requirement for other non-waste developments to consider the efficient use of resources during construction and demolition (i.e. reusing materials) and for designs to consider waste storage and collection in order to facilitate recycling.

(e) A review of the Plan was completed in 2025 which concluded the Plan remained fit for purpose to the end of the Plan period in 2027. Decisions are to be taken on how the Plan will be succeeded from 2027. At a national level there are proposals for wider change in planning policy from the Planning and Infrastructure Act 2025 and review of the National Planning Policy Framework 2025-26), including to support significantly increased rates of housebuilding.

2.5 THE CASE FOR CHANGE

2.5.1. INTRODUCTION

The LCR and MRWA Zero Waste Strategies demonstrate that change is needed because new service arrangements are required from 2029 onwards when the WMRC expires and MRWA has a statutory obligation to continue to deliver these services without interruption. From March 2026 Simpler Recycling requires the mandatory collection of a consistent set of recyclable materials including plastic pots, tubs, tubes and trays amongst other additional materials, plus the weekly separate collection of food waste. Plastic bags and films will be required to be collected separately from March 2027. This will require additional provisions at all current Waste Transfer Stations to receive and manage the additional materials and segregated food waste and the provision of a MRF which can separate all materials collected.

The approved Strategies also set out the need to improve the contribution of reuse and repair in managing household waste and the opportunity to generate social value in our communities from waste reduction.

2.5.2. PROJECT DEFINITION

(a) The project definition that the OBC must essentially provide for can be summarised as:

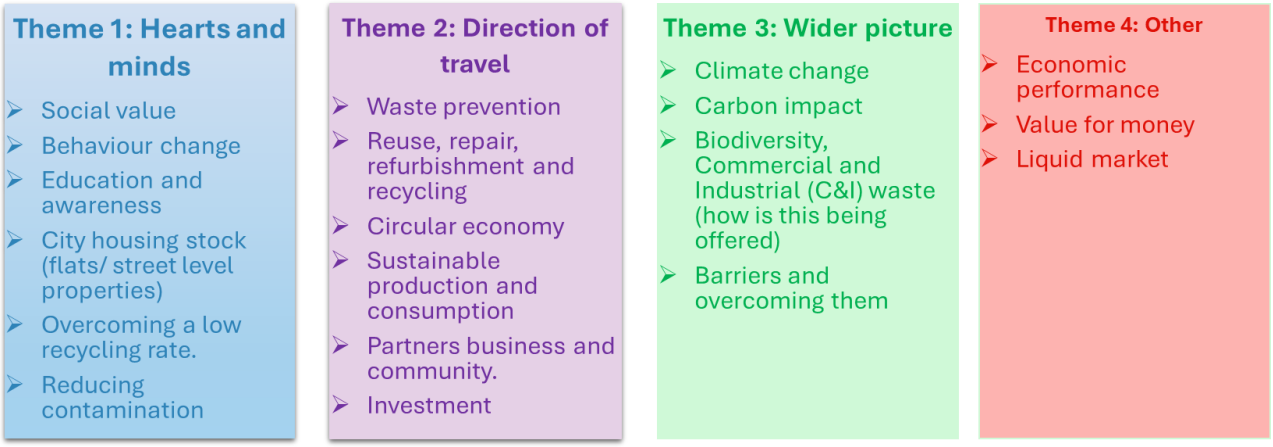
"*The management of [all] LACW collected by (or on behalf of) the District Authorities and Halton Borough Council, in accordance with the statutory duties of MRWA and the LCR and MRWA Zero Waste Strategies*".

(b) This defines the overall project scope and this OBC therefore assumes that MRWA will continue to manage all the waste streams included within the current WMRC. Any changes to the respective duties of MRWA and its dependant Authorities would be subject to a separate analysis and decision making outside this OBC. The scope of the services is further described in **Section 2.6**.

2.5.3. THE STRATEGIC OBJECTIVES

LCR and MRWA Zero Waste Strategies have been reviewed, and the key aims and objectives identified and split out into the themes as outlined below in **Figure 2-2.** An aspirations workshop was held on the 17th December 2024 with officers and senior leaders in the Authority to help identify MRWA's future priorities. This information was used to inform MRWAs specific Critical Success Factors (CSF) outlined in **Section 3.2 Table 3-1**.

Figure 2-2 – MRWA strategic aims and objectives



2.6 SCOPE OF SERVICES

2.6.1. The following scope of services to be procured after the WMRC expires are:

(a) Provision of waste transfer services, including receipt, handling, bulking, transfer and haulage of waste and including internal waste transfer.

(b) Treatment/processing of dry recyclate waste.

(c) Treatment/processing of food waste.

(d) Treatment/processing of garden waste from HWRC and as required by individual WCAs.

(e) Repair/preparation for reuse of bulky waste and treatment/processing of bulky waste not suitable for repair/preparation for reuse.

(f) Treatment/processing of litter and refuse collected by Constituent Councils, including fly tipped waste.

(g) Treatment/processing of highways waste arising from highways maintenance activities collected by Constituent Councils.

(h) Other non-statutory services may be added to the scope of services.

(i) Operation of HWRCs.

(j) Repair/preparation for reuse of contract waste deposited at the HWRC sites and treatment/processing of contract waste not suitable for repair/preparation for reuse.

(k) Treatment of other wastes as might be collected by Waste Collection Authorities from time to time.

2.6.2. It has been assumed that Halton Borough Council will continue to use MRWA for services under the existing and future version of the WMRC.

2.7 MAIN RISKS

The key risks and challenges to achieving MRWA's objectives in relation to future services have been identified as:

2.7.1. 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. This uncertainty could result in variations to the contract(s) under which MRWA would have a weaker negotiating position (under change in law provisions) than if there was clarity now (or a time when an established position could be factored into the tender process).

2.7.2. 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.

2.7.3. 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.

2.7.4. 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.

2.7.5. 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.

2.7.6. 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.

2.7.7. Public opposition to changes to HWRC services: MRWA intend to run a public consultation about any proposals, but HWRC changes are typically seen (or perceived) as controversial.

2.8 MAIN CONSTRAINTS

The main constraints are:

2.8.1. Affordability considerations are a key component for the selection of the service delivery model to be selected in the OBC.

2.8.2. The new Contract must be in place by the expiry of the WMRC' so that MRWA can continue to discharge its statutory duties as the Waste Disposal Authority.

2.8.3. MRWA meets the national waste strategy, Environmental Protection Act, Environment Act and all associated secondary legislation.

2.9 MAIN DEPENDENCIES

The main dependencies are:

2.9.1. Delays due to planned legislative changes.

2.9.2. WCAs continuing to meet the objectives and policies set within the LCR Zero Waste Strategy and individual District Waste Strategies.

2.9.3. Market capacity and capability to respond to a future procurement opportunity for the replacement of the services under the WMRC.

2.10 MARKET ANALYSIS

2.10.1. A desk top market analysis review of existing green, food, and dry recyclable waste capacity within a 75-mile road catchment area of the local authorities in the Liverpool City Region was undertaken, alongside an assessment of current and future processing capacity for these wastes. The key conclusions from the market research were:

(a) The current capacity within the catchment area for the treatment of food waste is limited and insufficient to process the corresponding food waste arisings.

(b) The number of Local Authorities collecting food waste will increase in response to the requirements of Simpler Recycling. This will place an increasing demand for treatment capacity. In the short to medium term, it is unlikely that the required capacity will be available in the catchment area.

(c) In the short to medium term there are risks that the demand for increased food waste treatment capacity will result in collected food waste being hauled to facilities outside of the catchment area, and that gate fees may rise in response to increased demand.

(d) In the longer term there are a several proposed AD facilities in various stages of planning and development within the catchment area, these are likely to deliver increased treatment capacity which will close the capacity gap.

(e) Despite the overall lack of food waste treatment capacity and market liquidity within the catchment area, some individual facilities may have surplus capacity (e.g. Refood based in Widnes).

(f) There are a wide range of windrow composting facilities within the catchment area for the treatment of garden waste, and this market appears to be relatively liquid.

(g) The processing capacity for dry recyclables within the catchment area superficially appears insufficient to meet the required demand. However, this appears to be a distortion caused by commercial waste recyclables that are delivered directly to off takers, processed in facilities other than MRF, or are being exported from the catchment area.

(h) The dry recyclable processing market is relatively mature, and it is likely that facility operators are balancing the quantities they accept against arisings. However, there may be some individual facilities within the catchment area that have some surplus capacity, or can offer additional capacity through operational changes (e.g. increasing the number of operational shifts).

(i) On balance, it is likely that additional dry recyclable processing capacity will be required within the catchment area over the projection period.

(j) The introduction of Simpler Recycling will increase the range of collected recyclable materials that are required to be processed. This will mean that existing MRF will need to be modified or potentially become redundant.

2.10.2. Preliminary Market Engagement ("PME") in Spring with potential suppliers and contractors who could be interested in tendering for the contracts is planned for April 2026. The key aim of the PME will be to:

(a) Raise awareness of the forthcoming procurement activity that MRWA intends to commence;

(b) Seek the market's views on potential alternative service delivery models for the future;

(c) Give the market the opportunity to express any critical issues or concerns regarding any of the service delivery models;

(d) Test market capacity and interest for this forthcoming procurement opportunity;

(e) Highlight and identify gaps in waste management capacity and inform and identify where additional infrastructure may be required; and

(f) Elicit market views which inform and support the development of a procurement process which is attractive and deliverable by the market.

2.11 OVERALL CONCLUSIONS

2.11.1. The Strategic Case has demonstrated that change is needed and that there is a strategic case to continue with the development of the OBC, as follows:

(a) The LCR and MRWA Zero Waste Strategies commit MRWA to develop a procurement plan to support the delivery of future reuse and recyclable waste treatment and disposal services, and residual waste haulage and transport from 2029 onwards. The OBC represents the first step towards the implementation of the procurement plan.

(b) The project definition is aligned to the statutory requirements placed upon MRWA, as a Waste Disposal Authority, and to the aims and objectives of the LCR and MRWA Zero Waste Strategies.

2.11.2. There appears to be market interest, potential capacity and potential capability to deliver the services which are required at the expiry of the WMRC.

3 ECONOMIC CASE PART 1 – OPTIONS APPRAISAL

3.1 PURPOSE

3.1.1. The Economic Case of the OBC explores potential delivery options and identifies a Preferred Option. The Economic Case primarily involves an options appraisal, starting with a longlist and then a shortlist, and as a result of this appraisal, the Preferred Option is identified. This is subject to in depth assessment and modelling.

3.1.2. As part of the OBC a new service line for the separate treatment of food waste was required as Simpler Recycling requires a weekly separate collection of food waste from April 2026. The provision of a food waste service was initially assessed separately, as described in **Section 3.3.3(c)**, to determine if the commissioning of an Anaerobic Digestion (AD) plant would be possible in time to take advantage the Green Gas Support Scheme, which ends in March 2028. However, the project determined that this would not be deliverable in the timeframe available and therefore the assessment of food waste has now been included within the main OBC.

3.2 CRITICAL SUCCESS FACTORS

3.2.1. "Critical Success Factors" (CSFs) are the attributes that any successful proposal must have if it is to achieve successful delivery of its objectives. The Green Book 2022 sets out five basic CSFs, as shown below in **Table 3-1**, that apply to all projects. In essence, these form a checklist on whether the options are viable in terms of an internal organisational perspective and that their future procurement is likely to be deliverable by external partners.

3.2.2. The key CSFs suggested in the Green Book 2022 were reviewed against the aims and objectives of the draft Zero Waste Strategy. An aspirations workshop was held on the 17th December 2024 with officers and senior leaders in the Authority to help identify MRWA's future priorities. This information was used to inform MRWAs specific CSF's outlined in **Table 3-1**.

3.2.3. The CSFs presented below were also used for the provision of a food waste service, removing any that were not relevant and modifying CSF-2.2 to achieve MRWAs food waste objectives and aspirations to provide a separated food waste service with circular economy objectives. The food waste CSFs were presented to MRWA Senior Leadership Team (SLT) on the 11th March 2025.

Table 0-1 – MRWA's critical success factors

Green Book CSF	Description How Well the option performs:	MRWA CSF	CSFs used to assess food waste element
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-1.1
		CSF-1.2 Compliance with National policy and legislation	CSF-1.2
		CSF-1.3 Delivery programme can meet target dates	CSF-1.3

Green Book CSF	Description How Well the option performs:	MRWA CSF	CSFs used to assess food waste element
	Provides holistic fit and synergy with other strategies, programmes and projects	CSF-1.4 Waste prevention / reduction	Not used
		CSF-1.5 Reuse, repair and refurbishment	Not used
		CSF-1.6 Education and awareness and behaviour change	Not used
		CSF 1.7 Circular economy and localism	CSF-2.2
		CSF-1.8 Consistent with MRWA strategy	CSF-1.84
CSF-2 Potential value for money	Optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks	CSF-2.1 Enhance social Value	CSF-2.1
		CSF-2.2 Carbon impact and climate change	Modified see above
		CSF- 2.3 Biodiversity	CSF- 2.3
CSF-3 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	CSF 3.1
	Appeals to the supply side	CSF 3.2 Likely to be attractive to the supplier market	CSF 3.2
CSF-4 Potential affordability	Can be financed from available funds	CSF 4.1 Level of capital required	CSF 4.1
		CSF 4.2 Level of revenue spend	CSF 4.2
	Aligns with sourcing constraints	CSF 4.3 Likely to attract investment	CSF 4.3
CSF-5 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	CSF-5.1

Green Book CSF	Description How Well the option performs:	MRWA CSF	CSFs used to assess food waste element
	Matches the level of available skills required for successful delivery	CSF -5.2 Skills are available in the market	CSF -5.2
		CSF-5.3 Capacity available in the market	Not used

3.3 LONGLIST APPRAISAL

3.3.1. An Options Appraisal Framework was used to provide a structured approach to identifying and assessing the longlist of potential options available to MRWA. The Green Book methodology for constructing a long list requires the building of a number of viable alternative options by considering the logical sequence as set out in **Table 3-2.**

Table 3-2 – Methodology – longlist dimensions

Key Dimensions	Summary
Service Solution: Delivery options	The 'how' in terms of delivering the scope for the project. The Technical Delivery Scenarios.
Service Scope: Packaging Options	The 'what' in terms of the potential coverage of the project. How the services should be packaged together.
Service Implementation: Contract duration	The 'when' in terms of delivering the scope, solution and service delivery arrangements for the project. The optimal duration of future contract(s).
Service Delivery: Commissioning options	The 'who' in terms of delivering the scope and service solution for the project. Should it be delivered by the market or LATCo.

3.3.2. In general, the option choices identified seek to provide a spectrum between the:

(a) Minimum Change, which generally presents the minimum amount of change from the business as usual; and

(b) Maximum Change, which generally represents the maximum amount of change from the business as usual.

(c) This approach was applied to all services elements including food waste.

3.3.3. **LONG LIST OPTIONS APPRAISAL**

(A) **SERVICE SOLUTION: DELIVERY OPTIONS**

i. In accordance with HM Treasury Guidance and the Green Book 2022, all longlist options were subject to a detailed analysis, against all the critical success factors in **Table 3-1**. This assessment is presented in **Appendix 2** (*Longlist Evaluation*).

ii. Note that the Green Book 2022 moves away from traditional scoring and weighting of criteria, to allow a more nuanced discussion of factors. If

scoring is undertaken, it needs a robust multi-criteria assessment methodology and sensitivity testing to avoid a mechanistic outcome (e.g. progressing one option over the other due to a marginally better score).

iii. Whilst the Green Book indicates that simplistic scoring should not be used, it does itself use general "ratings" or colour coding at various points. The summary below shown in **Figure 3-1** was used for the commentary on each CSF and is broadly based on a Strength, Weaknesses, Opportunities and Threats (SWOT) type analysis. Prior to the application of the MRWA CSF's a review was undertaken to ensure that they are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound).

Figure 3-1 – Colour coding for assessment of CSFs

Likelihood of option choice meeting CSF	**Colour coding**
MAJOR STRENGTH OR OPPORTUNITY	
POSSIBLE STRENGTH OR OPPORTUNITY	
NEUTRAL (SWOT factors likely to balance out)	
POSSIBLE WEAKNESS OR THREAT	
MAJOR WEAKNESS OR THREAT	

iv. Following the initial assessment a 'conclusions' column was added to the appraisal tables which draws on the CSF analysis to give an overall recommendation on whether to carry the option choice forward to assembling shortlist options. This uses colour coding similar to the Green Book, but with supporting summary wording as set out in **Table 3-2**.

Table 3-2 – Colour coding for conclusion on whether to shortlist each option choice

Conclusion	**Colour coding**
"Progress" –the option choice has strengths/opportunities which strongly outweigh the weaknesses/threats, so will be progressed to the shortlist analysis.	PROGRESS
"Consider"– on balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount (this further analysis will be conducted separately and is outside the scope of this technical note).	CONSIDER
"Discount" or "Show-stopper" – option choice has one or more major weaknesses/threats, or many possible weaknesses/threats such that is will not be considered further for the shortlist analysis in the OBC and is discounted. The risks are such that the Authority does not wish to pursue the option choice at this time.	DISCOUNT DUE TO SHOW-STOPPER
"Park" – the option choice is not shortlisted in the OBC, as it is too early to determine the relative merits on whether it is appropriate to the Authority. It could be considered further close to any future procurement.	PARK

v. The longlist of potential service options for each service areas are outlined in **Table 3-3** and the outcome of the assessment when appraised against MRWAs CSFs. The longlist of potential service options for food waste treatment is presented in **Section (c)**.

vi. Haulage is not included as a service area in the table below as it was agreed haulage is influenced by how the services are packaged, for example if all services are part of an integrated contract or they are separated out in to defined packages. Therefore, haulage will be considered once the preferred service packaging option(s) has been identified.

Table 3-3 – Summary of assessment outcomes for longlist options

Option Choices	Outcome	Summary Rationale
Waste Transfer station options		
Continue to use existing waste transfer station(s) (WTSs) without investment (business as usual)	DISCOUNT	Not a viable option due to age and condition of some of the assets. The food waste transfer stations that are being proposed are temporary and there is no certainty they will last the duration of a new contract. This may be seen as a risk to the market and impact how attractive the option may be to the supplier market.
Continue to use all existing WTS(s) with low level capital investment	DISCOUNT	Whilst lower-level investment may offer some opportunities it will not provide a long term solution at all WTSs. This may be seen as a risk by the market and impact how attractive the option may be to the supplier market
Continue to use existing WTS(s) with high level capital investment and refurbishment	PROGRESS	Solution performs well against most CSF. Capital requirements need to be considered.
Close the WTS(s)	DISCOUNT	Not a viable option, as this will erode the integrity of the waste transfer network and place increased burden on the waste collection services. This may be seen as a risk to the market and impact how attractive the option may be to the supplier market.
Develop a new WTS(s)	PROGRESS	Recommend undertaking analysis of WTS to determine cost of developing new site(s). Improved whole system operability
Combination of options above	CONSIDER	Define the mix of options to confirm
Household waste Recycling Centres (HWRCs)		
Continue to use existing Household Waste Recycling Centres (HWRCs) without investment	PARK	It is too early to determine whether it is appropriate to the Authority. This may be a default option if development options are not affordable
Refurbish existing (HWRCs) (business as usual)	CONSIDER:	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount Refurbishment will help deliver some increased opportunities for re-use, recycling, carbon and social value performance and is therefore compliant with elements of national and local

Option Choices	Outcome	Summary Rationale
		policy. However, it is limited by the location and size of current network.
Close HWRCs (not replace)	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further if insufficient money for other development options
Develop new HWRC(s)	PROGRESS	Improvement in service provision offering increased opportunities for re-use, recycling, carbon and social value performance. Consistent with MRWA strategy and national policy. Requires capital investment but revenue spend could be optimised.
Combination of options above	CONSIDER	Define the mix of options to confirm
Supersites / satellite sites	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further, closer to any future procurement. This may be an option if insufficient money for other development options
Re-purposing/ branding	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further, closer to any future procurement. This may be an option if insufficient money for other development options
Rag n Bone (Waste clearance and removals)	DISCOUNT	Option does not support waste prevention or reduction and does not support education or awareness. Business plan is questionable and variable in relation to market demands (e.g., may only focus on materials that are profitable).
Pop up HWRCs (replacement of existing site)	PARK	Reduction in service provision even with pop up HWRCs, this is not consistent with MRWA strategy or national legislation and will deliver a worse outcome in terms of recycling performance. Unlikely to be of interest to the market, interest as a standalone service. Remains to be an option to be considered if insufficient money for other development options
HWRC Recycling Targets	PARK	Option is related to contractual performance. Recommend park for further analysis as part of procurement.
Dry Recycling Solutions		
Continue to use Bidston and Gillmoss MRFs (business as usual)	DISCOUNT	Not a viable option due to age and condition of MRFs. The MRFs are not designed to sort the additional materials required by simpler recycling. This may be seen as a risk to the

Option Choices	Outcome	Summary Rationale
		market and impact how attractive the option may be to the supplier market.
Upgrade MRF(s) to improve sortation (higher quality outputs / additional materials e.g. Pots, Tubs and Trays, film, increased volumes	CONSIDER	Undertake an assessment to understand the viability of upgrading the current MRFs
Close MRF(s) and use merchant MRF market	DISCOUNT	Not a viable option due to the potential risk that the capacity is not available in the Market. Use of a Merchant MRF will not contribute to education or behaviour change and may also increase the carbon impact due to haulage of materials
Develop new local MRF(s)	PROGRESS	Recommend undertaking analysis of MRF to determine cost of developing new site(s). Improved whole system operability
Combination of options above	CONSIDER	Define the mix of options to confirm
Green Waste options		
Green waste treatment via merchant facilities procured and managed by WCA (business as usual). And HWRC green waste to Merchant Capacity	CONSIDER	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. This option does not require any capital investment and is likely to be attractive to the market. However, the use of merchant facilities will not enhance social value or the carbon impact and limits the flexibility to change.
Green waste treatment via merchant facilities procured and managed by MRWA	CONSIDER	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. This option does not require any capital investment and is likely to be attractive to the market. However, the use of merchant facilities will not enhance social value or the carbon impact and limits the flexibility to change.
New build green waste treatment site- MRWA owned	CONSIDER	On balance the option has strengths/ opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. This option requires capital investment and is likely to increase the revenue spend. However, this option would allow MRWA to have more control, respond to change and can contribute to enhanced social value and biodiversity.

Option Choices	Outcome	Summary Rationale
Repair and Reuse Options		
Provide Onsite(s) Re-use shop	PROGRESS	Solution performs well against most CSF. Revenue requirements need to be considered.
Provide Offsite Re-use shop	PROGRESS	Solution performs well against most CSF. Revenue requirements need to be considered and Potential for additional transport requirements.
Provide Offsite Repair/ Up-cycling shops/ hub	PROGRESS	Solution performs well against most CSF. Capital and revenue requirements need to be considered.
Combination of the options above	CONSIDER	Define the mix of options to confirm
Re-use service in partnership with 3rd sector partner(s)	PARK	Recommend park for further consideration as part of the procurement
Re-use off-taker contract with no shop (offtake only)	DISCOUNT	Not a viable option as the off-taker may not be based locally, therefore may not enhance social value and may result in potential for additional transport requirements increasing the carbon impact and localism. Use of an off-taker will not contribute to education and behaviour change.
Re-use Target	PARK	Option is related to contractual performance. Recommend park for further analysis as part of procurement.
Partner with District	PARK	Recommend park for further consideration.
Education and Awareness		
Service Performance and promotion	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further close to any future procurement.
Provision of a new Education centre / Visitor Centre	PROGRESS	The MRWA MRFs currently have an education centre. The option performs well against most CSFs. Capital and revenue requirements need to be considered.
Branding	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further, closer to any future procurement.
Combination of options above	CONSIDER	Define the mix of options to confirm
Provision of an Education and awareness Officer	PARK	It is too early to determine whether it is appropriate to the Authority. It could be considered further, closer to any future procurement.
Carbon Reduction Options		
Carbon reduction target	PARK	It is too early to determine whether it is appropriate to the Authority. It could be

Option Choices	Outcome	Summary Rationale
		considered further, closer to any future procurement.
Opportunities to utilise alternative sources of energy	CONSIDER	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. This option requires low level capital investment and is likely to increase the revenue spend however, excess electricity could be sold to the grid. This option can contribute to enhanced social value and contribute to reducing the carbon impact.
Opportunities to utilise alternative sources of energy including Battery storage	CONSIDER	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. This option requires capital investment and is likely to increase the revenue spend. However, this option can contribute to enhanced social value and contribute to reducing the carbon impact.
Ground source/air heat pumps	PARK	It is too early to determine whether it is appropriate to the Authority as limited opportunity for application (e.g. site offices and visitor centre). It could be considered further, closer to any future procurement.
Other energy recovery	DISCOUNT	Not a viable option, Option is ill-defined and should not be taken forward to the OBC
Decarbonisation of the residual waste stream	PROGRESS	Although significant capital is required the solution overall performs well against most CSF. Considered as part of the AD workstream.
Combination of options above	CONSIDER	Define the mix of options to confirm
Commercial Waste Options		
Contract Facilities (WTS/MRF/HWRC) available for the receipt of commercial waste streams	CONSIDER	On balance the option choice has strengths/opportunities which may outweigh the weaknesses/threats, so will be considered further before deciding on whether to progress or discount. Currently the WTS accept some commercial waste.

(B) SHORT LIST TECHNICAL DELIVERY SCENARIOS

i. Following the long list evaluation process, information gathered from MRWA and site walkovers of each facility currently operated under the WMRC was used to help define the short list technical delivery scenarios, as shown in **Figure 3-3.**

ii. Requests made by the districts during Partnership meetings were also taken into consideration in the development of the short list. The technical delivery scenarios have been selected to reflect a range of potential investment into the WMRC infrastructure, from a 'do minimum' investment to a high impact scenario.

iii. A fifth scenario (Scenario 5) was constructed following consultation with MWRA and is a hybrid of Scenario 3 and 4. An overview of the level of investment is provided in **Appendix 1** (*Waste Flow Model Scenario Assumptions*).

Figure 3-3 – Short list technical delivery scenarios

Scenario 1	• Business as usual (BAU) - non-compliant option.
Scenario 2	• Do minimum (additional pickers at the current MRFs) and food waste stations. Food waste merchant contract is managed by MRWA.
Scenario 3	• Moderate impact 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	• High impact and new MRF using robotics and AI systems. New WTS in St Helens and some new 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	• Hybrid solution of Scenario 3 and 4:
	  • From Scenario 3: Garden and food waste merchant contract managed by MRWA.
	  • From Scenario 4: New MRF using robotics and AI systems. New WTS in St Helens and investment in HWRCs and Reuse shops.

iv. The initial defined short list technical delivery scenarios were presented to the MRWA Senior Leadership Team (SLT) on 21 March 2025. Each scenario was accompanied by an overview of the suggested level of investment, as outlined in **Appendix 1** (*Waste Flow Model Scenario Assumptions*).

v. It can be observed that:

(1) Scenario 1 is not compliant with future government policy and therefore should be discounted at this stage.

(2) The market analysis indicates that there is a wide range of windrow composting facilities within a reasonable distance of the Liverpool City Region boundaries for the treatment of garden waste and this market appears to be relatively liquid. Therefore, the Authority has no requirements to build a garden waste facility and therefore, Scenario 4 should be discounted at this stage.

(3) Scenario 5 should be broadly the same as Scenario 4, with the exception that garden waste should be managed via merchant facilities by MRWA as in Scenario 3.

(4) Halton is not subject to the full levy mechanism, any capital expenditure in Halton would be subject to a separate agreement between Halton and MRWA and therefore, for the purposes of the short list scenario development, Halton remains treated as business as usual.

(5) Technical delivery scenarios 2, 3 and 5 should be taken forward to the next stage.

(C) FOOD WASTE SERVICE SOLUTION: DELIVERY OPTIONS

i. Food waste options were originally running to a separate timetable as there was consideration of whether the 'Green Gas Support Scheme' would be available to subsidise the building of a dedicated Anaerobic Digester ahead of the main FWS procurement. Upon further evaluation this was determined to be not financially viable due to the uncertainty around a successor to the Green Gas Support Scheme (which is due to end in 2028) and Food Waste was therefore incorporated into the main programme. The analysis is presented below as a separate stream to reflect the CSF analysis at the time.

ii. The longlist option choices for the food waste were appraised against each CSF using the approach described in **Section 3.3.3**. **Table 3-4** below presents the outcome of the appraisal.

Table 3-4 – Food waste longlist options

Option choices		Description	Appraisal	Summary for Rationale
1 Service Scope: Packaging Options				
1A	Single contract (food waste services)	Single contract to treat all food waste	PROGRESS	A single contract will be the most efficient option as multiple contracts for a food waste service will require additional management.
1B	Packages (Waste quantity lots)	Splitting quantities of food waste to multiple packages: i.e. majority goes as one contract surplus forms part of another package	PARK	Unlikely to hit certain aspirations, may need to be reinstated if no capital funding or investment unlikely.
1C	Integrate with other waste services	Adding the service to a successor WMRC contract	PARK	Food waste is considered specialist / niche so not suited for integrating with other services.
2 Service Solution: Delivery Options				
2A	MRWA to organise	MRWA procure a facility to treat food waste this could be publicly or privately funded	PROGRESS	Allows MRWA to take full benefit of carbon benefits and the use of the gas off take.

Option choices		Description	Appraisal	Summary for Rationale
2B	Merchant to organise	Merchant will either use existing facility or procure capacity at a new facility	CONSIDER	Lower risk option for MRWA.
3 Service Delivery: Commissioning Options				
3A	Private sector delivery	This is a similar arrangement to the existing contracts, with competitive procurement to identify a suitable contractor(s).	PROGRESS	Provides greater cost certainty for contact duration, MRWA's reputational risk may be more protected, and contractor is likely to have several contracts from which they can draw. knowledge, experience of best/good practice and innovation opportunities.
3B	Establish a Joint Venture with private sector	May include a range of different commercial arrangements where the Authority may choose to partner with other local authorities, a Local Authority Trading Company (LATCo) or a commercial entity.	CONSIDER	Benefits include the ability to draw on knowledge and experience from the private sector. Also, the service has the potential to benefit from third party revenues. Weaknesses and threats include some additional costs may be passed back to MRWA so limited cost certainty in the longer term,
3C	Establish a new Direct Service Organisation (DSO)	A local authority may choose to deliver statutory services itself, with no competitive tendering. DSOs function as a department of, and are under full control of, the Authority.	DISCOUNT DUE TO SHOW-STOPPER	Operators/workers will need to be recruited and trained on favourable council terms and conditions which will increase revenue costs. MRWA will retain all operational risk
3D	Establish a Local Authority Trading Company (LATCo)	A separate body, which is fully owned and controlled by the shareholding authority or authorities (where developed in partnership), is set up with the freedom to operate as a commercial company, subject to certain conditions being met as set out under Schedule 2 of the Procurement Act 2023. A new LATCo operates under	CONSIDER	The perceived benefits of a LATCo are typically in the ability to trade and generate commercial revenues and greater flexibility to design/modify the service. Weaknesses and threats include all costs are passed back to MRWA and limited cost certainty in the longer term, LATCo will need to replace staff functions provided centrally under the current outsourced arrangement, it may be more difficult to arrange contingency arrangements and there may be skills and resources gaps requiring additional staffing

Option choices		Description	Appraisal	Summary for Rationale
		Teckal[8] exemption if more than 80% of activities are for the Authority, or else competitively bidding to provide services.		
3E	Establish a Joint Venture with an existing LATCo	Joining an existing LATCo can be less expensive and time consuming than setting up a new organisation.	DISCOUNT DUE TO SHOW-STOPPER	Insufficient control to deliver strategic aims if joint venture with an existing. LATCo controlled by another authority. No known LATCos operating AD plant in region/area
3F	Establish a Mutual and Cooperative Service Delivery	Public services are delivered through an organisation with significant staff influence (at least 25% employee ownership). Various forms of Public Service Mutuals (PSM) are in existence, with the most common being Community Interest Companies, but also Companies Limited by Share, Community Benefit Companies, Bonafide Co-operative Societies, and charities.	DISCOUNT DUE TO SHOW-STOPPER	Additional governance and timescales creates concern around setting up a mutual co-operative, No existing track record in AD sector. This is not consistent with MRWA strategy, and it is likely that Authority will still retain large share of risk without all the benefits.
3G	Joint Procurement with another authority	Enter into a joint procurement with another local waste authority for the discharge of any of its functions, in a partnership or similar type of arrangement.	PARK	No known opportunities at the moment, additional governance and expected timescale issues
4 Service Implementation: Contract Duration				
4A	Procure long-term contract(s) (e.g. 15-25 years) with aligned end date for WMRC	Potentially align with the new (Post 2029 and current WMRC expiry) waste and recycling contract	PROGRESS	Longer term contract will attract the investment required for new facility

[8] Teckal Exemption - This exemption allows a contracting authority, that is a public authority, to award a contract within its 'corporate family' and vice versa.

Option choices		Description	Appraisal	Summary for Rationale
4B	Procure medium-term contract(s) (e.g. 5-15 years) with aligned end date for WMRC	All food waste services could be let on same medium-term basis, and possibly with aligned end dates to allow future recombination of any disaggregated element if desired.	PROGRESS	Medium contract will be more attractive than shorter contracts
4C	Procure short-term contract(s) (e.g. 3-5 years) for each service, with aligned end dates	All food waste services could be let on short term basis, with aligned end dates to allow future recombination of any disaggregated element if desired, and/or consideration of alternative service delivery models to the outsourcing model.	PARK	Short contract is unlikely to achieve aspirations of authority and districts
4D	Specify mix of various contract terms	Let an interim short-term contract to manage food waste during development of new facility	DISCOUNT DUE TO SHOW-STOPPER	Will not appeal to Market and difficult to co-ordinate and manage
5 Funding Options				
5A	No capital funding required	Some food waste service options may not need capital investment. (e.g. use of existing merchant facilities)	CONSIDER	Too early to rule this option out, relying on the merchant market does not require capital
5B	Private finance only	This is the same arrangement as the existing WMRC	CONSIDER	Authority has limited capital reserve and may wish to push capital funding to other parts of the service
5C	Public funding only	Authorities have access to public funding through various routes.	CONSIDER	Authority is likely to get better lending rates via PWLB (Public Works Loans Board)
5D	Mixed public sector and private funding	Some contracts use a mix of option B and C, depending on the scale of investment and ownership of assets.	CONSIDER	Too early to determine optimal mix of funding. Putting in some public finance money (at better borrowing rates) has potential to reduce overall costs

iii. The key outcomes from the longlist appraisal suggested.

(1) A new food waste treatment service is likely to be required/desirable in the medium term.

(2) Service packaging, this could be a standalone service although suppliers providing other services for MRWA may wish to provide the service.

(3) It is not clear whether there will be sufficient AD capacity moving forward as there will be increasing demand across the North-West and whilst there are new facilities that are in early planning stages, procuring a new, dedicated facility within the region should be considered.

(4) There are a number of options for providing the service, but the private sector is best placed to deliver the services at this stage. Public sector ('in-house') delivery of services was discounted at this stage as it would expose MRWA to financial and operational risks which cannot or may be difficult to adequately predict and mitigate.

(5) Contract Duration: a medium to long term contract term would be considered due need for capital investment for new vehicles, plant or infrastructure.

(6) Capital Funding: it is too early to determine the most appropriate funding solution.

3.3.4. FOOD WASTE SHORTLIST SCENARIOS

Following the longlist appraisal the three shortlist scenarios were identified for taking forward to the next step:

(a) **Option 1: Merchant Delivery**

This option relies on the merchant market to deliver food waste treatment capacity for MRWA and does not allow for the development of a dedicated anaerobic digestion facility for the Authority.

(b) **Option 2: - Design Build Finance and Operate**

This option assumes a Design Build Finance and Operate (DBFO) model and uses a third party to fully deliver and operate a new dedicated anaerobic digestion facility for MRWA. The option does not involve any capital funds to be provided by MRWA and assumes the solution is fully funded by the third party, with MRWA paying either a gate fee per tonne, or monthly unitary charge, to the third-party provider.

(c) **Option 3: Design and Build plus Operate**

This option assumes that MRWA will obtain separate finance and procure a design and build contract for delivery of a dedicated anaerobic digestion facility for the Authority. The option then assumes MRWA will procure a separate arrangement to operate the facility. This could be through a separately procured private sector company, a joint venture with the private sector, or by a new Local Authority Trading Company (LATCO). For simplicity, the cost modelling does not distinguish between these operating

models as it is anticipated the cost for delivery will be relatively similar for each operating model.

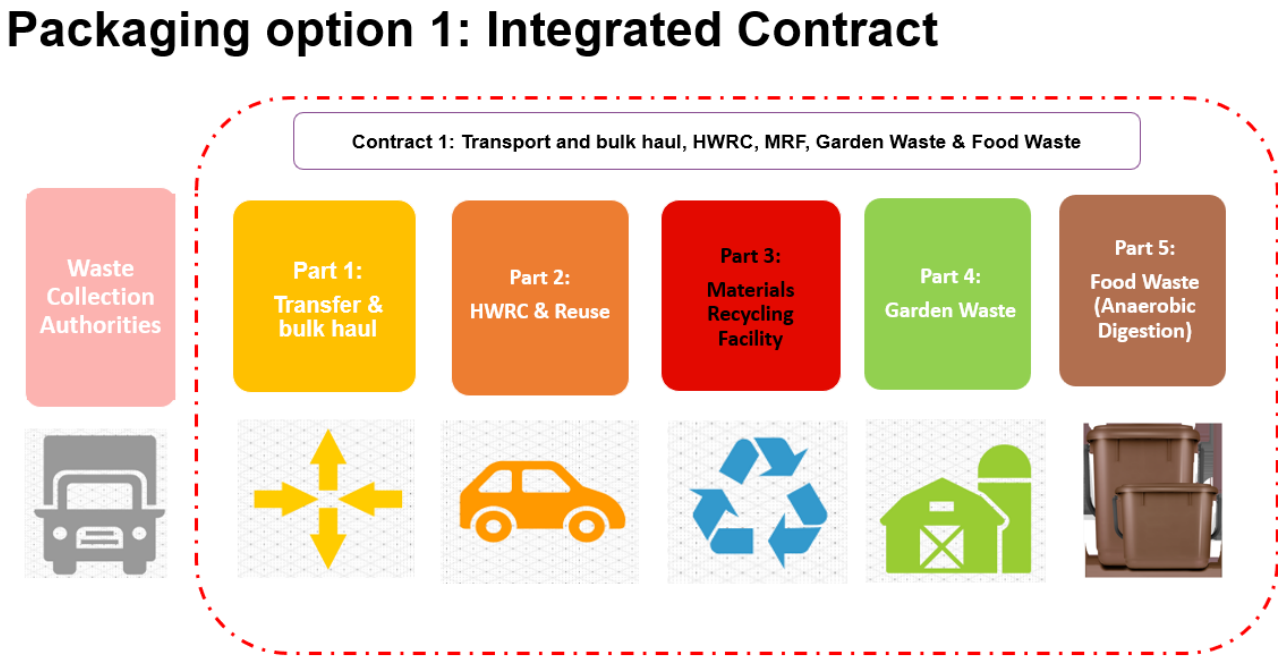
(d) **Initial appraisal of Option 1 to 3**

The three options were reviewed and option 2 and 3 should be parked at this stage due to the current merchant market conditions and the uncertainty around a successor to the Green Gas Support Scheme (GGSS) which is due to end in 2028. There are new facilities that are in early planning stages and an existing anaerobic digestion facility within the region which is understood to have capacity as a merchant supplier to MRWA. The current GGSS is due to expire in March 2028, and it is not yet known whether a replacement scheme will be implemented which would have a significant impact on the viability of a new purpose-built facility. It is proposed that MRWA proceed with Option 1 – Merchant market in the short term while the market establishes itself from the nationwide introduction of food waste collections in April 2026 and it awaits news on any potential replacement of the GGSS post March 2028.

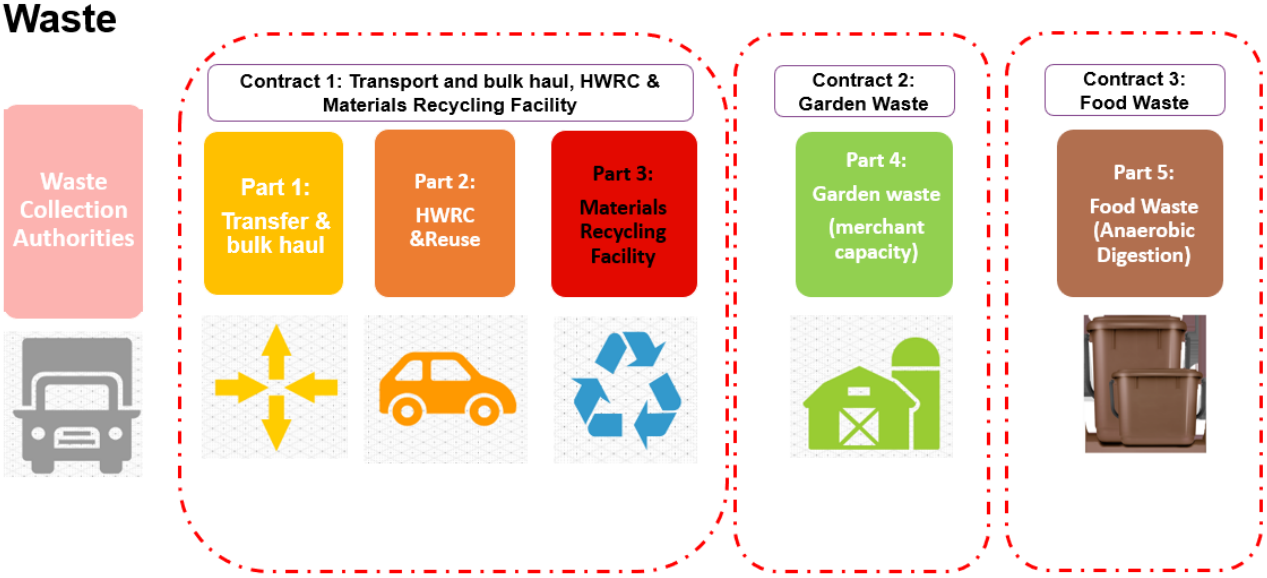
3.4 SERVICE SCOPE: PACKAGING OPTIONS

3.4.1. The packaging options shown below in **Figure 3-4** were considered for each of the short list technical delivery scenarios.

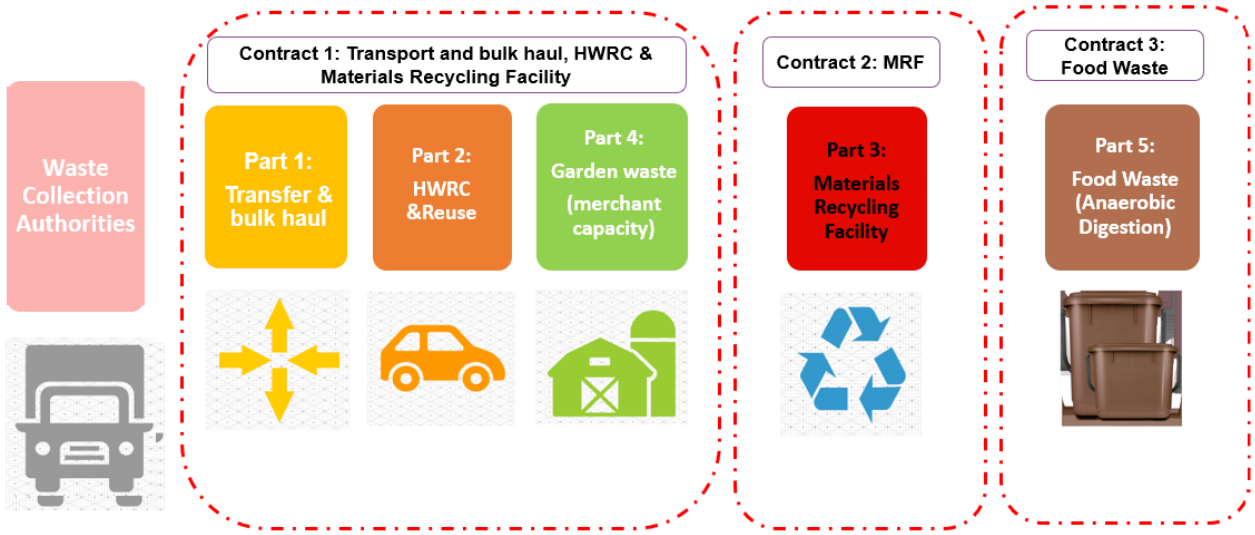
Figure 3-4 – Packaging options



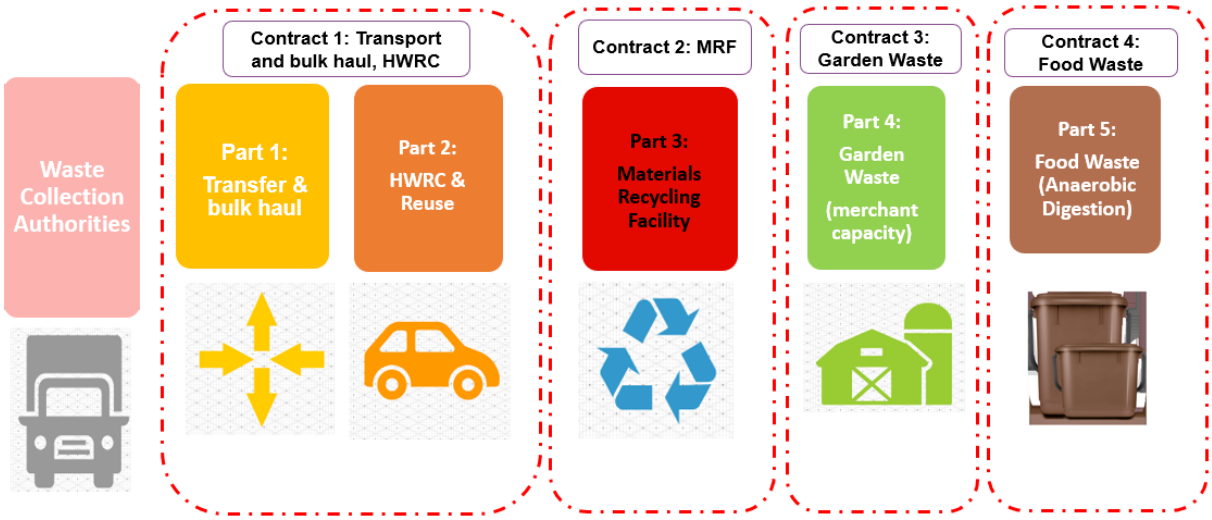
Packaging option 2: Three contracts - separate Garden & Food Waste



Packaging option 3: Three contracts - separate MRF & Food Waste



Packaging option 4: Four contracts - separate MRF, Garden & Food Waste



3.4.2. A SWOT assessment was conducted for each of the packaging options; details are provided in **Appendix 3** (*Contract Packaging Options*). **Table 3-5** below provides a summary of the assessment and identifies the preferred packaging option which was agreed to be taken forward to the next stage.

Table 3-5 – Summary of assessment for service scope: Packaging options

Packaging option	Outcome	Summary Rationale
Fully integrated (as current)	Discount	Current operating model and a single point for contract management. Difficult to terminate an integrated contract if one area of the contract is not performing. Few tenderers capable of tendering for integrated contract- restricted to companies who have a proven track record in operating and maintaining varied waste infrastructure. MRWA would be less able to leverage lower cost on more straightforward service elements (e.g. garden waste)
Three contracts: • Transfer & haulage, HWRC, MRF • Garden • Food Waste	Progress Scenario 2	All staff TUPE into contract 1 and improve value for the separate garden waste treatment contract and presents opportunities for SMEs. Contract 1 is more difficult and expensive to vary the contract. Difficult to terminate contract 1 if one area of the contract is not performing. Few tenderers capable, in tendering for contract 1- restricted to companies who have a proven track record in operating and maintaining MRFs and may only achieve 3 to 5 tenderers for contact 1 procurement. Combining HWRCs, waste transfer, haulage and MRF into a single contract would exclude niche service providers and SME's.
Three contracts: • Transfer & haulage, HWRC, Garden • MRF • Food Waste	Discount	Potential to increase competition by having the MRF and food waste as separate contracts. Less able to leverage lower cost on more straightforward service elements (garden waste capacity contract). May not provide opportunity for niche service providers and SMEs for contract 1. Availability of nearby in-house green waste treatment capacity.

Packaging option	Outcome	Summary Rationale
Four contracts: • Transfer & haulage, HWRC • MRF • Garden • Food Waste	Progress Scenario 2, 3 and 5	Requires additional contract management for MRWA as there are now four contracts to manage. However, this option is attractive to more medium sized waste management companies and there is no need to terminate the whole service if MRWA is not happy with part of the service. Should be improved value from separate green waste treatment and this also presents opportunities for SMEs. Improved transfer of construction and operational risks to contractor. Can stagger contract periods in future so that workload can be managed by MRWA teams. Potential to deliver better value.

3.4.3. The four packages taken forward are therefore referred to as follows: The services under this scenario will be packaged as follows:

(1) Contract 1: **HWH** – comprising of the HWRCs, Waste Transfer Stations and Haulage

(2) Contract 2: **MRF** – a new build Materials Recovery Facility

(3) Contract 3: **Garden** Waste (Merchant Contract)

(4) Contract 4: **Food** Waste (Merchant Contract)

3.5 SERVICE IMPLEMENTATION: CONTRACT DURATION

Table 3-6 below provides a summary of the potential contracting duration for the packaging options outlined above. For scenarios 3 and 5 it was agreed that a mix of short and medium to long term contract terms between the various services would be the most appropriate, as the level of capital investment required varies across the four contracts.

Table 3-6 – Summary of assessment for contract duration

Contracting duration options	Outcome	Summary Rationale
Procure long-term contract(s) (e.g., 10-25 years)	Discount	Long-term 15-to-25-year contracts for all services could result in MRWA not being able to leverage lower costs on more straightforward service elements such as the garden waste. Risk that attempting to put a "one size" fit of contract duration across all services, in order to retain their alignment, may not give optimum value for money.
Mix of short and medium / long term contract terms between the various services	Progress Scenario 2, 3 and 5	A mix of contract lengths allows adaptation to the market forces and legislation affecting each service area. Allowing longer term contracts where there is a need for capital investment and short / medium term contracts for more straightforward service elements such as the garden waste
Procure medium-term contract(s) (e.g., 10-15 years) for each service, with aligned end dates	Discount	Medium term arrangements may not be suitable where there is a need for capital investment for new infrastructure and could result in MRWA not being able to leverage

Contracting duration options	Outcome	Summary Rationale
		lower costs on more straightforward service elements such as the garden waste. Risk that attempting to put a “one size” fit of contract duration across all services, in order to retain their alignment, may not give optimum value for money.
Procure short-term contract(s) (e.g., 2-5 years) for all services, with aligned end dates	Discount	Very short-term arrangements are not suitable where there is a need for capital investment for new vehicles, plant or infrastructure.

3.6 SERVICE DELIVERY: COMMISSIONING OPTIONS

3.6.1. A SWOT assessment was conducted considering if the services were delivered by Private Sector or a Local Authority Trading Company (LATCo); SWOTs are provided in **Appendix 3** (*Contract Packaging Options*). A summary of the assessment is provided below in **Table 3-7**.

Table 3-7 – Summary of assessment service delivery commission options

Options	Summary
Private Sector delivery	Exhibits and brings forward many strengths, including greater cost certainty for contract duration, MRWA’s reputational risk may be more protected and contractor likely to have several contracts from which they can draw, knowledge, experience of best/good practice and innovation opportunities. Allows engagement with experienced suppliers with a high potential for market competition and deliverable programme. Some weakness includes potential inability to recoup full savings from changes in service during the contract period and service changes typically requires a contract variation and depending on the complexity of the change it can be time consuming and may result in additional costs.
Establish Local Authority Trading Company (LATCo)	The perceived benefits of a LATCo are typically in the ability to trade and generate commercial revenues and greater flexibility to design/modify the service. Weaknesses and threats include all costs are passed back to MRWA and limited cost certainty in the longer term, LATCo will need to replace staff functions provided centrally under the current outsourced arrangement, it may be more difficult to arrange contingency arrangements and there may be skills and resources gaps requiring additional staffing.

3.6.2. It was agreed that for scenarios 3 and 5 garden and food waste treatment will be delivered by private sector as MRWA do not operate a facility to treat this waste.

3.6.3. For Scenario 2 the services could be delivered by either the private sector or a LATCo, however the food waste element of the service would have to be delivered by the private sector as MRWA do not have a facility to treat food waste.

3.6.4. For scenario 3 and 5 the MRF contract would be delivered by the private sector due to the level of capital required. However, for the HWRCs, Waste Transfer station and haulage contract (HWH) could be delivered by either the private sector or a LATCo.

3.7 SHORTLISTED SCENARIOS

3.7.1. The assessment described above generated the following shortlist scenarios. The three scenarios presented in the following paragraphs were considered to reflect a viable spectrum of options between the minimum and maximum amount of change, as follows:

(a) **Scenario 2: Do minimum**

i. This scenario has been included as a Business As Usual (BAU) type comparator, it is not termed BAU as that would imply no change, which would be non-compliant. The key change being the addition of the temporary food waste transfer facilities at the existing waste transfer stations and additional pickers and equipment at the existing MRFs to allow the additional materials required by Simpler Recycling to be separated in 2026.The current MRFs are not able to separate out plastic films which are required to be collected separately by March 2027. Garden waste would continue to be managed by the districts under this scenario, but food waste would be managed by MRWA using merchant facilities

ii. The services under this scenario will be packaged as follows:

(1) Package 1: HWH and MRF.

(2) Package 2: Garden.

(3) Package 3: Food.

(b) **Scenario 3: Moderate change and a new MRF**

i. This scenario reflects a moderate impact scenario; it includes the provision of a new MRF which use traditional separation technologies to separate out the mixed dry recyclables. Both of the current MRFs would be closed under this scenario. Some HWRCs would be provided with reuse containers including Formby, Southport, Sefton Meadows, South Sefton, Old Swan, Huyton. New reuse shops would be built at Sefton Meadows and Huyton and the former reuse shop at Old Swan would be reopened. Garden and food waste would be managed by MRWA using merchant facilities. **Appendix 1** (*Waste Flow Model Scenario Assumptions*). provides an overview of the level of investment.

ii. The services under this scenario would be packaged as follows:

(1) Package 1: HWH.

(2) Package 2: MRF.

(3) Package 3: Garden.

(4) Package 4: Food.

(c) **Scenario 5: Large scale change and a new MRF**

i. This scenario reflects a high impact scenario; it includes the provision of a new MRF which uses robotics and AI systems which can separate out the materials further (e.g. plastics into different polymer types) to provide future flexibility for changes in collected materials and produce high

quality outputs resulting in higher and more secure off-take revenues. Both of the current MRFs would be closed under this scenario.

ii. This scenario also assumes (for the purpose of this OBC):

(1) the existing Huyton WTS being rebuilt and a new WTS being built in St Helens.

(2) of the 16 existing HWRCs some will be replaced/refurbished.

(3) Reuse containers would be installed at selected HWRCs, alongside up to seven onsite reuse shops, six offsite reuse shops and a reuse hub.

iii. Any new sites are subject to identification, verification and securing planning permission.

iv. Reuse containers would be included at any new HWRCs and at Formby, Southport, Sefton Meadows, South Sefton, Old Swan and Huyton.

v. A new reuse shop would be provided at Sefton Meadows and Huyton and the former reuse shop at Old Swan would be re-opened. Reuse shops would also be provided at any new HWRCs, and offsite reuse shops would be provided in each district area. One offsite repair and reuse hub is provided in this scenario.

vi. Garden and food waste would be managed by MRWA using merchant facilities. **Appendix 1** (*Waste Flow Model Scenario Assumptions*) provides an overview of the level of investment.

vii. The services under this scenario would be packaged as follows:

(1) Package 1: HWH.

(2) Package 2: MRF.

(3) Package 3: Garden.

(4) Package 4: Food.

3.7.2. The scenarios were considered to reflect a viable spectrum between the minimum and maximum amount of change. It is important to recognise that the above scenarios have been developed to allow the assessment of alternative service delivery options for the Economic Case and identification of a Preferred Option that can be taken forward into the Financial Case. They do not represent what MRWA will procure or necessarily what the market will offer.

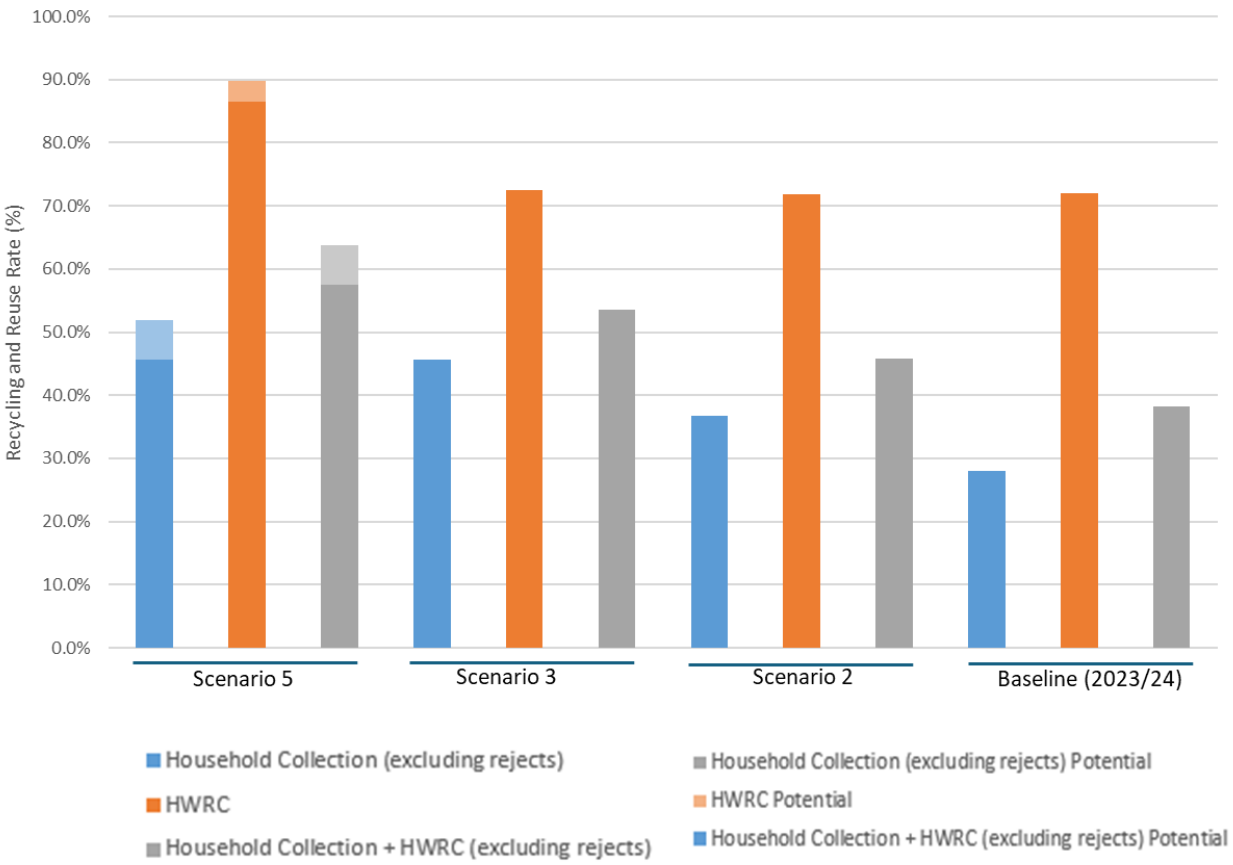
3.8 PERFORMANCE APPRAISAL OF SHORT LIST SCENARIOS

3.8.1. MRWA currently has an overall recycling rate of 38% excluding rejects. This comprises a kerbside household waste recycling rate of approximately 28% excluding rejects and HWRCs recycling rate of 72%, as shown in **Figure 3-5**. The three different scenarios offer different overall recycling rates. Using the OBC waste flow modelling analysis for the scenarios, scenario 2 has an overall recycling rate of approximately 46%, the improvement in the household collected recycling rate when compared to the baseline for Scenario 2 is mainly due to the introduction of a food waste collection and additional materials such as Pots Tubs and Trays which will in the near future, be accepted in the co-mingled dry recycling collections.

3.8.2. In Scenario 3 the overall recycling rate is approximately 54%. The improvement in the household collected recycling rate is again due to the introduction of a food waste collection and additional materials such as Pots Tubs and Trays, plastic films and also the investment and technology used at the new MRF. The HWRCs will continue with the current arrangements; maintenance and minor repairs to improve functionality, include onsite reuse shops and “re-tasking” some sites. Therefore, due to the similarities to the baseline and the restriction of capacity across the HWRCs, the HWRC recycling rates in this Scenario are expected to stay similar to the baseline.

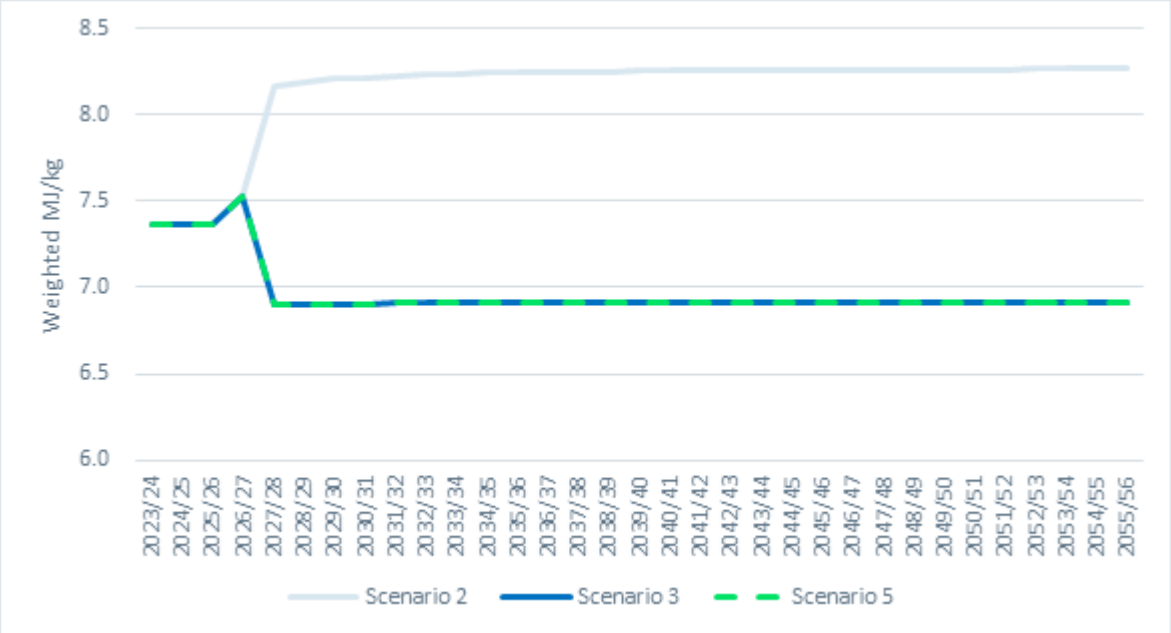
3.8.3. In Scenario 5, the overall recycling rate is estimated to be 58%. Similar to Scenario 3, this increase in the household recycling rate is primarily attributed to the introduction of a food waste collection and additional materials such as Pots Tubs and Trays, films and the investment and advanced technology used at the new MRF. Furthermore, it is anticipated that upgrades at certain HWRCs and the introduction of a Reuse hub will enable the capture of more materials, leading to improved performance at these facilities. There is additional potential for an enhanced rate of recycling with Scenario 5 which is related to the effective promotion and implementation of Government waste management policies, this could increase the overall MRWA recycling rate for Scenario 5 to approximately 64% by the end of the contract period compared with an MRWA target of 65% by 2035.

Figure 3-5 – Potential recycling rates by scenario



3.8.4. The Calorific Value (CV) of the residual waste stream is influenced by its composition. The increase in recycling and capture of plastics across the different scenarios will change the CV of the residual waste stream which is treated via the RRC. **Figure 3-6** suggests that the residual waste for Scenario 3 and Scenario 5 has a similar CV, which is lower than the CV for Scenario 2. This difference is mainly due to the capture of new plastic types (e.g. film) for recycling. For Scenario 3 and Scenario 5 the new MRFs are assumed to be able to separate out the plastic. The MRFs in Scenario 2 are unable to separate out the films and therefore they remain in the residual waste stream resulting in a higher CV.

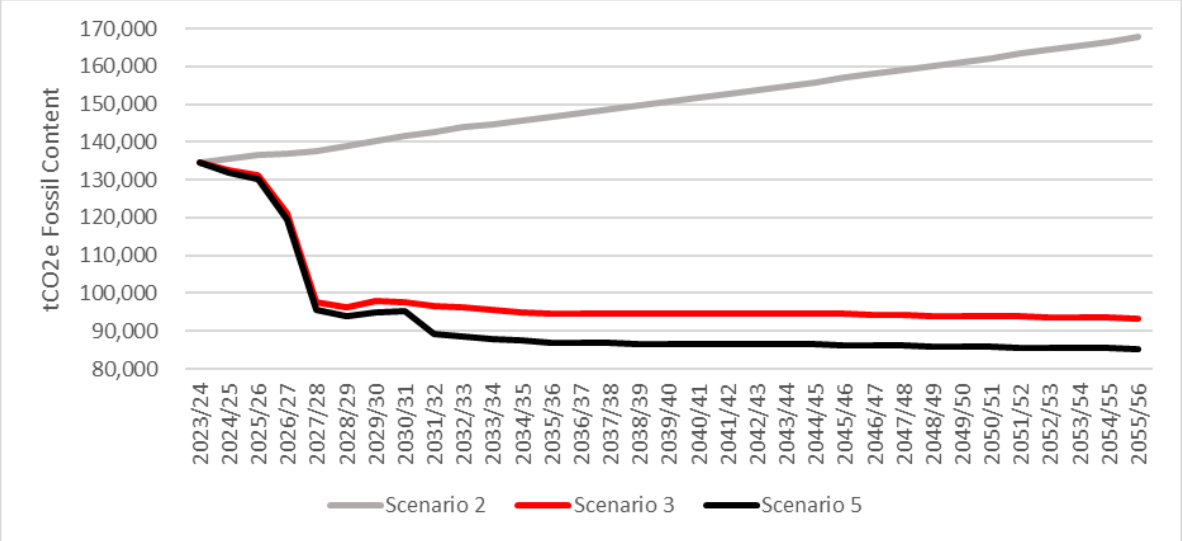
Figure 3-6 – Calorific value by scenario



3.8.5. The UK ETS is expanding to include waste incineration and energy from waste (EfW). The Emissions Trading Scheme (ETS) is a market-based mechanism to reduce greenhouse gas emissions by setting a cap on the total amount of carbon dioxide that can be emitted and allowing businesses to trade emission allowances. UK EfW facilities will be subject to the ETS from 2028, and their operators will need to purchase allowances for unabated fossil-based carbon emissions linked to non-biogenic feedstocks (such as plastics) from the ETS carbon market. There is significant risk that at least a proportion of the financial burden placed on EfW operators by ETS will be passed on to those supplying waste to these facilities for treatment and this potentially poses a significant risk to MRWA through the RRC, The embodied fossil carbon within the residual waste has been estimated for each Scenario, as shown in **Figure 3-7**.

3.8.6. **Figure 3-7** suggests that again due to the investment in technology and the ability to recycle more, Scenario 5 produces the lowest embodied fossil carbon within the residual waste stream, followed by Scenario 3 and the Scenario 2. In Scenario 5, the embodied carbon is expected to reduce further in 2031/32 based on the assumptions that the new infrastructure including the new MRF will be operating.

Figure 3-7 – Embodied fossil carbon by scenario



3.9 CSF Qualitative Appraisal of Short List Scenarios

3.9.1. A qualitative assessment was undertaken on the three scenarios against all the critical success factors (except CSFs 4.1, 4.2 and 4.3[9] which are considered in the Financial Case) as shown in **Figure 3-8**. Scenario 5 performs the best against most CSFs offering the most strengths and opportunities. The introduction of new reuse shops both on and off-site, along with a reuse and repair hub, presents an opportunity to enhance waste prevention and reduction, support charities, support education and behaviour change and contributes to the MRWA strategy. Additionally, the new infrastructure optimises flexibility, future-proofs the service, enhances local biodiversity, and is likely to attract interest from the supplier market.

3.9.2. All the Scenarios result in an improvement in recycling rate as shown in **Figure 3-5**, including Scenario 2. However, Simpler Recycling requires films to be collected separately from March 2027, the MRFs in Scenario 2 are not designed to sort films and will be unable able to separate out plastic films. Therefore, there is a threat that Scenario 2 will not be compliant with national policy and legalisation. The age and condition of some of the assets in Scenario 2 are a constraint and may also be seen as a risk that could impact how attractive the option may be to the supplier market. This means Scenario 2 does not perform as well against most of the CSFs.

3.9.3. Scenario 3 includes a new MRF which uses traditional separation technologies to separate mixed dry recyclables, including all the materials currently required by Simpler Recycling. This Scenario also includes the provision of reuse containers on some sites and reuse shops on 3 existing HWRC sites. Although, there is some opportunity for enhanced social value and reuse through the introduction of the reuse containers and shops this this likely to be limited. The age and condition of some of the assets may be seen as a risk to the market, however the new MRF should be attractive.

3.9.4. Scenario 5 performs well against all of the CSFs.

[9] CSF 4: Potential Affordability

Figure 3-8 – CSF qualitative appraisal of short list scenarios

MRWA CSF	Scenario 2	Scenario 3	Scenario 5
CSF-1.1 Improve recycling rate			
CSF-1.2 Compliance with National policy and legislation			
CSF-1.3 Delivery programme can meet target dates			
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-2.1 Enhance social Value			
CSF-2.2 Carbon impact and climate change			
CSF- 2.3 Biodiversity			
CSF 3.1 Matches the ability of potential suppliers to deliver the required services			
CSF 3.2 Likely to be attractive to the supplier market			
CSF-5.1 Flexibility to respond to changing demands			
CSF -5.2 Skills are available in the market			
CSF-5.3 Capacity available in the market			

3.10 CSF Quantitative Appraisal of Short List Scenarios

3.10.1. In accordance with HM Treasury Green Book guidance a quantitative assessment of the benefits was undertaken for the three scenarios against a number of the CSFs. MRWA uses a reporting framework and social value platform designed to help measure and report their social value impact effectively. MRWA provided a list of MeasureUp[10] values as outlined below which were applicable to some of the CSFs used:

(a) Currently having a job

(b) Supporting charity shops

(c) Volunteering regularly

(d) Improved mental health

(e) Improved workplace quality

(f) Improved digital skills and inclusion

(g) Reduction in crime

(h) Being on an apprenticeship

(i) Community Fund

3.10.2. WSP provided the input assumptions for each of the values above for Scenarios 2, 3 and 5, MRWA officers reviewed the assumptions and inputted the data into the social value platform. The results of this assessment are described in **Appendix 8** (*Social Value)* which provides an overview of the approach and assumptions used to estimate the social value annual figures.

[10] MeasureUp is a tool which aligns with the UK Treasury's new definition of social value as the "wellbeing of the population" value to help organisations evidence the social value impact. Home | MeasureUp

3.11 The sections above have resulted in a shortlist of scenarios based on known government policy, strategic direction and market considerations. The following sections of the Economic case consider the scenarios based on the economic impact.

4 ECONOMIC CASE PART 2 - CAPITAL AND OPERATIONAL COST ESTIMATES

4.1.1. WSP provided estimated costs for the existing and new waste management facilities to support the financial appraisal of each Scenario. The data included:

(a) Capital cost estimates for each facility (CapEx)

(b) Operating cost estimates for each facility (OpEx)

(c) Haulage cost estimates

(d) Material revenue prices

4.1.2. An overview of the sources of data used, the underlying assumptions and accuracy of the estimates where relevant are provided in **Appendix 4** (*MRWA Costings*).

4.1.3. Optimism bias (OB) is a cognitive phenomenon in which people overestimate the likelihood of positive events and underestimate the likelihood of negative ones. The UK Treasury Green Book recognises that optimism bias causes a systematic tendency for project appraisers to underestimate costs and timelines while overestimating benefits. An overview of the methodology and assumptions which underpin the Optimism Bias adjustments applied to each scenario are provided in **Appendix 9** (*MRWA Optimism Bias and Operational Risk Assessment Report*).

4.1.4. Operational risk assessment (ORA) is an event which may or may not occur, where the probability of occurrence and the financial impact can be measured, Operational risks can arise from failures in internal processes, human error, system breakdowns, or external events. The Treasury Green book requires operational risks to be assessed to supplement optimism bias used that is applied to the construction phase of projects. An overview of the methodology and assumptions which underpin the ORA adjustments applied to each scenario are provided in **Appendix 9** (*MRWA Optimism Bias and Operational Risk assessment*).

ECONOMIC APPRAISAL OF COSTS

4.1.5. APPROACH

(a) The purpose of this section of the OBC is to set out the economic appraisal of each of the alternative shortlisted scenarios identified for each Package and then apply the cost benefit analysis to identify the Preferred Scenario for each Package. The Preferred Scenario for each Package, when combined together, is the Preferred Option (Scenario 5 being a hybrid option of the best of scenarios 2, 3, and 4 of each package). The Packages and underlying Scenarios which were identified in **Figure 3-3**, and which are to be evaluated in this Economic Appraisal of Costs is summarised in **Table 4-1**.

Table 4-1 - Summary of the scenarios within each Package

Scenario *Package*	**Scenario 2** Do minimum	**Scenario 3** Moderate change and new MRF	**Scenario 4** Large scale change and new MRF
Package 1 HWH	Existing HWRC and WTS: • minor upgrades	Existing HWRC and WTS: • minor upgrades • some reuse containers and shops.	Existing HWRC: • some minor upgrades • some redeveloped/ refurbished • reuse containers on some sites • a reuse hub and on and off site reuse shops. Existing WTS: • the existing Huyton WTS to be rebuilt and a new WTS to be built in St Helens. • Future proof for collection changes
Package 2 MRF	Existing MRFs: • additional pickers and cabins added to the existing MRFs to allow the collection and processing of some additional materials	New build MRF • Traditional separation technologies and systems	New build MRF • Robotics and AI systems
Package 3 Garden	n/a[11]	Merchant contract: • Managed by MRWA	n/a[12]
Package 4 Food		Merchant contract: • Leaves option open for possible future new build	New build AD: • not viable without certainty of green gas subsidy scheme

(b) In developing the options, the following constraints have been addressed:

i. Seek to provide a fully operational replacement service from 1 June 2029, following expiry of the current Veolia contract, through to 31st May 2054;

[11] Garden waste is currently managed by one of the district councils on behalf of MRWA. While this arrangement may transfer to another district in the medium term, it is not considered sustainable in the long term. Therefore, this option is not deliverable under a Do Minimum scenario.

[12] Per market analysis in **paragraph 2.13.1(f)**, "there are a wide range of windrow composting facilities within the catchment area for the treatment of garden waste, and this market appears to be relatively liquid". Therefore, there is no strategic imperative for a new garden facility and no "large-scale change" scenario involving development of new infrastructure by MRWA.

ii. Identify for each Package the option that optimises the benefits accruing from delivering against the critical success factors, whilst recognising the associated financial commitment.

(c) Within these constraints, the Preferred Scenario for each Package will be the option that best addresses the strategic objectives of MRWA, as represented by their Critical Success Factors for the project, and which demonstrates the greatest potential to achieve Value for Money (VfM). The Financial Case then considers the overall affordability of the Preferred Option so identified.

(d) The economic evaluation of the options has been undertaken in accordance with HM Treasury Green Book guidance as a best practice approach for local government to follow on the appraisal of public sector investments, programmes and projects.

(e) The financial analysis for the Economic Case is therefore presented in Net Present Cost ("NPC") terms, calculated by forecasting the nominal cost of the relevant Scenario and discounting this by the HMT Green Book discount rate of 5.57%[13] (which takes account of the time, value and social preference for receiving benefits now as compared to in the future).

(f) Whilst the NPC is the key measure for Economic Case purposes, the results in the tables within this section also present the total nominal costs of the Scenarios for completeness and to provide clear linkage to the Financial Case, which itself is to be based on forecast nominal costs.

(g) The NPC is then adjusted to include Optimism Bias and Operating Risk to derive the Risk Adjusted NPC.

(h) The qualitative benefits of each Scenario are identified based on the extent to which the relevant Scenario delivers against the critical success factors, which have then been monetised as described in **section 3.10**. The monetised qualitative benefits are then deducted from the Risk Adjusted NPC to derive the Net Present Social Cost (NPSC), which is used as the basis for evaluation of each scenario within a Package.

(i) The Preferred Scenario within a Package is the scenario which has the lowest Net Present Social Cost.

(j) The Preferred Scenario from each Package when viewed alongside the Preferred Scenario from each of the other Packages, represents a whole service solution and is the **Preferred Option**.

4.1.6. This section is structured as follows:

i. **Section 4.2.3** presents the assumptions that apply to all Packages.

ii. **Sections 4.2.4, 4.2.5, 4.2.6, 4.2.7** then present the economic appraisal for each Package (Package 1: HWH; Package 2: MRF; Package 3: Garden; Package 4: Food) in turn. Each Package is then structured as follows, presenting:

(1) A summary description of the core definition and assumptions for each Scenario in the Package.

[13] Based on the Fisher Equation and application of the UK Treasury real discount rate of 3.50% and the UK Treasury long-term forecast for CPI of 2.00%.

(2) A programme outlining the timeline and contracting structure for each Scenario.

(3) The common assumptions as relevant to all scenarios in the Package.

(4) The results of the Economic Appraisal, including the NPC for each Scenario.

(5) The Risk Adjusted NPC, which adjusts the NPC to include provision for Optimism Bias and Operating Risk. The Risk Adjusted NPC is then subjected to swing analysis to assess the impact of changes in assumptions on the outcome of the Economic analysis.

(6) The outcome of the appraisal of the CSFs (so-called "qualitative benefits") which when monetised (see **Appendix 8** *(Social Value)*) can be added to the Risk Adjusted NPC to derive the Net Present Social Cost, so enabling comparison of the costs and benefits of each Scenario to be undertaken.

(7) A conclusion for the appraisal, identifying the Preferred Option for the Package.

(b) Detailed assumptions for each scenario within each of the four Packages are presented in **Appendix 5** *(Economic Case Supporting information)*.

4.1.7. ASSUMPTIONS AND PARAMETERS APPLICABLE TO ALL PACKAGES

The core assumptions that underpin the economic appraisal for each Package are summarised below.

(a) **Contract term and appraisal window:**

i. Current Veolia contract expiry: 31 May 2029.

ii. Evaluation period: 25 years from 1 June 2029 – 31 May 2054.

(1) This period is set, so as to provide for the proposed term for a new-build MRF, based on c.2. years construction and commissioning followed by c.23 years operation (sufficient to balance repayment of the finance and the resulting annual charge). As this represents the longest minimum contract term for any of the shortlisted options in any Package, this has been used as the reference term for all shortlisted options for evaluation purposes.

(2) Having a consistent period for all Package appraisals enables the aggregation of the preferred scenario for each Package, so providing an overall position for MRWA, for consideration in the Financial Case.

(b) **Waste volumes, composition and growth:**

Evaluation of each Package is based on application of MRWA's waste flow forecasts, and the associated underlying assumptions are described in **Appendix 7** (*Waste Projection Assumptions*).

(c) **Economic assumptions:**

i. Price base date (real prices): 2025/26.

ii. Forecast inflation assumptions used to adjust the real cost inputs for inflation to calculate nominal prices:

(1) CPI: 2.00% per annum (per UK Treasury long-term target).

iii. Construction: Building Cost Information Service (BCIS) forecast to 2030 (range 2.70% to 3.00%), thereafter 2.22% per annum (per BCIS All-In TPI).[14]

iv. Fuel: 2.50% per annum (BCIS Fuel Index).[15]

(1) RPIX: 2.75% per annum (reflects historic 75 bps 'wedge' for RPI over CPI).

(2) No indexation applied to non-inflation linked cost elements.

v. Real discount rate: 3.50%, per HMT Green Book guidance.

vi. WSP's capital cost estimates per **Appendix 4** (*MRWA Costings*) are prepared at 2025/26 prices (real). To derive nominal, outturn figures, the BCIS All-in Tender Price Index is applied to each capital cashflow **Appendix 4** *(Cost Report)*.

vii. **Appendix 9** *(MRWA Optimism Bias and Operational Risk assessment Report)* presents WSP's Optimism Bias and Operating Risk estimates.

(d) **Service scope:**

i. There are potential changes in the districts' current and future collection methods, which (for the purposes of this OBC) are described in **Appendix 7** *(Waste Flow Model Scenario Assumptions)*.

ii. The MRWA services included within this analysis are limited to those included within the current Veolia contract, so primarily include: HWRC; WTS; Haulage; MRF; Garden; and Food. As such the costs of the Residual Waste (RRC) Contract with Suez and MRWA's day-to-day costs (e.g. communications, central teams, marketing etc.) are excluded from the economic appraisals and from the financial case assessment of affordability.

iii. The WTS operating cost in **Table 4-2** comprise both the operating costs for all WTS and a WTS Food Management Fee of £1m per annum (real).

(e) **Market and procurement:**

i. The service proposition and requirements within each Package have been defined to be attractive to the market, providing opportunity both for niche operators in a discrete part of the waste sector as well as larger waste management organisations. The aim of this packaging strategy is to drive genuine competition which is described in **paragraph 3.4**.

[14] Per Building Cost Information Service (BCIS) "All-in TPI #101" as at 7 March 2025, the profiled indexation rates are used up to 2030. Thereafter, 2.22% is applied for the rest of the evaluation period.

[15] Per BCIS "4/CE/27 DERV Fuel #12627" as at 28 May 2025, 2.50% approximates the average indexation rate from April 2027 to April 2030.

(f) **Cost and revenue:**

I. At the time of writing this draft OBC there remains significant uncertainty as regards some of the cost and revenue assumptions, as reflected in the Optimism Bias and Operating Risk adjustments. In order to firm up these assumptions further work is being undertaken during Phase 2 of the project, in particular as regards the site selection and associated costs for HWH and site costs for MRF. Sensitivity analysis has not therefore been completed at this time but will be undertaken once the further work has been completed and appropriate proportionate sensitivities defined.

4.1.8. **PACKAGE 1: HWRC/WTS/HAULAGE (HWH)**

(a) Package 1 comprises the processing of household waste from the five MRWA Districts plus Halton, through Household Waste Recycling Centres ("HWRCs") and Waste Transfer Stations ("WTSs'"), and haulage of recyclate and residual waste, and the associated income generated by sales of recyclate materials, at reuse facilities and processing of commercial waste.

(b) The shortlisted scenarios as determined from the long list evaluation per **paragraph 3.7** for appraisal in this Economic Case section can be summarised as follows:

i. *Scenario 2*: **Do Minimum**, based on:

(1) continuing operation of the existing 16 HWRCs and four WTSs.

(2) with addition of temporary food waste containers at the existing WTSs.

ii. *Scenario 3*: **Moderate Change**, based on:

(1) reuse containers being installed at six existing HWRCs (Formby, Southport, Sefton Meadows, South Sefton, Old Swan, Huyton).

(2) New reuse shops at Sefton Meadows and Huyton and the former reuse shop at Old Swan would be reopened.

(3) Temporary food waste containers are installed at the existing WTSs, per Scenario 2.

iii. *Scenario 4*: **Large-Scale Change**, based on:

(1) the existing Huyton WTS being rebuilt and a new WTS being built in St Helens.

(2) the 16 existing HWRCs would be replaced/refurbished.

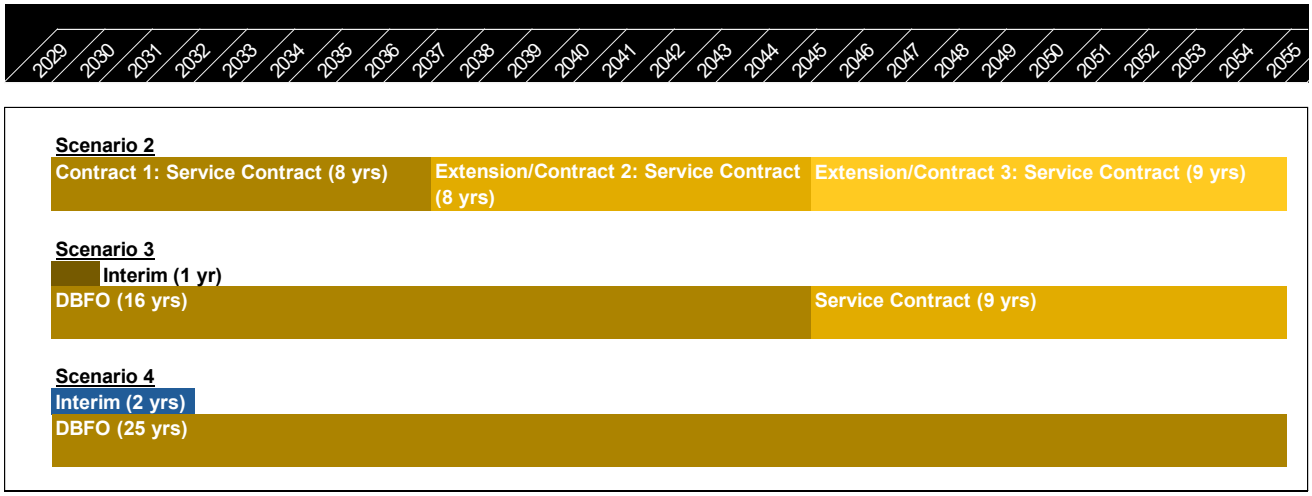
(3) Reuse containers would be installed at selected HWRCs, alongside three new reuse shops, six offsite reuse shops and a reuse hub.

(C) – (D) REDACTED

(E) **PROGRAMME**

i. The scenario definition and contracting timelines described in **Section 4.2.4(c)** are shown in **Figure 4-1**.

Figure 4-1 – HWH contracting timelines



i. ii. The detailed programme of contracts in each Scenario is shown in

Table **4-3**.

Table 4-3 – Programme for each package 1 Scenario

Scenario	Contract	Duration	Dates
Scenario 2: BAU	Construction on Existing HWRCs/WTSs	1 year	01 June 2029 – 31 May 2030
	HWH Operating Contract 1	8 years	01 June 2029 – 31 May 2037
	HWH Operating Contract 2	8 years	01 June 2037 – 31 May 2045
	HWH Operating Contract 3	9 years	01 June 2045 – 31 May 2054
Scenario 3: Moderate Change	Works on Existing HWRCs / WTSs (within DBFO Contract)	1 year	01 June 2029 – 31 May 2030
	Interim Contract	1 year	01 June 2029 – 31 May 2030
	DBFO Contract	16 years	01 June 2029 – 31 May 2045
	HWH Operating Contract 1	9 years	1 June 2045 – 31 May 2054
Scenario 4: Large-Scale Change	Works on Existing HWRCs / WTSs (within DBFO Contract)	1 year	01 June 2029 – 31 May 2030
	Construction of New HWRCs / WTSs (within DBFO Contract)	2 years	01 June 2029 – 31 May 2031
	Interim Contract	2 years	01 June 2029 – 31 May 2031
	DBFO Contract	25 years	01 June 2029 – 31 May 2054

(F) **REDACTED**

(G) **ECONOMIC APPRAISAL RESULTS FOR PACKAGE 1: HWH**

This section presents the results of the Economic Appraisal for each Scenario, in line with the approach described in **Section 0**.

Total Net Present Cost (NPC) of the Scenarios

(1) **Table 4-6** below sets out the total NPC for each of the Scenarios over the 25-year evaluation period.

(2) Optimism Bias and Operating Risk are added to the whole life cost to determine the risk-adjusted whole life cost.

(3) The Optimism Bias adjustment is required to reflect the risk of underestimation of capital expenditure and duration of works. The Operating Risk Adjustment is the adjustment required to reflect the risk of underestimation of operating period costs and revenues. The process of calculating Optimism Bias and Operating Risk is detailed in **Appendix 9** *(MRWA Optimism Bias and Operational Risk assessment Report)*.

(4) The quantitative appraisal shows that Scenario 4 has the highest overall risk-adjusted NPC at £437.6m whereas Scenario 3 results in the lowest NPC at £342.3m.

Table 4-6 – Net Present Cost (NPC) of the scenarios

£m NPC	Scenario 2: Do Minimum	Scenario 3: Moderate Change	Scenario 4: Large-Scale Change
Interim Contract *(Scen3 – 1 year; Scen 4 – 2 years)*	-	20.2	39.8
DBFO Contract *(Scen3 – 24 yrs; Scen 4 – 23 yrs)*	-	249.6	439.5
HWH Operating Contract 1	140.3	100.8	-
HWH Operating Contract 2	120.0	-	-
HWH Operating Contract 3	113.9	-	-
Total Payments to Contractors	**374.2**	**370.6**	**479.3**
HWRC Recyclate Revenue[16]	(30.3)	(30.1)	(35.6)
HWRC Reuse Revenue	-	(0.0)	(5.1)
WTS Commercial Waste Revenue	(9.1)	(8.1)	(8.1)
MRWA Capital Contribution	3.2	-	-
Net Cost/(Benefit) of MRWA Borrowing from PWLB	0.2	-	-
NPC of Whole Life Cost	**338.2**	**332.3**	**430.5**
NPC of Optimism Bias	0.7	1.5	5.6
NPC of Operating Risk Adjustment	3.4	3.5	1.5
Risk Adjusted NPC of the Whole Life Costs	**342.3**	**337.3**	**437.6**

(H) COST BENEFIT ANALYSIS: MONETISATION OF CSFS

i. The monetisation of the CSF benefits of each Scenario are introduced at **paragraph 3.10** and described in more detail at **Appendix 8** *(Social Value)*.

ii. **Table 4.7** brings together the quantitative appraisal of the risk-adjusted whole life cost of each Scenario with the monetised CSF benefits to determine the Preferred Scenario.

[16] In Scenario 3, HWRCs wasteflow tonnages are lower than in Scenario 2. These leads to HWRC recyclate revenue being lower in Scenario 3 than Scenario 2 as HWRC recyclate prices are the same across scenarios.

Table 4.7 – Cost benefit analysis summary

£m (Risk Adjusted NPC)	Scenario 2: Do Minimum	Scenario 3: Moderate Change	Scenario 4: Large-Scale Change
Risk-Adjusted NPC (WLC + Risk + OB)	342.3	337.3	437.6
Monetised CSF Benefits	(7.9)	(18.7)	(111.0)
Net Present Social Cost	**334.4**	**318.6**	**326.6**
Rank (lowest NPC ranks 1st)	**3rd**	**1st**	**2nd**
Variance from Lowest NPC (£m)	15.8	-	8.1
Variance from Lowest NPC (%)	5.0%	-	2.5%

iii. After the addition of the monetised CSF benefits, Scenario 3 is the scenario with the lowest NPSC. The NPSC of Scenario 4 is £326.6m, being 2.5% more expensive than Scenario 3.

(I) **CONCLUSION**

i. Whilst Scenario 3 has the lowest NPSC, the difference between Scenarios 3 and 4 in NPSC terms is relatively small at c.2.5%, which is driven by the following:

(1) Scenario 4 has a significantly higher whole life cost resulting in a 30% higher Risk Adjusted NPC;

which is materially offset by

(2) Scenario 4 delivering much higher monetised CSF benefits, which are over five times greater (see **Table 4-8**) than the CSF benefits of Scenario 3, reflecting the fact that Scenario 4 demonstrates a better fit with MRWA's strategic priorities. Scenario 4 includes construction jobs in years 1 and 2 and in year 3 onwards the benefits of the new or refurbished infrastructure are assumed to come online. The introduction of new reuse shops and the reuse and repair hub provides the opportunity to support charities, education and behaviour change, and contributes to the MRWA strategy. Additionally, the new infrastructure optimises flexibility and future-proofs the service.

ii. **Scenario 4 is therefore selected as the Preferred Scenario** as it performs most strongly on the Critical Success Factors described in **paragraph 3.9**, delivering strong results against MRWA's strategic priorities and thus demonstrating the best strategic fit, while having a comparable NPSC to Scenario 3, the lowest-cost scenario. For information, Scenario 4 was a high impact scenario including refurbishment or rebuild of HWRCs and Reuse shops. This scenario met the CSFs set out in **paragraph 3.9**. It should be noted that this scenario

is for reference purposes only to inform the OBC, and is not necessarily what MRWA will eventually procure. During the procurement, and as a result of bidder dialogue other potential options may be considered, including revisiting reviewing the infrastructure and service requirements.

4.1.9. PACKAGE 2: MRF

(a) This Package comprises the processing of dry mixed recyclables from the five MRWA Districts plus Halton, and the associated sale of recyclate materials. Disposal of residues remains within the Resource Recovery Contract with MERL.

(b) The shortlisted scenarios (per **paragraph 3.7**) which have been evaluated can be summarised as follows:

i. *Scenario 2:* **Do Minimum**, based on continuing operation of the two existing MRFs at Bidston and Gillmoss.

ii. *Scenario 3:* **Traditional MRF**, based on a new build MRF facility at Gillmoss using traditional separation technologies and systems. The existing Bidston and Gillmoss MRFs are then closed once the new MRF is operational. The sites are then left as is, available to be repurposed by MRWA.

iii. *Scenario 4:* **AI & Robotics MRF**, based on a new build MRF facility at Gillmoss using robotics and AI systems to separate out the materials. The existing Bidston and Gillmoss MRFs are then closed once the new MRF is operational. The sites are then left as is, available to be repurposed by MRWA.

(C) – (D) REDACTED

(E) **PROGRAMME**

i. The programme for each Scenario is summarised below and described more fully in **Section 4** above.

ii. In Scenario 2, the minor works required to the existing MRFs are assumed to be undertaken within the planned shutdowns during the first year of the new operating contract (2029/30). There follows a further two new operating contract periods, with a re-procurement required for each.

iii. Scenarios 3 and 4 comprise a 25-year DBFO Contract, including a c.2 year construction and commissioning phase, followed by a c.23-year operating phase for the new MRF at Gillmoss. During the two-year build there is an interim contract to maintain the ongoing operation of the existing MRFs whilst the new facility is being developed.

iv. The contracting basis and timelines described above are shown in **Figure 4-2**, with the programme below in **Table 4-9**.

Figure 4-2 – MRF Contracting basis and timelines

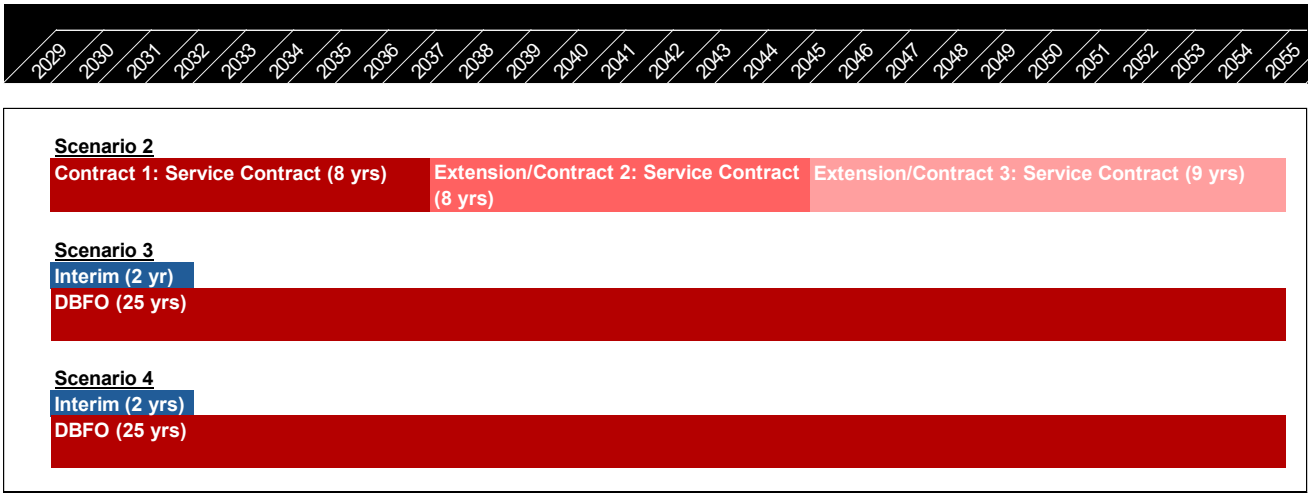


Table 4-9 – Programme for each package 2 scenario

Scenario	Phase	Dates
2: Do minimum	MRF Operating Contract 1 (includes works 01 June 2029 – 31 May 2030)[17]	01 June 2029 – 31 May 2037
	MRF Operating Contract 2	01 June 2037 – 31 May 2045
	MRF Operating Contract 3	01 June 2045 – 31 May 2054
3: Medium Impact MRF and 4: High Impact MRF	New MRF Construction	01 June 2029 – 31 May 2031
	Interim MRF Contract	01 June 2029 – 31 May 2031
	New MRF Operations	01 June 2031 – 31 May 2054

(F) **WASTE FLOW FORECAST**

i. As noted above in **Section 4.2.5(c)**, the operating costs have been priced as fixed annual amounts for the facility to operate up to capacity so the waste flow forecast for the relevant scenario only drives the respective tonnage of each output material stream and hence the recyclate revenue generated.

ii. Material-specific recyclate volumes for each scenario are set out in the following sections as follows:

(1) Scenario 2: recyclate tonnes from the existing Bidston and Gillmoss MRFs across the three MRF operating contracts.

(2) Scenarios 3 and 4: recyclate tonnes across the existing Bidston and Gillmoss MRFs during the two-year interim period from June 2029 – May 2031, and the recyclate tonnes

[17] In practice, subject to fit with other MRWA contracting arrangements, it may be more appropriate to make the first operating contract 9 years (as it includes the disruption of the works on site during the first year, so leaving 9 years focussed on operations) with the subsequent operating contracts being for 8 years.

at the new MRF over the 23-year period from June 2031 – May 2054.

iii. The wasteflow forecasts and the associated assumptions are described in **Appendix 7** (*Waste Projection Assumptions*).

(G) **ECONOMIC APPRAISAL RESULTS FOR PACKAGE 2: MRF**

This section presents the results of the Economic Appraisal for each Scenario, in line with the approach in **Section 4.2.1**.

Total Net Present Cost (NPC) of the Scenarios

(1) **Table 4-11** below sets out the total NPC for each of the Scenarios over the 25-year evaluation period.

(2) Optimism Bias and Operating Risk are added to the whole life cost to determine the risk-adjusted whole life cost.

(3) The process of calculating Optimism Bias and Operating Risk is detailed in **Appendix 9** *(MRWA Optimism Bias and Operational Risk assessment Report)*.

(4) The quantitative appraisal shows that Scenario 2 provides the highest overall risk-adjusted NPC at £211.5m whereas Scenario 4 results in the lowest NPC at £158.2m.

Table 4-11 – NPC of the whole life cost of the scenarios

NPC, £m Real	Scenario 2: Do minimum	Scenario 3: Traditional MRF	Scenario 4: AI & Robotics MRF
Interim MRF Contract (2 yrs)	-	23.5	23.5
DBFO Contract (23 years)	-	166.2	178.0
MRF Operating Contract 1	85.1	-	-
MRF Operating Contract 2	71.0	-	-
MRF Operating Contract 3	65.6	-	-
Total MRWA Payments to Contractors	**221.7**	**189.7**	**201.5**
Recyclate Revenue[18]	(36.2)	(34.4)	(61.1)
MRWA Capital Contribution	8.7	-	-
Net Cost/(Benefit) of MRWA Borrowing from PWLB	0.5	-	-
NPC of Whole Life Costs	**194.6**	**155.3**	**140.3**
NPC of Optimism Bias	6.9	11.7	14.1

[18] In Scenario 3 and 5, MRF recyclate includes Plastic Film which incurs a cost, and is not included in Scenario 2. This is visible in Scenario 3, however, in Scenario 5, higher quality recyclates imply higher recyclate prices, which diminishes the impact of this.

NPC, £m Real	Scenario 2: Do minimum	Scenario 3: Traditional MRF	Scenario 4: AI & Robotics MRF
NPC of Operating Risk Adjustment	10.0	5.7	3.8
Risk Adjusted NPC of the Whole Life Costs	**211.5**	**172.7**	**158.2**

(H) **COST BENEFIT ANALYSIS: MONETISATION OF CSFS**

i. The monetisation of the CSF benefits of each Scenario are introduced at **paragraph 3.10** and described in more detail at **Appendix 8** *(Social Value)*.

ii. **Table 4-12** below brings together the quantitative appraisal of the risk-adjusted whole life cost of each Scenario with the monetised CSF benefits to determine the Preferred Scenario.

Table 4-12 – Cost Benefit analysis summary

£m (Risk Adjusted NPC)	Scenario 2: Do minimum	Scenario 3: Traditional MRF	Scenario 4: AI & Robotics MRF
Risk-Adjusted NPC (WLC + Risk + OB)	211.5	172.7	158.2
Monetised CSF Benefits	(43.7)	(13.3)	(16.8)
Net Present Social Cost	**167.8**	**159.4**	**141.4**
Rank (lowest NPSC ranks 1st)	**3rd**	**2nd**	**1st**
Variance from Lowest NPSC (£m)	26.4	17.9	-
Variance from Lowest NPSC (%)	18.7%	12.7%	-

iii. After the addition of the monetised CSF benefits, Scenario 4 is the scenario with the lowest NPSC, and is therefore the first ranked scenario as it achieves the lowest NPSC.

(I) **CONCLUSION**

i. Scenario 4 has the lowest NPSC. The difference between Scenarios 3 and 4 in NPSC terms is material at c.12.7% and driven by the following:

(1) Scenario 4 has both a whole life cost that is 9.1% lower than Scenario 3 and generates Monetised CSF benefits which are 20.6% higher Scenario 3.

(2) in combination this means that Scenario 4 has a NPSC that is 12.7% lower than Scenario 3, which is a significant margin and as noted above would require material changes to close the gap.

ii. **Scenario 4 is therefore selected as the Preferred Scenario** as it performs most strongly on the Critical Success Factors described in **paragraph 3.9**, delivering strong results against MRWA's strategic priorities and thus demonstrating the best strategic fit, while also having the lowest NPSC. Scenario 4 was a high impact scenario which met the CSFs set out in **paragraph 3.9**.

4.1.10. PACKAGE 3: GARDEN

(a) This Package comprises the processing of garden waste from the five MRWA Districts plus Halton.

(b) Garden waste is currently managed by Sefton Council on behalf of MRWA, with the contract assumed to continue until 31st May 2029. As responsibility for garden waste is unclear beyond this date, MWRA needs to prepare to procure a garden waste disposal service.

(c) Per market analysis in **paragraph 3.3.3**, "there are a wide range of windrow composting facilities within the catchment area for the treatment of garden waste, and this market appears to be relatively liquid". Therefore, there is no strategic imperative for a new garden facility and no "large-scale change" scenario involving development of new infrastructure by MRWA.

(d) There is therefore only one shortlisted scenario – merchant disposal (per **paragraph 3.3.3(b)(vi)(2)**) – which has been evaluated, which can be summarised as follows:

i. Scenario 3: **Merchant Disposal**, based on MRWA procuring a merchant contract for a third-party provider to accept, haul and treat garden waste.[19]

(E) REDACTED

(F) **PROGRAMME**

i. Under a Merchant Disposal option, there is a re-procurement every four years from 2029 to 2054.

ii. The contract structure described above are shown in **Figure 4-3**, with the programme below in **Table 4-14**.

Figure 4-3 - Garden Contracting basis and timelines

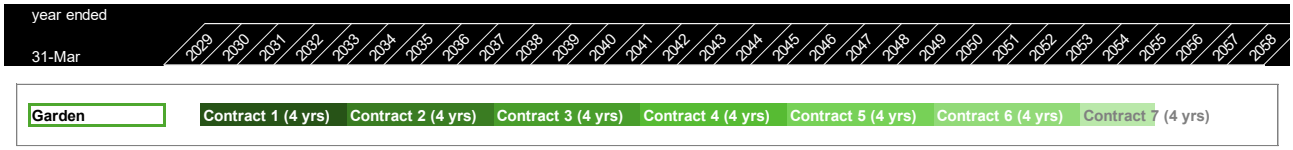


Table 4-14 - Garden Programme Timescales

Option	Phase	Dates
Scenario 3: Merchant Disposal	Operating Contract: Garden 1	01 June 2029 – 31 May 2033
	Operating Contract: Garden 2	01 June 2033 – 31 May 2037

[19] For the quantitative assessment, the merchant garden solution has been defined as Scenario 3, If a "Scenario 4" were to be run, it would be based on the same service solution and assumptions as Scenario 3.

Option	Phase	Dates
	Operating Contract: Garden 3	01 June 2037 – 31 May 2041
	Operating Contract: Garden 4	01 June 2041 – 31 May 2045
	Operating Contract: Garden 5	01 June 2045 – 31 May 2049
	Operating Contract: Garden 6	01 June 2049 – 31 May 2053
	Operating Contract: Garden 7	01 June 2053 – 31 May 2054

(G) **WASTE FLOW FORECAST**

i. It is projected that around 71-78kt per annum of merchant capacity will be required to deal with the annual green waste arisings from WCAs. At this point it is assumed payment will be on a tonnage basis.

ii. The wasteflow forecasts and associated assumptions are described in **Appendix 7** (*Waste Projection Assumptions*).

(H) **ECONOMIC APPRAISAL RESULTS**

This section presents the results of the Economic Appraisal for the shortlisted Scenario, in line with the approach in **Section 4.2.1**.

Total Net Present Cost (NPC) of the shortlisted Scenario

(1) **Table 4-16** below sets out the total NPC of each Scenario over the 25-year cashflow projection period by each of the Operating Contracts identified.

(2) There is no operating risk adjustment required, as this risk lies with the merchant contractor, who is assumed to have priced this into their operating contract cost. There is no optimism bias as this is a merchant contract, with no capital works.

(3) As the Optimism Bias and Risk Adjustment are nil the Risk Adjusted NPC of the Whole Life Costs equals the NPC of the Whole Life Cost of Scenario 3 of £29.2m.

Table 4-16 – NPC cost of the shortlisted Scenario

£m NPC	Scenario 3: Merchant Disposal
Operating Contract 1	5.2
Operating Contract 2	5.1
Operating Contract 3	4.9
Operating Contract 4	4.6
Operating Contract 5	4.3
Operating Contract 6	4.1
Operating Contract 7	1.0
Total Payments to Contractors	**29.2**
MRWA Capital Contribution	-

£m NPC	Scenario 3: Merchant Disposal
Net Cost/(Benefit) of MRWA Borrowing from PWLB	-
NPC of Whole Life Costs	**29.2**
NPC of Optimism Bias [20]	n/a
NPC of Operating Risk Adjustment	n/a
Risk Adjusted NPC of Whole Life Costs	**29.2**

(l) **COST BENEFIT ANALYSIS: MONETISATION OF CSFS**

i. The monetisation of the CSF benefits of the shortlisted Scenario is introduced at **paragraph 3.10** and described in more detail at **Appendix 8** *(Social Value)*.

ii. There are no monetised CSF benefits assumed because the solution is predicated on use of existing merchant contractor facilities.

iii. **Table 4-17** brings together the quantitative appraisal of the risk-adjusted whole life cost of each Scenario with the monetised CSF benefits to determine the Preferred Scenario.

Table 4-17 – Cost Benefit analysis summary

£m (Risk Adjusted NPC)	Scenario 3
Risk-Adjusted NPC (WLC + Risk + OB)	**29.2**
Monetised CSF Benefits	-
Net Present Social Cost	**29.2**
Rank **(low NPC ranks 1st)**	**1st**

iv. For Package 3: Garden, Scenario 3 is the Preferred Scenario.

(j) **Conclusion**

I. **Scenario 3 is the only shortlisted Scenario and is therefore selected as the Preferred Scenario**. It performs strongly on the Critical Success Factors described in **paragraph 3.9**, delivering strong results against MRWA's strategic priorities and thus demonstrating a good strategic fit, while having an acceptable underlying contract cost.

4.1.11. **PACKAGE 4: FOOD**

(a) This Package comprises the processing of food waste from the five MRWA Districts plus Halton, based on WSP's waste flow model.

(b) The shortlisted scenarios (per **paragraph 3.10**) which have been evaluated are:

i. *Scenario 2*: **Do minimum**, based on procuring merchant disposal contracts with third-party providers for the treatment of food waste.

[20] Optimism Bias is not applicable to this Package as neither of the scenarios require any capital expenditure.

ii. *Scenario 3*: **Moderate Change**, based on procuring merchant disposal contracts with third-party providers for the treatment of food waste.

iii. *Scenario 4*: **Large-Scale Change**, based on procuring a DBFO contract for a third party to design, build, finance and operate a new build anaerobic digestion facility.

(C) REDACTED

(D) **PROGRAMME**

i. Under a Merchant delivery option there is a re-procurement every five years from 2029 to 2054.

ii. Under the DBFO option, the construction period is expected to take two years, during which there will be an interim waste solution, followed by 23 years of operation.

iii. The contract structure described above are shown in **Figure 4-4**, with the programme in **Table 4-19**.

Figure 4-4 – Food Contract Structure

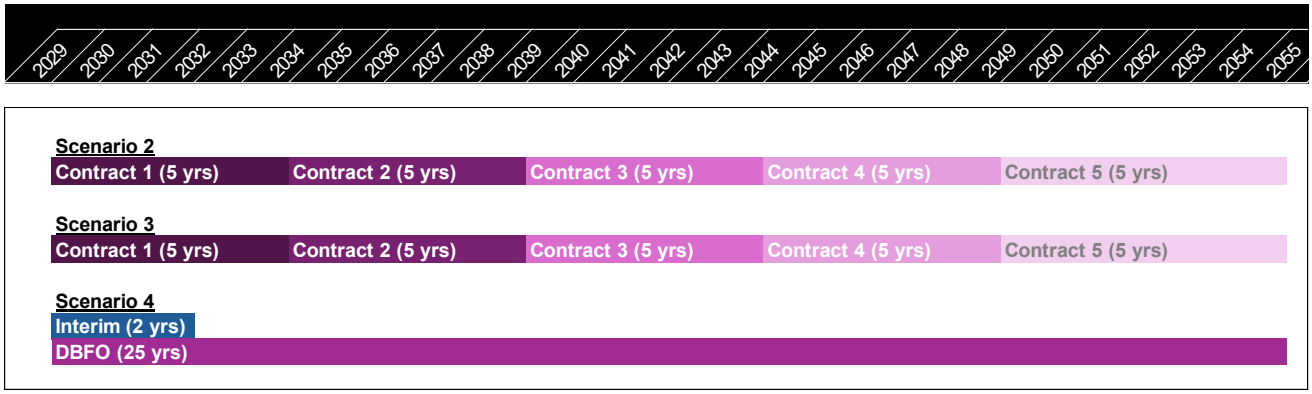


Table 4-19 – Food Programme Timescales

Option	Phase	Dates
Merchant delivery	Operating Contract: Food 1	01 June 2029 – 31 May 2034
	Operating Contract: Food 2	01 June 2034 – 31 May 2039
	Operating Contract: Food 3	01 June 2039 – 31 May 2044
	Operating Contract: Food 4	01 June 2044 – 31 May 2049
	Operating Contract: Food 5	01 June 2049 – 31 May 2054

(E) **ECONOMIC APPRAISAL RESULTS FOR PACKAGE 4: FOOD**

This section presents the results of the Economic Appraisal for each Scenario, in line with the approach in **Section 4.2.1**.

Total Net Present Cost (NPC) of the Scenarios

(1) **Table 4-21** below sets out the total NPC of each Scenario over the 25-year cashflow projection period by each of the cost / income categories identified.

(2) Optimism Bias and Operating Risk are added to the whole life cost to determine the risk-adjusted whole life cost.

(3) There are no Optimism Bias or Operating Risk adjustments required in Scenario 2 and 3 as MRWA are accessing third party facilities.

(4) The process of calculating Optimism Bias and Operating Risk for Scenario 4 is detailed in **Appendix 9** *(MRWA Optimism Bias and Operational Risk assessment)*.

(5) The quantitative appraisal shows that Scenario 4 has the highest overall risk-adjusted NPC at £125.1m whereas Scenario 2 results in the lowest NPC at £20.3m.

Table 4-21 – NPC cost of the Scenarios

NPC, £m Real	Scenario 2: Do minimum	Scenario 3: Merchant disposal	Scenario 4: New build AD
Interim Contract	-	-	2.1
DBFO Contract	-	-	111.9
Operating Contract: Food 1	4.8	5.0	-
Operating Contract: Food 2	4.4	4.7	-
Operating Contract: Food 3	4.0	4.2	-
Operating Contract: Food 4	3.7	3.7	-
Operating Contract: Food 5	3.4	3.2	-
MRWA Payments to Contractors	**20.3**	**20.8**	**114.0**
MRWA Capital Contribution	-	-	-
Net Cost/(Benefit) of MRWA Borrowing from PWLB	-	-	-
NPC of Whole Life Cost	**20.3**	**20.8**	**114.0**
NPC of Optimism Bias	n/a	n/a	10.4
NPC of Operating Risk Adjustment	n/a	n/a	0.7
Risk Adjusted NPC of Whole Life Costs	**20.3**	**20.8**	**125.1**

(F) **COST BENEFIT ANALYSIS: MONETISATION OF CSFS**

i. The monetisation of the CSF benefits of each Scenario are introduced at **paragraph 3.100** and described in more detail at **Appendix 8** *(Social Value)*.

ii. **Table 4-22** below brings together the quantitative appraisal of the risk-adjusted whole life cost of each Scenario with the monetised CSF benefits to determine the Preferred Scenario.

Table 4-22 – Cost Benefit analysis summary

£m (Risk Adjusted NPC)	**Scenario 2: Do minimum**	**Scenario 3: Merchant disposal**	**Scenario 4: New build AD**
Risk-Adjusted NPC (WLC + Risk + OB)	20.3	20.8	125.1
Monetised CSF Benefits	-	-	(20.4)
Net Present Social Cost	**20.3**	**20.8**	**104.8**
Rank (low NPC ranks 1st)	**1st**	**2nd**	**3rd**
Variance from Lowest NPC (£m)	-	0.5	84.4
Variance from Lowest NPC (%)	-	2.3%	415.5%

iii. After the addition of the monetised CSF benefits, Scenario 2 is the scenario with the lowest NPSC, and is therefore the first ranked scenario as it achieves the lowest NPSC.

iv. For Package 4 (Food), Scenarios 2 and 3 have the same cost assumptions. The difference is driven by waste flow forecasts reflecting wider service changes. As Scenario 2 applies the “limited progress” waste growth scenario (meaning government policies are less successful see **paragraph 2.2.4**). Therefore, Scenario 3 is taken forward as the Preferred Option.

(G) **CONCLUSION**

i. Per **paragraph 3.3.4**, due to the uncertainty surrounding the GGSS successor at the time of this analysis, **Scenario 3 is selected as the Preferred Scenario** (see **Table**).

5 CONCLUSION AND RECOMMENDATION

5.1 The Strategic and Economic Cases above show a clear preference for MRWA to pursue the development of the following Preferred Scenarios for each Package, which can be summarised as:

5.1.1. Package 1 (HWH): Investment in modernising and reconfiguring a number of HWRCs and Waste Transfer Stations;

5.1.2. Package 2 (MRF): Investment in a new MRF, with robotic AI;

5.1.3. Package 3 (Garden): Using merchant services to dispose of and treat collected garden waste; and

5.1.4. Package 4 (Food): Using merchant facilities to dispose of and compost collected food waste with an option to revisit a new build AD facility in the future.

5.2 **Table 5-1** identifies these Preferred Scenarios (denoted by pale green shading) in the context of the other shortlisted scenarios for each Package, as per the introduction to the Economic Cost Appraisal (see **paragraph 4-2-1**).

Table 5-1 - Summary of the scenarios for each Package (preferred highlighted)

Scenario *Package*	**Scenario 2** Do minimum	**Scenario 3** Moderate change and new MRF	**Scenario 4** Large scale change and new MRF
Package 1 HWH	Existing HWRC and WTS with minor upgrades	Existing HWRC and WTS with minor upgrades	Existing HWRC and WTS with minor upgrades, some replaced New HWRC and WTS.
Package 2 MRF	Operate and improvement works at both existing MRFs	New build MRF • Traditional	New build MRF • Robotic AI
Package 3 Garden	n/a	Merchant • MRWA managed	n/a
Package 4 Food		Merchant	New build AD

5.3 When these four Preferred Scenarios are brought together as a holistic waste service solution, they align with Scenario 5 developed in the Strategic Case. Accordingly, in the remainder of this OBC this combination of options (highlighted in **Table 5-1**Table) are referred to as the Preferred Option.

5.4 The remainder of this OBC now considers the deliverability of the Preferred Option through:

(a) A commercial case which considers the procurement route and other commercial factors;

(b) A financial case which considers the affordability of the Preferred Option together with its accounting treatment; and

(c) A management case which considers the governance processes around the programme.

6 PROCUREMENT DELIVERY (COMMERCIAL CASE)

6.1 INTRODUCTION

6.1.1. This Commercial Case sets out the commercial considerations and proposed procurement strategy for the delivery of the FWS Programme, including contracting options and the recommended route to market. It is informed by the strategic and economic cases, market considerations and the requirements of the Procurement Act 2023.

6.1.2. The conclusions of the Strategic Case and Economic Case have identified, on the basis of options appraisals, market analysis and application of the Critical Success Factors, the Preferred Option for delivery of the FWS Programme. This Commercial Case accordingly considers the Preferred Option as the basis for delivery of the FWS Programme.

6.1.3. For completeness, this section also considers the options of extending the current WMRC contract for a further five years and whether the MRWA could consider bringing the services back 'in house'.

6.2 CONTRACTING OPTIONS

6.2.1. The following options for delivery of the FWS Programme have been identified and considered: (i) extending the existing WRMC with Veolia; (ii) taking the delivery of the services in-house within MRWA (including delivery through a wholly owned subsidiary of MRWA); and (iii) procurement of a new outsourcing solution. Each of these is considered in turn below.

6.2.2. **Extension to the existing WMRC with Veolia**

(a) The WMRC provides MRWA with a right to request an extension to the existing contract of up to 5 years beyond the expiry date of 31 May 2029 (with the extension to be costed by Veolia in accordance with the contractual Change Protocol which requires Veolia's rates to be fair and reasonable and to reflect market rates).

(b) *Advantages:* the key advantage to MRWA of exercising this option to extend the existing WRMC is the continued use of the existing assets and existing services, without the need to conduct a re-procurement of the various service streams at this stage (avoiding the cost and resource implications of the procurement processes). MRWA can continue with a known service provider, with existing interfaces and systems in place.

(c) *Disadvantages:* There are a number of key disadvantages with this option however:

i. Contract / commercial considerations: the existing contract was entered into in 2009. It does not therefore reflect updated market positions and best practice approaches reflected in more recent contracts, including:

(1) Requirements for social value investment and continuous improvement in the delivery of the services; and

(2) The approach to performance management taken in more recent contracts - a more stream-lined approach with more limited, specific, performance indicators than the historic

approach, focussing on incentivising appropriate behaviours on the issues which matter most to MRWA.

ii. The contract and associated facilities were not set up with the latest policy and statutory requirements in mind, including provision for new recycling streams (e.g. pots tubs and trays, plastic films etc). The MRFs in particular are unable to accept plastic films. Any potential extension to current arrangements would need to accept the significant limitations and inflexibilities they present;

iii. Certain concerns have been identified by the MRWA contract management team with the current operation of the contract, including:

(1) In respect of the interpretation and application of the current payment and deductions mechanisms; and

(2) aspects of the interface with the RRC with Suez, with concerns of misalignment in some contexts; and

(3) concerns around available capacity under the existing WMRC, including the implications of the current exclusivity obligations under the contract.

iv. Technical considerations: continuing with the current technical solution under the WRMC, unchanged is not a viable option as it would be statutorily non-compliant and would require commercial negotiations through contract Change in Law provisions which are not subject to market testing. The current MRFs were designed for a limited range of recyclable materials, have limited ability to flex to the rapidly changing waste landscape and are also unable to separate out plastic films which are required to be collected separately by March 2027.

v. Procurement considerations: extending the WMRC on its existing terms, without any amendments to the technical requirements, is not a viable option as outlined above. If the contract needs to be amended, however, this would fall outside the contractual option (which simply provides for an extension of the contract on its existing terms but with revised costs). The extension – and any associated contract variation – would then be subject to the controls on variations imposed by the Public Contracts Regulations 2015 (PCRs) (which continue to govern the WMRC). A variation which does not fall within one of the permitted exceptions in the PCRs (none of which appear to apply in this context) would constitute a direct award of a new contract under the Procurement Act 2023. Unless the direct award falls within one of the permitted exceptions in the Act (again, none of which appear to apply in this context) the award would be unlawful.

vi. The option to extend the WMRC is also only for a maximum period of 5 years. At the end of that period MRWA would need to procure replacement services in any event (giving rise to the same considerations as currently), because a further extension to the WRMC at that stage is likely to give rise to a risk of procurement challenge if the extension does not fall within one of the permitted exceptions in the PCRs.

(d) Effectively this means the option is not compatible with the preferred Scenario 5 delivery model.

(e) On this basis the extension of the existing WRMC has been discounted as a viable option for the future service provision of the FWS Programme.

6.2.3. **In-house service delivery**

(a) MRWA could consider taking delivery of the FWS Programme services in-house (either directly within MRWA or through a corporate entity to be established by MRWA for the purposes of the project (a **LATCo**)).

(b) *Advantages*: key advantages of an in-house or LATCo solution are:

i. Continuity and control: this option would support internal delivery models allowing MRWA to maintain strategic control over service delivery and ensure alignment with public objectives;

ii. Cost savings: reduced procurement overheads and the ability to manage costs internally can lead to better value for money;

iii. Flexibility in service design: MRWA would be able to tailor services more closely to its needs and allow for future flexibility to respond to changes in legal or policy requirements or technological developments;

iv. Exemption from public procurement: the in-house option would require no re-procurement; award of the contract(s) to a LATCo will be exempt from public procurement requirements if it falls within the "vertical exemption" available under the Procurement Act 2023 (broadly if the LATCo is a subsidiary of MRWA which is controlled by MRWA (with a level of control similar to that over its own departments) and at least 80% of its activities are for MRWA or other entities controlled by MRWA).

(c) *Disadvantages:* key disadvantages of an in-house or LATCo solution include:

i. MRWA's organisation and governance arrangements are not currently set up for in-house delivery, and establishing a LATCo to deliver these services would require consideration additional cost and complexity. Considerations include:

(1) there would be significant workforce implications of the services being taken in-house or delivered through a LATCo; the current approx. 36 personnel would be greatly increased with an anticipated TUPE transfer of approximately 350 additional personnel;

(2) substantial additional administrative infrastructure would be required, with MRWA taking on increased liabilities in a number of areas - including additional payroll and HR responsibilities and requirements to interface with unions; and additional health and safety and regulatory responsibilities, including taking on responsibility for permitting; and

(3) The need for financial underwriting and/or insurances to cover MRWA's increased financial and delivery risk liabilities.

ii. Public procurement for capital works: for the HWH and MRF procurements, which require capital works to be undertaken, MRWA does not have the technical capabilities to deliver these works and so

these aspects would need to be separately procured (through a Procurement Act 2023 compliant process) in any event;

iii. Risk transfer: there is no opportunity for transfer of risk to the private sector. MRWA would bear full risk and responsibility for delivery of the individual works and services requirements, including managing the interface and bearing the interface risks between the packages;

iv. Cost and performance uncertainty: MRWA will bear all cost and performance risk in delivery of the services, exposing MRWA to market fluctuations over the contract term;

v. Limited market competition: without open competition MRWA may lose the benefit it may otherwise have received from competitive market tension, including innovative or cost effective solutions which may be available from the wider market;

vi. Market experience and opportunity: MRWA is unlikely to have access to the same market knowledge, offtakers, supply and support systems and opportunities for innovation as existing commercial operators in the market. Existing operators will have existing networks and established relationships, potentially at a wider-group level, which could be leveraged for the benefit of the project; these would not be available to MRWA. This is a particular disadvantage in the context of the MRF Contract, where existing market operators are likely to have more access to better market supply and rates for offtakes than a new entrant LATCo.

(d) A more detailed SWOT analysis in respect of this option is set out in **Appendix 3** (*Contract Packaging Options*).

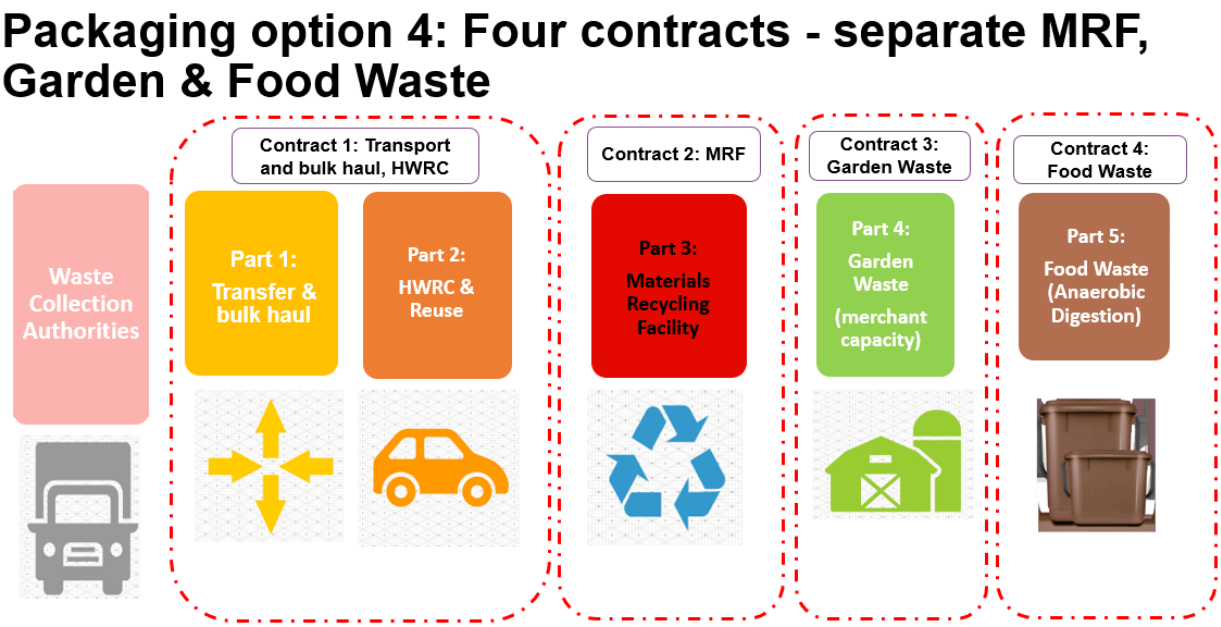
(e) Conclusion: MRWA's organisational and governance arrangements are not intended and are not set up to be an in-house organisation for the provision of these services, and setting up a LATCo structure would require additional cost and complexity. The benefits of potential greater control and flexibility, and reduced procurement overheads, are considered to be substantially outweighed by the complexity and additional responsibilities, liabilities and risks which would be borne by the Authority under an in-house or LATCo arrangement. This is not therefore considered a preferred contracting route for the services solution.

6.2.4. **New outsourcing procurement(s)**

(a) The assessment of procuring new outsourced services to deliver the FWS Programme is detailed in the Strategic Case above.

(b) The analysis of the proposed packaging options for the procurements is also detailed in **section 3.4**. On the basis of the options appraisals and market analysis detailed in that section, the following packaging approach has been selected for Scenario 5 (i.e. the Preferred Option).

Figure 6-1 – Packaging Option for Preferred Option



6.3 DELIVERY OPTIONS

6.3.1. The Garden Waste and Food Waste procurement Packages are procurements for capacity – services to be provided from the service providers' own assets. On this basis these contracts will be simple service contracts under which the service providers will agree to accept MRWA's waste up to an agreed available capacity threshold.

6.3.2. The Haulage, Waste Transfer Stations, and HWRC (HWH) and MRF Packages require both capital assets/expenditure and ongoing service operations. Potential delivery options for these procurements are considered below.

Table 6-1: Delivery Options Advantages and Disadvantages

Delivery Option	Advantages	Disadvantages	Applicability for this procurement
Design, Build, Finance and Operate (DBFO) *Summary of approach:* a single private sector contractor is appointed to design, build, finance and operate a project/asset. Once the asset is successfully commissioned, the authority pays the contractor a monthly payment which pays for the provision of services by the contractor, but also the recovery by the contractor (over a long term contract period) of the capital costs incurred	**Financing Availability:** the contractor funds construction of the asset. Where an authority does not have access to the capital required (or the desire to) to fund construction of the relevant asset, this is a particular advantage. **Off-balance sheet:** a DBFO project can be structured in such a way that the project is off MRWA's balance sheet (if required). **Cost Efficiencies:** gained because the contract is	**Potentially more expensive financing:** a public sector entity can often obtain financing at a lower rate of interest than the private sector. **Risk Pricing:** this is a long-term relationship where a lot of the risk is transferred to the contractor, and this will likely be reflected in the price bid by a contractor. **Evaluation:** the procurement process can be long, and evaluation of bids can be quite complex as	This option is available where no capital contribution is to be made available by MRWA, although it is likely to only be a viable option in the market where the funding requirement for the CapEx is at a sufficient level to be attractive to the market.

Delivery Option	Advantages	Disadvantages	Applicability for this procurement
in constructing and financing the asset. The contractor will secure financing for the construction of the asset either from its own balance sheet or the funding market. This model has been used extensively in the last 30 years in the UK in the waste sector through the PPP/PFI model.	awarded based on the lowest combined capital and operating costs. **Cost Certainty:** this model provides certainty of a long-term fixed price from the contractor. The potential downside of having a long-term fixed operating cost could be mitigated through the utilisation of market testing provisions in a long term contract. **Output Based/Risks Outsourced:** the contractor will be responsible for meeting the contract outputs and therefore the contractor (and if applicable its third party funder) has an interest in ensuring that the facility is durable, reliable and efficient to operate. Payment obligations on the authority do not generally crystallise until the asset has been built and commissioned. Performance failures/risks transferred to private sector. **Long-term Contract:** this model encourages the contractor to develop the project with "long-term" performance in mind. Therefore, likely resulting in better operation and maintenance performance in the long term. **Single Contractor:** appointing a single contractor means there will be a single point of responsibility, consistency and continuity for the delivery of the Project, there is therefore a lower level of interface risk in the project.	bids could be submitted for different technologies and/or with OpEx/CapEx trade-offs which will need to be evaluated during the procurement process. **Outsourcing of Risk Questionable:** on some high-profile projects the outsourcing of risk to the private sector has not, in practice, worked as envisaged by the public sector. **Less Flexibility:** where third party funders are involved, given their security is based on the cashflows of the underlying contracts, they will be heavily involved in the project. This can reduce flexibility for an authority (e.g. funders need to be involved/ give consent etc). **Long Term Lock In:** the nature of the structures mean that an authority is "locked in" to the contractual relationship for a long term. Should the authority wish to do something "different" strategically, it is difficult to exit the contract without paying material compensation. **Limiting Competition:** to major waste management contractors and consortia who are able to secure such significant financing, this will therefore exclude niche and small service providers.	On this basis this option is likely to be available for the MRF Package and the HWH Package.
Design, Build and Operate (DBO)	**The following advantages described in the DBFO**	**The following disadvantages described in the DBFO**	This delivery option requires all of the required capital

Delivery Option	Advantages	Disadvantages	Applicability for this procurement
Summary of approach: a single private sector contractor is engaged to design, build and operate an asset. The public sector authority finances the capital costs of the asset.	**analysis above also apply here:** **Cost Efficiencies** **Cost Certainty** **Output Based/Risks Outsourced** (although noting that CapEx payments for the works are more likely to be paid on a milestone basis rather than the DBFO model of no payment until the works are completed). **Long-term Contract** **Single Contractor** **Also:** **Lower Cost Financing:** received wisdom is that this model should result in lower financing costs because the public sector can borrow at lower rates than third party funders.	**analysis above also apply here:** **Risk Pricing** **Evaluation** (although likely to a lesser extent than for a DBFO) **Outsourcing of Risk Questionable** (although likely to a lesser extent than for a DBFO) **Public Sector Financing Risk:** Using third party funders brings additional scrutiny to the project which may be absent if the public sector provides all the finance.	expenditure / construction cost to be funded by MRWA (rather than privately financed by the contractor). This option is therefore not available for the MRF Package because of the amount required, MRWA may be able to cover the capital costs of the HWH Package.
Design and Build and separate Operate Contract (DB&O) *Summary of approach:* a contractor is appointed to design and build the asset. A separate contractor is then appointed to operate the asset.	**Single Contractor for D&B:** there is still a benefit to there being one contractor delivering both the design and build elements of the project. Namely that this allows for overlap of design and construction, reducing the overall project delivery time, and lowering the risk of potential for interface risk. **Best of Breed:** construction and operations can be procured separately allowing an authority to obtain the best contractors for each workstream (i.e. not dependant on contractor partnering as per a DBFO). **Flexibility:** to contract for a shorter O&M contract term. **Lower Cost Financing:** received wisdom is that this	**Limited Incentivisation:** as the design and build contractor will not subsequently be responsible for operating (and maintaining) the facility once built, there is less incentivisation for the design and build contractor to construct a facility which is reliable, durable and efficient for the operational life of the facility. **Quality and delivery**: in addition to the above, the incentives that would drive lower initial capital costs may result in the use of poorer quality materials and equipment. **Authority Responsibility:** there is an increased onus on MRWA to ensure that	This delivery option requires all of the required capital expenditure / construction cost to be funded by MRWA (rather than privately financed by the contractor). This option is therefore not available for the MRF Package. MRWA may be able to cover the capital costs of the HWH Package.

Delivery Option	Advantages	Disadvantages	Applicability for this procurement
	model should result in lower financing costs. **The following advantages described in the DBFO analysis above also apply here:** **Cost Certainty** (although not on the same long-term basis for operational costs if shorter O&M contract terms are used) **Output Based/Risks Outsourced** (although to a lesser extent – see some of the disadvantages opposite) **No External Funders:** this means greater flexibility	process selection and detailed design take account of operating efficiencies as well as construction. **Operational Expertise:** the contractor is less incentivised to bring operational expertise as there will be no requirement (under the design and build contract) for undertaking essential asset replacement as the works begin to age. **Interface Risk:** opportunities may arise for interface problems and "blame culture" between the design and build contractor and operator. It will need to be clearly understood and documented at the outset how to delineate responsibility between the contractors, i.e., at what point does maintenance become replacement? **Cost efficiency:** incentives will deliver a facility with a low initial CapEx cost, but the resulting facility may be expensive to operate and maintain. **Procurement:** two procurements must be undertaken.	

6.3.3. For the **MRF Package**, as MRWA does not intend to fund the full capital requirement for construction of the asset, private finance will be required. On this basis, the **DBFO option** is the only available delivery option for the MRF Package;

6.3.4. For the **HWH Package**, all three options are available to MRWA depending on the capital investment required and the appetite of MRWA to provide funding.

6.4 PROCUREMENT ROUTES

6.4.1. The procurement of each of the 4 Packages will be subject to the requirements of the Procurement Act 2023 (the "**Act**") (which replaced the previous Public Contract Regulations 2015 with effect from 24 February 2025). The stated intention of the Act

is to introduce a simplified and more flexible regime for public procurement, with a focus on transparency, value for money and social value.

6.4.2. The procurement procedures available under the Act are outlined in the table below, highlighting the recommended approach for MRWA.

Table 6-2: Procurement Routes

Procedure	Procedure	Key Features
Open Procedure	The Open Procedure is defined as a **single-stage tendering process** that is **open to all interested suppliers**, without any prior shortlisting or pre-qualification stage	**No Restrictions on Participation:** there are no limitations on who can submit a tender, provided they meet the basic eligibility criteria. **Single Stage:** the process involves a single submission from suppliers, which includes both their qualification information and their tender proposal. There is no separate selection or negotiation phase. **Transparency and Simplicity:** the open procedure is designed to be straightforward and transparent, making it particularly suitable for standard or routine procurements where the contracting authority's requirements are clearly defined. **Efficiency:** because it avoids multiple stages, the open procedure can be quicker and less resource-intensive for both the contracting authority and suppliers.
Competitive Flexible Procedure	The **Competitive Flexible Procedure** replaces the previous multi-stage procedures (e.g. restricted procedure, competitive dialogue, and negotiated procedure) with a **single, adaptable framework** with a customisable structure which can be tailored to the requirements of the procurement.	**Customisable Structure:** contracting authorities can design a bespoke multi-stage process tailored to the complexity, value and nature of the procurement. This may include shortlisting, dialogue or negotiation, and final tenders. **Supports Strategic Objectives:** can be aligned with local priorities, social value, carbon reduction, etc. **Scalable to Complexity:** can be scaled according to the complexity of the procurement. **Legal Flexibility:** contracting authorities have the right to modify the procedure mid-process (provided that the changes are not substantial) helping to avoid retendering for minor issues. However, contracting authorities must clearly outline the procedure in the tender notice.
Direct Award	Awarding contracts without competition under specific legal conditions.	Fast and efficient for urgent or niche procurements, but only permitted in certain circumstances specified in the Act.
Framework Agreement	Pre-arranged agreements with suppliers for future call-offs.	Efficient for recurring needs, includes open frameworks.
Dynamic Markets	Continuous supplier access for frequently purchased goods/services.	Agile and inclusive, encourages SME participation.

6.4.3. The **Direct Award**, **Framework Agreement** and **Dynamic Market** procedures are not applicable for these procurements.

6.4.4. The **Open Procedure** is best suited for procurements where the contract does not require negotiation or dialogue with suppliers, and is most suitable for simple, low complexity projects for commonly used good and/or services. Accordingly this procedure is not recommended for any of the Packages.

6.4.5. The **Competitive Flexible Procedure** is considered the most appropriate procedure for all of the Packages. This has a number of benefits, including:

(a) an emphasis on pre-market (soft market) testing and engagement;

(b) down-selection to a limited number of tenderers with whom MRWA can then engage; and

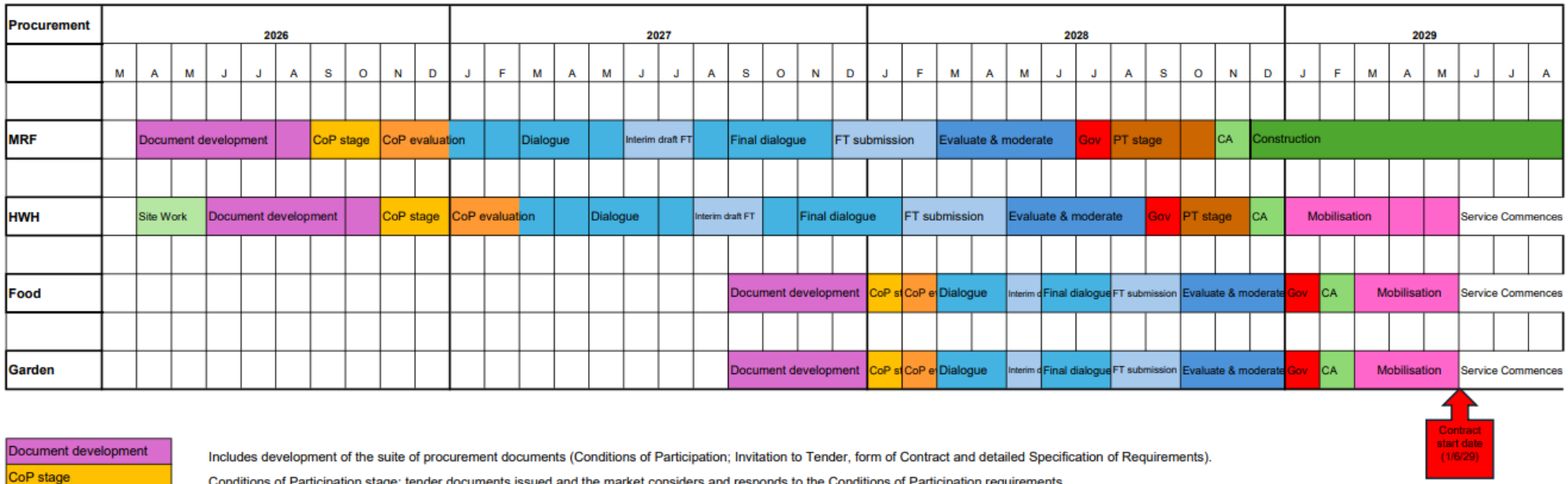
(c) dialogue sessions where specific contractual elements can be discussed with tenderers (covering technical, financial and/or legal issues). This allows the optimal commercial and value for money solutions to be developed with the market, and provides greater transparency through the process of what can be expected in the tenderers' final submissions to ensure they satisfy the service requirements.

6.4.6. The procurement process can also be tailored for each of the individual Packages: with more dialogue anticipated for the more complex procurements such as the HWH and MRF procurements, and more limited dialogue (on specified key commercial matters such as caps on liability) for the simple service capacity requirements such as the Garden Waste and Food Waste contracts.

6.4.7. An indicative procurement timeline for each of the Packages under the Competitive Flexible Procedure is set out in **Figure 6-2**:

Figure 6-2 – Procurement Timeline.

MRWA: OVERVIEW PROGRAMME



Document development	Includes development of the suite of procurement documents (Conditions of Participation; Invitation to Tender, form of Contract and detailed Specification of Requirements).
CoP stage	Conditions of Participation stage: tender documents issued and the market considers and responds to the Conditions of Participation requirements.
CoP evaluation	The market's responses to the Conditions of Participation are evaluated, followed by a down-selection to a limited number of tenderers to proceed to the dialogue stage.
Dialogue stage	To be tailored to the individual [Procurements].
Interim draft FT	Tenderers provide draft final tenders, to allow the authority to review and provide feedback on proposed solutions.
FT submission	Dialogue is closed, an invitation to submit final tenders is issued and the tenderers will have a period to prepare and submit their final tender solutions.
Evaluate & moderate	Evaluation by MRWA (and moderation) of the tenderers' technical, financial and legal (commercial/contract, where applicable) solutions.
Gov	MRWA's internal governance and approval processes. At the end of this period the preferred tenderer will be announced.
PT stage	Final clarification and optimisation of tenderers (including finalisation of project finance solutions, where applicable).
CA	Finalisation of contract (completing all square brackets etc) and contract award.
Mobilisation	Mobilisation of staff (Tupe), transfer of assets, rebadging of assets
Construction	Notice to proceed and construction commences.

6.5 MARKET ENGAGEMENT

6.5.1. MRWA will need to undertake Preliminary Market Engagement (PME) in advance of the procurement launch to:

(a) test the attractiveness of the proposed packaging and delivery models;

(b) test the market's appetite on key risk allocation positions;

(c) refine the procurement documentation and evaluation criteria to ensure the optimal market response to the invitation to tender.

6.5.2. Feedback from PME will inform the final procurement strategy and ensure alignment with market capabilities and expectations.

6.6 CONTRACT TERMS

6.6.1. **HWH and MRF Packages:** these are long term, complex arrangements which will require clear commercial positions and risk allocations to be detailed in the contract terms. These will be bespoke forms of contract, based broadly on established precedents and reflecting risk profiles which are familiar to the market (and, where applicable, "bankable" in order to attract private finance). The terms will reflect current market positions and issues and learning from operational and historic projects (including lessons learned from the Veolia arrangements).

6.6.2. Risks will be allocated within the contract terms taking into consideration the party best placed to manage the risk, recent market positions and value for money considerations.

6.6.3. Key risks which will be addressed in the contract terms include:

(a) *Construction delivery risk* (delivery to time, and to the required standard to satisfy the required tests on completion): this risk is expected to be borne by the contractor, subject to certain specified risk issues which will remain the responsibility of MRWA;

(b) *Construction CapEx risk* (cost overruns): this risk is expected to be borne by the contractor, subject to certain specified risk issues which will remain the responsibility of MRWA;

(c) *Facility availability / performance risk:* the level and extent of any availability or performance guarantees in relation to new build facilities will be explored with the market and considered on a value for money basis. The market is likely to be unwilling to give guarantees in relation to any existing assets.

(d) *Lifecycle cost risk:* this is expected to be borne by the contractor in relation to new build facilities. The market may be unwilling to accept this risk in relation to existing assets and any latent defects in those assets; this will depend in part on what opportunity they may have to conduct their own detailed due diligence. This will need to be explored with the market taking into consideration value for money implications of any associated risk pricing;

(e) *Non-lifecycle O&M risk:* operating and maintenance regimes and associated costs and risks should be borne by the contractor – subject to the interface with lifecycle risks and any latent defects in any existing assets.

(f) *Waste supply risk:* for a DBFO solution the market is likely to require a minimum level of guaranteed tonnage to cover the capital costs of the facility. This is less of an issue for a DBO or DB&O delivery model. The extent to which

MRWA may offer tonnage guarantees and/or any exclusivity will need to be explored with the market on a value for money basis.

(g) *Change in law risk:* for long term contracts of this nature the market is unlikely to accept all change in law risk. A standard risk allocation would be for MRWA to bear the risk on "specific" changes in law – i.e. changes in law which specifically target or affect the waste sector resulting in increased project or operational costs – with the market bearing the risk on all other "general" changes in law.

(h) *Permits and consents:* the contractor would be expected to bear the risk of permits or consents being withdrawn, amended or breached. See **section 6.6.5b** below on planning risk.

6.6.4. Establishing the level of risk appetite for these procurements in the market will be more clearly understood following completion of soft market engagement.

6.6.5. Key project risks MRWA may seek to mitigate for the benefit of tenderers, to drive the best value for money solutions, may include:

(a) Site availability. MRWA anticipates identifying and making available to tenderers appropriate land for the provision of any new or extended HWRCs and Transfer Stations and the new MRF. The Specification will mandate that the assets are to be developed on and the Project delivered from those mandated sites.

(b) Planning risk. MRWA will need to secure outline planning permission for any new HWRCs and Transfer Stations and the new MRF on the mandated sites in advance for the benefit of tenderers. Tenderers will be required to develop their solutions in accordance with the outline planning permission.

6.6.6. **Capacity contracts (Garden Waste and Food Waste):** These are relatively simple, relatively short term service contracts. These will be bespoke forms of contract reflecting market standard terms.

6.6.7. Other key terms which will be addressed in all of the Package contracts include:

(a) performance risks will be managed under all Contracts through robust Performance Management Frameworks with appropriate Key Performance Indicators (including as required under the Procurement Act);

(b) flexibility mechanisms will be included to accommodate as far as possible future legislative changes and advances in technology over the contract terms; and

(c) requirements to deliver social value and continuous improvement will also be a key feature of the contract terms.

6.7 PAYMENT MECHANISM

6.7.1. Each Package within the FWS contract will require its own bespoke payment mechanism.

6.7.2. Package 1 (HWH) and Package 2 (MRF) which potentially require external finance to fund capital expenditure (subject to MRWA decision as to whether to provide finance) will be based on a unitary charge for the delivery of the services. The core principles that will apply are as follows:

(a) Where external finance is deployed (e.g. DBFO), the Authority will pay only a core unitary charge once the facility(ies) have successfully passed the final Acceptance Tests,

(b) Where internal funds are used, payments for capital works may be required subject to the contract structure.

(c) Interim services would be payable as used.

(d) The relevant service standards and performance levels required to be achieved will be objective, transparent and easy to measure;

(e) Deductions should incentivise the Contractor to deliver services to the required standards and performance levels as per the Output Specification and Performance Management Framework. Such deductions shall be proportionate to the actual loss suffered by MRWA;

(f) If the Contractor incurs additional cost as a consequence of the Contractor's failure to meet the relevant standards and performance levels, then the Project Agreement and the Payment Mechanism will not allow the Contractor to pass these costs on to MRWA;

(g) Income sharing should incentivise the Contractor to maximise revenues generated from sale of recyclate product and/or WTS capacity;

(h) Payment will be made monthly in arrears and reflect the performance for the previous month; and

(i) MRWA will only pay for services when there is adequate evidence that they have been delivered. Where invoices are incorrect, the disputed element of the payment will be withheld.

The project intends to adopt a Payment Mechanism commonly used for waste projects and adapted and updated to reflect current best practice.

6.7.3. Package 3 (Garden) and Package 4 (Food), which involve accessing merchant capacity will also be based on mechanisms which vary according to tonnage and unit prices (including indexation), however, as there is no capital element there is no requirement for payments to be dependent on completion of new facilities. This means that payments can commence as soon as tonnages are accepted and as the facilities are third party owned will be subject to limited and hence relatively simpler performance regimes.

6.7.4. Any interim contracts for Package 1 and Package 2 will likely fall to be somewhere in between those described above. The lack of any material capital expenditure for new facilities being developed will enable a simpler approach, however, as the facilities are owned by MRWA there will likely be requirement for a more onerous performance regime than for a merchant facility. Such regime may be derived from the existing arrangements, but simplified to reflect market appetite for short term contracts and the ageing asset base.

6.8 TUPE

6.8.1. Under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**), employees currently engaged in delivering the services under the existing WMRC may have the right to transfer to the incoming contractor(s) on their existing terms and conditions of employment. This includes continuity of employment and protection against dismissal solely by reason of the transfer.

6.8.2. It is anticipated that TUPE will apply in respect of the HWH Packages and MRF Package TUPE applies in respect of employees wholly or mainly assigned to the services being transferred to the new provider. All staff currently assigned to the delivery of these services are expected to transfer into the new contract.

6.8.3. The impact of TUPE will be taken into consideration by tenderers in their technical solutions and financial submissions. MRWA can mitigate the associated risks for tenderers to the extent possible by requesting employee data from Veolia and (to the extent provided) making available anonymised employee liability information where possible to tenderers to support accurate pricing and risk assessments.

7 REDACTED

8 MANAGEMENT CASE

8.1 INTRODUCTION

8.1.1. This Management Case sets out the proposed arrangements for the delivery, monitoring and evaluation of the FWS Programme. It covers the period from October 2025 to expected new contract Service Commencement Dates in June 2029.

8.1.2. The Management Case aims to evaluate the deliverability of the preferred option and to ensure it is managed in accordance with best practice, subjected to independent assurance and that the necessary arrangements are in place for change and contract management and risk management.

8.1.3. The aims of the Management Case are:

(a) to manage the risks in the procurement and following operational phases of the schemes and put in place contingency plans;

(b) to deal with business and service changes during the transition; and

(c) to ensure that objectives are met, anticipated outcomes delivered, and benefits evaluated.

8.1.4. The management case includes:

(a) Project scope;

(b) Interdependencies;

(c) High-level project plan;

(d) Arrangements for resourcing and governance;

(e) Stakeholder Management and Engagement;

(f) Project Resourcing and Costs

(g) Risks management;

(h) Transition to new contracts; and

(i) Benefits realisation and management

8.2 PROJECT SCOPE

8.2.1. The project aims to deliver the legislative and strategic service drivers set out in the Strategic Case. These can be summarised as:

(a) Increased reuse and recycling of waste;

(b) Reduced waste to landfill and recovering value from waste that is left over for disposal;

(c) Decarbonisation in waste handling, transport, and treatment;

(d) A reduction in residual waste arisings especially fossil-based waste going to incineration;

(e) Increased public understanding and engagement in waste and recycling leading to high levels of customer satisfaction;

(f) An accessible, efficient, effective and value for money service; and

(g) Local self-sufficiency in the management of waste

8.2.2. All contract interfaces between the FWS contract(s) and the RRC contract will be within the scope of the project and the project management, and governance arrangements set out in this Management Case.

8.2.3. Management of non-residual waste contracts including dry-mixed recycling and operation of HWRCs, are the main scope of the project. Food waste and green waste are in scope but will be provided (for the medium term) through merchant contracts.

8.2.4. Included within the scope of this project are:

(a) The formal governance and decision-making framework for the project including the continuation of the Project Board and securing the necessary delegations to fund and deliver the works and activities within scope.

(b) Creating an Inter Authority Agreement (IAA) between MRWA and the Districts (including Halton) including periodic review and update as required.

(c) Ensuring all communications and stakeholder engagement are undertaken by MRWA in relation to the FWS.

(d) Ensuring any and all engagement with regulatory bodies or third parties, including requests to amend existing permissions, (including planning permissions), consents and permits (including Environmental Permits) that may arise out of or in connection with the project.

(e) Ensuring public consultation is undertaken for proposals to alter any HWRC services.

(f) Management of all project resources identified in this Management Case, including external advisors.

(g) Managing and monitoring all project management costs.

(h) Undertaking pre-procurement market engagement, development of preferred project delivery mechanisms and refinement of and selection from the options set out in the Commercial Case.

(i) Planning and undertaking all procurement activities associated with the preferred approach including the production and publication of required notifications, specifications and contract documentation.

(j) Awarding of contracts and performance monitoring and management of contracts.

(k) Managing sites, assets and personnel handover from the current contractor.

(l) Interface with the RRC contract.

8.2.5. Excluded from the scope are:

(a) Refresh or production of a new waste management strategy – noting that the FWS will need deliver to the objectives of the Liverpool City Region and MRWA Zero Waste Strategies.

(b) Implementation of any operational changes to collection services that may arise from changes to government policy, and which do not directly impact on services.

8.3 PROJECT INTERDEPENDENCIES

8.3.1. The Strategic Case sets out the policy context and drivers for change in relation to this project. These include the broad policy aims of creating a more circular economy, significantly increasing recycling and reducing residual waste per capita. These can be viewed through the lens of broader attempts to minimise carbon emissions and mitigate climate change.

8.3.2. A number of specific policy measures towards these aims have been made including the enactment of the Environment Act 2020. These will be in place by commencement of services under this OBC and therefore are included in the planning and implementation of the FWS project.

8.3.3. It is likely that significant changes to waste and recycling collection and treatment will take effect during the project. These main changes are:

(a) Introduction of mandatory weekly separate food waste collections (2026).

(b) Introduction of Extended Producer Responsibility (EPR) and associated changes to WCA/WDA funding arrangements (2025).

(c) Introduction of deposit return schemes affecting material flows in waste (2027).

(d) Inclusion of waste incineration in the UK Emissions Trading Scheme potentially from 2028

(e) Simpler recycling: which aims to standardise and ensure consistency in the collection of dry recyclables. This also includes the mandatory collection of pots, tubs and trays, foils, aerosols and tetrapak from 2026 and plastic films and flexibles from 2027.

8.3.4. These proposals necessitate large scale operational changes and significant investment in transitioning from current practices.

8.4 PROJECT PLAN

8.4.1. **The project has been divided into stages:**

(a) Stage 0: Setup governance arrangements and appoint advisory team (COMPLETE);

(b) Stage 1: Strategy and options;

(c) Stage 2: Refining options and Procurement preparation (in progress);

(d) Stage 3: Procurement;

(e) Stage 4: Award of contracts; and

(f) Stage 5: Mobilisation

8.4.2. The following table summarises the project stages, the key activities taking place during each stage. Stage five reflects that the construction of the MRF will be concurrent with new services commencing.

Figure 8-1 – Key stages and timetable

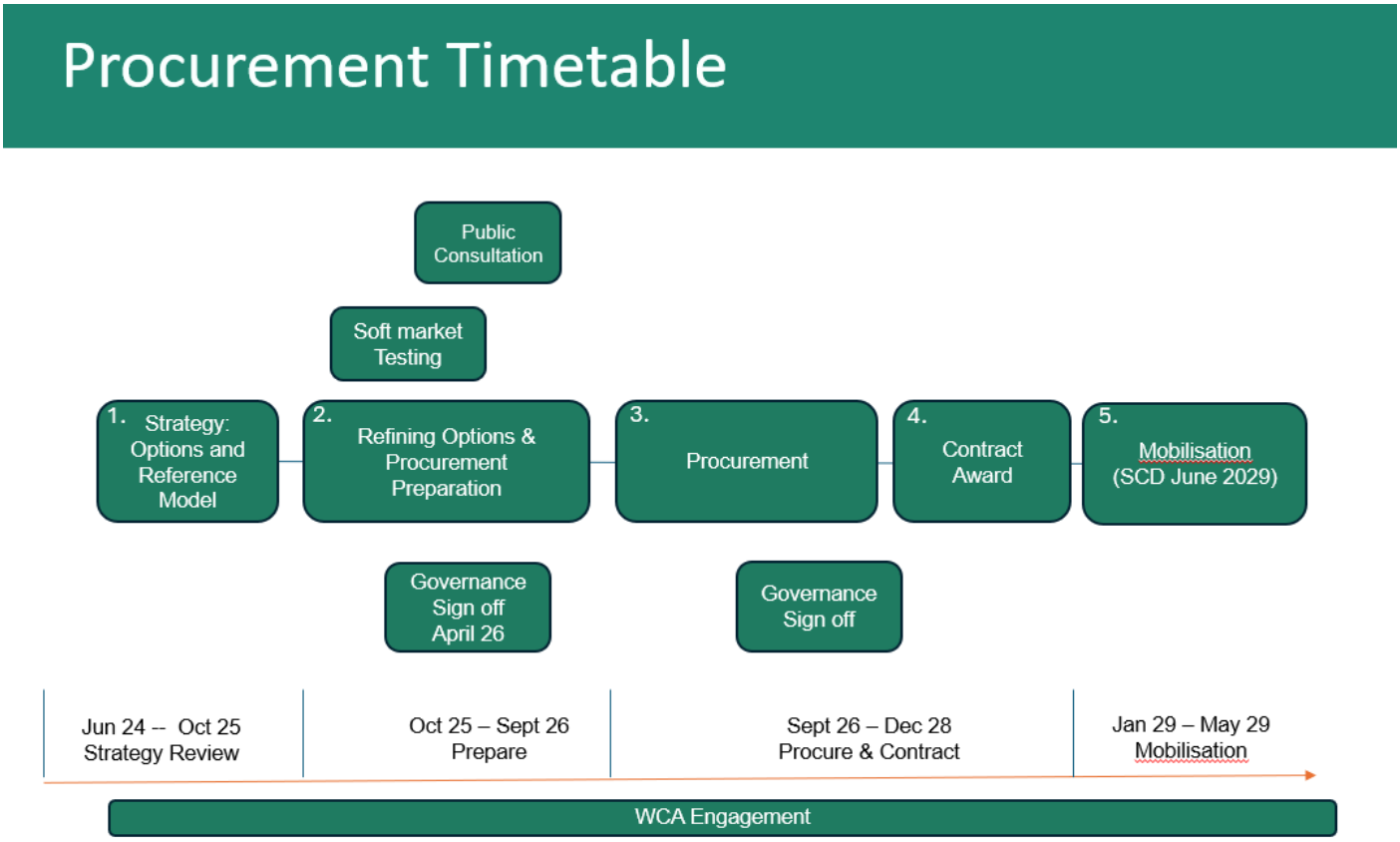


Table 8-1 – Project stage plan

Further detail is provided below.

Programme Stage	Duration	Key Activities
0. Establish governance structures and appoint advisors	Jan 24 to Jun 24 (complete)	• Establish Project Board. • Appoint technical, legal and financial advisors. • Establish Programme Management Office (PMO).
1. Strategy and Options Appraisal	Jun 24 to Oct 25 (OBC sign off April 26)	Strategy: • Options Analysis. • Market Analysis. • Finance reference model. • Strategy Review. Design: • New service design and changes. • MRF Changes (CapEx). • Risk Share (new style of contract). • Relationship with RRC contract. Risk: • Risk Workshop(s). Procurement (How you secure your requirements): • Contract Terms and Commercial Principles. • Packaging strategy for market.

Programme Stage	Duration	Key Activities
		Partner engagement: • Work with WCAs and stakeholders.
2. Procurement Documentation and Preparations Refining Options	Oct 25 to Sept 26	Governance: • Report to initiate procurement process • Confirmation of strategic direction by Authority (OBC approved) • Refine options Documentation: • Preparation of key procurement documents: – Procurement notices. – Supplier Questionnaire. – Evaluation Criteria. – Tender documentation. • Preparation of contract documents: – Key Commercial Principles. – Specification and performance management. – Payment mechanism. – Procurement documentation. • Preparation of inter-authority agreement documents: – IAA for procurement. – IAA for waste supply / usage agreements. Soft Market Testing: • Procurement Notices. • Interact with Economic Operators to ensure interest and 'on market' proposals. Social Value Offer: • Reuse and Recycling. • New skills development. • Environmental Benefit. • Carbon Reduction. Partner engagement: • Work with WCAs and stakeholders. • Public Consultation
3. Procurement	Sept 26 to Sept 28	Phased publication of MRWA's requirements and evaluation criteria for the four Packages Down selection of valid tenderers: Negotiations and dialogue with participants. • Evaluation of final tenders and contract award. • Competitive Dialogue meetings. • Evaluation of Tenderers interim responses. • Invitation to Participate in Dialogue. • Down selection if required. • Invitation to submit Final Tenders. Governance:

Programme Stage	Duration	Key Activities
		• Governance Reports to update on Preferred Bidder. • Stakeholder management and levy implications.
4. Contract Award	Sep 28 – Jan 29	Contract Award (MRF and HWH): • Appoint Preferred Tenderer. • Clarifications. • Allowed negotiations. Other: • Governance Reports to enter into Contract(s). • Pre-Mobilisation Capital Works (if required).
5. Mobilisation	Jan 29 – May 29	Mobilisation: • TUPE negotiations. • Pension / Insurance issues. • Post contract issues. • Asset valuations. • Handback considerations. • MRF Capital Works • MRF build phase starts.
6. Service Commencement date	Jun 29	Service Contract(s) operational MRF Contract commences

8.5 RESOURCING AND GOVERNANCE

8.5.1. A programme is in place which seeks to:

(a) Ensures accountability of the programme to the MRWA.

(b) Delegates sufficient strategic decision-making ability to a Programme Board.

(c) Delegates appropriate day-to-day decision-making ability to MRWA officers.

(d) Seeks input from partners (WCAs).

(e) Seeks input from relevant stakeholders and wider interested parties.

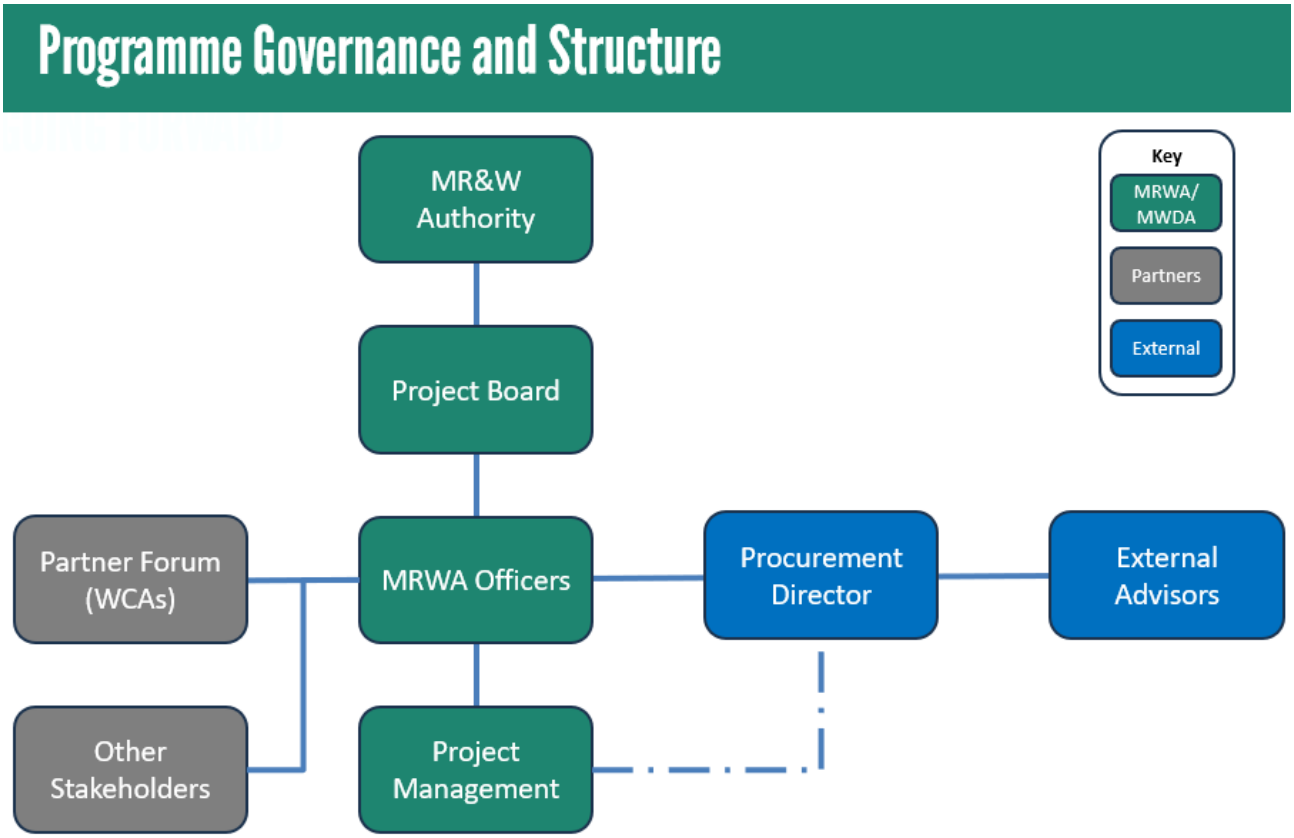
(f) Delegates appropriate day-to-day decision-making ability to the Procurement Director in consultation with MRWA officers and in-line with accountability to the Authority (MRWA).

(g) Ensures the programme is supported by a Project Management Office function (PMO).

(h) Use external advisors which are experienced, focused and have clear objectives.

8.5.2. The governance structure for the programme is set out in **Figure 8-2**:

Figure 8-2 – Programme Governance Structure



8.5.3. This programme structure is standard for a Programme of this size and scale, and the management of the components have been tailored MRWA's requirements, as set out below.

8.6 PROGRAMME BOARD AND GOVERNANCE

(a) The Waste Authority comprises nine Members who are Councillors from the five Merseyside Councils[21]. In accordance with a statutory apportionment, the number of appointments is as follows:

(b) Knowsley – 1 Member.

(c) Liverpool – 3 Members.

(d) St Helens – 1 Member.

(e) Sefton – 2 Members.

(f) Wirral – 2 Members.

(g) Halton Council also has a Member on the board in support of their own arrangements, however, this is observer status only and their representative does not have voting rights.

8.6.2. The Programme Board provides strategic direction, support in decision making and oversight of the Programme.

[21] Merseyside Waste Disposal Authority (MWDA), 2015. Constitution. Available at: https://www.merseysidewda.gov.uk/wp-content/uploads/2019/03/MWDA-CONSTITUTION-v2-2015.pdf.

8.6.3. The Programme will be delivered through, and in accordance with, the terms of reference which formalise the role of the Programme Board, including its accountabilities, purpose and objectives. Its membership comprises of:

(a) Chairperson (or Delegate) from MRWA

(b) MRWA member.

(c) MRWA Senior Leadership Team.

(d) Procurement Director.

(e) PMO Support (Administration).

8.6.4. The Programme board meets monthly (usually using remote communications) and report into and are accountable to the MRWA. Terms of Reference ("**TORs**") are attached at **Appendix 11** (*Terms of Reference*).

8.6.5. The Partner Forum

(a) The Liverpool City Region Waste and Resources Partnership is the forum at which waste officers from the six waste collection authorities meet together and with MRWA. The agenda for the forum meetings includes strategic issues such as the roll out of future waste collection issues (such as food waste). The Forum is supported by a broader meeting with CEOs and Leaders of the six districts.

(b) The Forum allows the WCAs and Halton to be directly engaged and have input to the programme and to be updated and consulted on its progress.

8.6.6. External Advisors

Specialist External Advisors have been appointed to provide advice on the legal, technical, and financial elements of the Programme and to provide the Programme Board with detailed analysis of Programme risks, issues and options.

8.6.7. Programme Management

(a) The Procurement Director will be responsible for steering the Programme within the parameters approved by the Programme Board and will be accountable to the board for Programme performance.

(b) The Procurement Director will be further supported by the Chief Executive of MRWA who would hold the role of 'Project Sponsor' and would be a point of escalation for issues which did not require a Project Board decision. The Project Management Office ("**PMO**") will be responsible for the day-to-day management of the Programme documentation, monitoring and supporting the delivery of work streams, management of allocated funding and monitoring progress against the Programme. The PMO will work closely with the Procurement Director and escalate decisions as required.

(c) The PMO are responsible for:

i. Management of Programme documentation (Risk, Actions, Issues and Decisions Logs);

ii. Management of Programme governance including management of meetings and minutes; and

iii. Management of the procurement process, including documentation records, tenderer clarification questions and competitive dialogue meetings.

(d) The following table summarises the roles and responsibilities within the governance structure:

Table 8-2 – Roles and responsibilities within governance structure

Role	Responsible for:	Accountable to:
Programme Board	• Providing strategic leadership of the Programme. • Overseeing the delivery and implementation of the Programme and the longer-term strategy for development. • Overseeing the planning and alignment of resources for the Programme, including external and internal costs. • Providing reports and information to the MRWA.	MRWA
MRWA Executive Senior Leadership Team (SLT)	• Ensures the programme is progressing in line with agreed waste management strategies. • Ensures the Authority is informed and contributing to the Programme. • Ensures that the Programme is within agreed budgets and compliant with MRWA policies. • MRWA Chief Executive to act as day-to-day project sponsor, providing a point of escalation for issues which do not need to be escalated to the Project Board,	Programme Board
Procurement Director	• Providing direction to the Programme team. • Working closely with MRWA SLT to ensure day to day programme activities are within agreed budgets and are compliant with MRWA policies. • Monitoring Programme progress and escalating issues to the Programme Board and/or CEO • Providing robust and independent assurance of Programme delivery against expected outcomes. • Ensuring the Programme is adequately resourced and effective risk management arrangements are in place. • Management of the external advisory team and ensuring Programme objectives are met.	MRWA Chief Executive
Programme Management Officer(s)	• Monitoring the delivery of work streams. • Maintaining all key Programme documentation and providing timely reports to the Procurement Director and Programme Board. • Providing advice and guidance to the Programme Manager to ensure adequate management controls are in place at all stages of the Programme. • Diary management of meetings including Tenderer meetings. • Management of Risk, Actions, Issues and Decisions Logs. • General administration support for documentation and meetings.	Procurement Director/CEO

Role	Responsible for:	Accountable to:
External Advisors	• Providing specialist advice and documentation to the Programme (technical, legal, financial). • Supporting the Procurement Director through the phases of the Programme. • Furnishing the Procurement Director and Joint Programme Board with accurate and clear information to support them in their decision-making role.	Procurement Director
Partner Forum	• Providing information for WCAs to allow them to respond to the Programme.	MRWA

8.7 STAKEHOLDER MANAGEMENT & ENGAGEMENT

Table 8-3 sets out the key stakeholder groups and communication and engagement methods to be used during the delivery of the project.

Table 0-1 – Stakeholder engagement plan

Stakeholder Role	Interest	Influence	Involvement/Interest in the Project	Communication and Engagement Methods
MRWA and project team				
MRWA (Waste Disposal Authority)	High	High	Ultimately responsible for setting Authority policy. The Authority members will require assurance that the outcomes of the project are delivered and are in keeping with broader policy aims of both administrations.	Formal papers submitted to the Authority for key decisions; informal workshops to explore concepts and test proposals; Authority members to cascade decisions to Districts to align waste strategies.
Project Board	High	High	The Project Board is the interface between the Project and the formal Authority. The Project Board seeks to provide a more accessible source of scrutiny and to sign off project documentation.	Project Board established to review progress monthly. Project Board to receive monthly summary updates.
CEO (statutory officer, member of SLT)	High	High	Provides organisational leadership. Will require assurance that the project is managed in an effective and efficient manner, including the identification, management and escalation of all strategic risks.	Weekly briefings / updates from the Procurement Director and / or Project Managers on all strategic aspects of the Project
Senior Leadership Team (SLT)	High	High	Provides organisational leadership. Will require assurance that the project is managed in an effective and efficient manner, including the identification, management and escalation of all strategic risks.	Members of the Project Board, also Leadership in all strategic issues and key decisions.
Section 73 (statutory officer, member of SLT)	High	High	Responsible for directing the Councils' finance functions and ensuring compliance with best value duty and best	As SLT

Stakeholder Role	Interest	Influence	Involvement/Interest in the Project	Communication and Engagement Methods
			practice in the management of public funds. Will oversee the treasury management function including project financing.	
Monitoring Officer (statutory officer, member of SLT)	High	High	Responsible for advising the Authority on the legal duties and ensuring compliance across the organisations.	As SLT
External Advisors	High	High	External advisors will provide specialist technical, legal, financial and commercial advice to the FWS Programme	Weekly project team meetings with all advisors and workstream leads to ensure information is shared effectively at all times.
Project Management Office	High	Med	Responsible for maintaining all project documentation and coordinating project meetings and the production of reports to stakeholders including the Project Board.	Weekly project team meetings with all advisors and workstream leads to ensure information is shared effectively at all times.
Other MRWA Staff	High	Med	MRWA Staff provide supporting data, analysis and other information which informs the programme.	Monthly staff meetings, information cascaded from SLT
LCR and Halton Waste Collection Authorities				
Leaders of Waste Collection Authorities	High	Med	Leaders will be interested in how the FWS Programme affects their Districts and their residents.	Mainly through LCR Partnership Forum and direct engagement.
CEOs of Waste Collection Authorities	High	Med	CEO will be interested in how the FWS Programme affects their Districts and their residents.	Through LCR Partnership Forum and nominated members to MRWA. Also, direct interaction with MRWA CEO and the LCR Chief Executive Group.
LCR Combined Authority				
LCR Combined Authority	Med	Med	The Combined Authority has a strategic oversight of the region, focussed	Regular meetings with MRWA CEO

Stakeholder Role	Interest	Influence	Involvement/Interest in the Project	Communication and Engagement Methods
			on transport, growth and housing.	
Service Users				
LCR and Halton Residents	Med	Low	Residents will be interested in changes to HMRC services and the introduction of Reuse Hubs	Communication and consultation processes.
Suppliers				
Current Waste Disposal Contractor (Veolia)	Med	Med	The current contractor will be interested in how the programme is developing and how any transitional arrangements will affect it as well as opportunities as a potential tenderer.	Monthly contract management meetings, day-to-day contact via contract manager and with Regional Director. Formal correspondence as required. The industry more widely will be engaged via structured soft market testing during pre-procurement and will be notified of formal procurement.
Current RRC Operator (Suez)	High	Med	The RRC contract is in place until 2043. Suez will be interested in how the new contract(s) interface with their contractual obligations, particularly at the rail head transfer station in Knowsley as well as opportunities as a potential tenderer.	Quarterly RRC contract management meetings and day-to-day contact via RRC contract lead and Suez operations manager. The industry more widely will be engaged via structure soft market testing during pre-procurement and will be notified of formal procurement.
Potential Tenderers	High	Low	The contract provides an opportunity for companies to bid for contracts with MRWA.	The industry more widely will be engaged via structured soft market testing during pre-procurement and will be notified of formal procurement. Following commencement of the procurement process, selected bidders will be engaged in the procurement process.
Statutory Authorities	Med	Low	Statutory Authorities include the Local Planning Authorities, the Environment Agency and	Statutory processes followed at the appropriate time.

Stakeholder Role	Interest	Influence	Involvement/Interest in the Project	Communication and Engagement Methods
			their statutory consultees. Their input to the project will be reactionary (i.e. After applications are made) but of significance.	
Industry (Waste) Media	Med	Low	The waste industry media will report on the FWS Programme as it publishes its procurement	Press releases at key stages will be produced proactively as well as fielding requests for information.

8.8 PROJECT RESOURCES FOR THE PROCUREMENT STAGE

MRWA

8.8.1. MRWA has planned financial resources to be available to the programme as set out in **Table 8-4: Forecast Programme Costs**. The original estimates have been benchmarked against similar projects.

8.8.2. The forecast spend to 31 October 2025 (end of Phase 1), was £1,090k but with the addition of a (non-budgeted) Anaerobic Digester (AD) evaluation and analysis phase, the final figure was slightly higher at £1,118k (the addition of £146k of AD costs and with an underspend on legal costs).

8.8.3. The programme budget is subject to review, but the overall cost is likely to increase to reflect as a result of separating the project into separate procurement workstreams. The move from one to four procurements does not increase the costs in proportion as there are scale efficiencies, however the addition of new competitive dialogue sessions and contract negotiations will provide additional pressures on costs and Authority resources. Officers will seek to mitigate the impact as much as possible. Certain costs may be capitalised in line with the Authority's current accounting policies, which would reduce any immediate revenue pressures for the Authority. (see **Table 8.4)**

8.8.4. The programme budget does not cover additional costs such as land purchase, outline planning permission applications, ground condition surveys and other survey costs related to planning.

Table 8-4: Forecast programme costs

	Budget to 31 October	Actual to 31 October	Pre-procurement	Procurement	Award	Mobilisation	Total
Phase							
Start Date	Jul-24	*to 31 October*	*Nov-25*	*Sep-26*	*Apr-28*	*Jan-29*	
Phase	1		*2*	*3*	*4*	*5*	
Legal	225	139	700	1,300	440	100	2,679
Technical	150	374	300	400	220	100	1,394
Finance	150	237	350	400	200	100	1,287
Programme	190	95	100	200	140	100	635
AD Costs		146					
Additional costs of split procuremnt (+50%)				1,150			
External Total	715	991	1,450	3,450	1,000	400	7,291
Internal	375	127	125	375	125	125	877
GT	1,090	1,118	1,575	3,825	1,125	525	8,168

8.9 RISK MANAGEMENT

8.9.1. The Strategic Case sets out the main strategic risks (**Paragraph 0**) that could materially impact or constrain the opportunity to achieve the desired outcomes and are for that reason broad.

8.9.2. Options for risk transfer or sharing have been further developed in the Commercial Case.

8.9.3. Each risk has a designated risk owner with responsibility for implementing and maintaining risk mitigations and for updating the risk register in response to risk events and changes.

8.9.4. The risk register is updated monthly to reflect the changing risk profile at different points and ensure that risk mitigations and management controls remain effective over the whole life of the facility.

8.9.5. The Procurement Director will have day to day responsibility for maintaining the risk register and will initially escalate any issues to the Chief Executive Office of MRWA. In case of major issues where the risk response would exceed the authority of the Procurement Director or have a material impact on the deliverability of the FWS Programme, these would be escalated to SLT &/or the Project Board.

8.9.6. The risk register is a live document and will be subject to change throughout the duration of the project. Changes will include:

(a) The addition of new risks;

(b) The closure of expired risks;

(c) Re-scoring of risks as a result of new information becoming available;

(d) The introduction of new options to mitigate; and

(e) Re-scoring of residual risks as a result of mitigations being put in place.

8.9.7. The risk register is reviewed monthly by the Project Board in response to any emerging issues or changes and in any risk-related event. Each review will be recorded and the review dates for each risk updated.

8.9.8. The current project risk register is attached at **Appendix 10** (*Risk Register*).

8.10 TRANSITION TO NEW CONTRACTS

8.10.1. If this OBC is approved then following the procurement process, MRWA will have at least 5 contracts to manage:

(a) The Existing RRC contract for residual Waste;

(b) A contract for HWRC, Waste Transfer Stations and Haulage;

(c) A contract for Garden waste disposal;

(d) A contract for Food waste disposal; and

(e) A DBFO contract for a new MRF facility with transition arrangements.

8.10.2. 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.

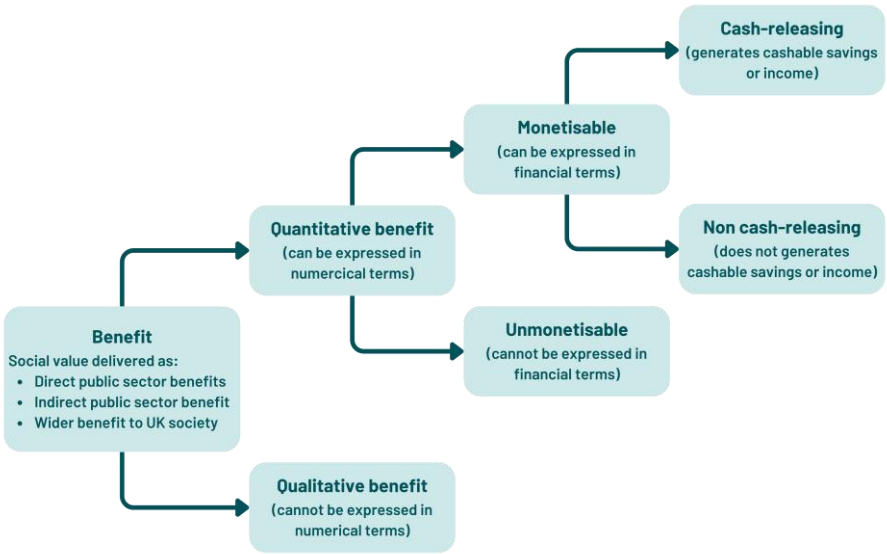
8.10.3. MRWA will need to consider the impact of these additional contracts on the internal team structure and any resulting increase in costs to be passed through the levy.

8.11 BENEFITS MANAGEMENT

8.11.1. The FWS programme is initially driven by the consideration that the current WMRC contract will expire in 2029, and that procuring a new contractor will take time. Even so, the procurement of a new contract presents a considerable number of opportunities for the Authority which are both tangible and intangible.

8.11.2. The Treasury Green Book sets out an approach to identifying and measuring benefits as summarised in **Figure 8-3**.

Figure 8-3: Green Book benefits methodology



8.11.3. The project identified a number of critical success factors which are set out in the Economic Case and summarised in the table below

Copy of Figure 3-8– CSF qualitative appraisal of short list scenarios

MRWA CSF	Scenario 2	Scenario 3	Scenario 5
CSF-1.1 Improve recycling rate			
CSF-1.2 Compliance with National policy and legislation			
CSF-1.3 Delivery programme can meet target dates			
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-2.1 Enhance social Value			
CSF-2.2 Carbon impact and climate change			
CSF- 2.3 Biodiversity			
CSF 3.1 Matches the ability of potential suppliers to deliver the required services			
CSF 3.2 Likely to be attractive to the supplier market			
CSF-5.1 Flexibility to respond to changing demands			
CSF -5.2 Skills are available in the market			
CSF-5.3 Capacity available in the market			

8.11.4. In addition to the benefits from Critical Success Factors, a number of other benefits are identified as outcomes from this programme:

(a) A fit for (future) purpose contract – the existing contract is 20 years old

(b) Met and expanded Social Value benefits

(c) Met and contributed to lower carbon targets and other Environmental considerations

(d) Investment in new facilities (MRF, AD, WTS, HWRCs)

(e) Established good interface with Resource Recovery Contract (RRC)

(f) Met legislative and regulatory changes for waste and resources

(g) Introduced new services in reuse and improved recycling

(h) Worked together to educate population in recycling, reuse and waste reduction.

8.11.5. In accordance with best practice MRWA will ensure that every six months through the life of the project, a benefits realisation assessment is taken. This will consider the expected benefits from the FWS programme and whether the programme is on track to delivery these benefits.

8.11.6. Benefits will be categorised first in terms of where the benefit is realised:

(a) direct public sector benefits, defined as benefits to MRWA as the originating organisation

(b) indirect public sector benefits, defined as benefits to other public sector organisations, including the WCAs

(c) wider benefits to LCR, which can include benefits to households, individuals, businesses or the economy.

8.11.7. A Benefit Realisation plan is in preparation which will set out:

(a) Clear, measurable outcomes (SMART) and benefits from the programme

(b) A ‘benefit owner’ who is responsible for monitoring and reporting progress

(c) Appropriate metrics (if applicable) for tracking benefits

8.11.8. MRWA will continue to monitor benefits as part of its subsequent contract management process, particularly in the areas of non-tangible benefits.

9 CONCLUSION

9.1 The Merseyside Recycling and Waste Authority (MRWA) has the opportunity to replace the Waste Management and Recycling Contract (WMRC) when it expires in 2029. Current facilities cannot meet new requirements such as Simpler Recycling and mandatory separate collection of additional materials.

9.2 This Outline Business Case (OBC) assesses future services for recyclable waste treatment, residual waste transfer and haulage, using HM Treasury Green Book methodology.

9.3 MRWA aims to support the Liverpool City Region Zero Waste Strategy, targeting zero avoidable waste by 2040, reduced food waste, expanded reuse and improved recycling infrastructure. Significant upgrades are required to comply with legislation.

9.4 Four service packages were assessed: (1) HWH (HWRCs and transfer stations), (2) MRF (new DMR sorting facility), (3) Garden Waste (merchant treatment), and (4) Food Waste (merchant treatment).

9.5 Three scenarios were shortlisted.

9.5.1. Scenario 2 – minor upgrades to existing facilities;

9.5.2. Scenario 3 – infrastructure upgrades and a new MRF;

9.5.3. Scenario 5 – a high impact scenario with greater investment and with additional benefits in reducing residual waste and increasing reuse; the addition of a new MRF and an upgraded HWRC/WTS network.

9.6 Scenario 5 (the 'Preferred Option') offers the lowest Net Present Social Cost and the highest benefits in recycling performance, carbon reduction, and long-term flexibility.

9.7 Extending the current contract or bringing services in-house is difficult. Therefore, MRWA should consider procuring outsourced services using the Competitive Flexible Procedure. Delivery models include DBFO for the MRF and either DBFO or DBO for HWH.

9.8 The Preferred Option is affordable: 30-year cost: £1.918bn; forecast resources: £1.961bn. Overall surpluses are generated for both MRWA and Halton, though early-year financial pressures must be managed.

9.9 Governance structures and risk management from the Future Waste Services Programme will support delivery. Additional internal resources will be required from 2029