

Agenda Item	20
Report No	EDI/82/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 7 November 2019

Report Title: Residual Waste Project Update

Joint Report By: Executive Chief Officers for Infrastructure and Environment, and Customer and Communities

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to present Members with a status update concerning the Council's preferred option for addressing the ban on landfilling Biodegradable Municipal Waste, which will now come in to effect in 2025.
- 1.2 Whilst the implementation of the ban has now been delayed, it still represents a significant risk for the Council from a legal, financial and reputational perspective. The Council's waste services operate in a complex environment in terms of market changes, compliance requirements, budget, and procurement. This report provides an update on these elements and outlines work underway to inform the long-term management of the waste collected by the Highland Council.

2. Recommendations

- 2.1 Members are invited to:
- i. note that the Scottish Government has announced a landfill ban transition period to 2025, with new requirements and incentives on compliance yet to be announced;
 - ii. note that work is underway on developing infrastructure as previously agreed at Committee and Council to ensure compliance along with operational reviews of waste management contracts;
 - iii. note that the work underway is being managed as a corporate project with Programme Management Office support and oversight from a member working group;
 - iv. note the progress being made on the earlier Committee decision to develop a facility to develop a facility at the former Longman landfill site and to assess the feasibility and viability of an energy-from-waste facility in the Inner Moray Firth; and
 - v. agree that a report is presented to a future Committee on the implications for the Council of:
 - a. the Deposit and Return Scheme for Scotland Regulations 2020 (draft laid before the Scottish Parliament on 10th September 2019);

- b. the extension of the Packaging Producer Responsibility System (consultation on specific regulatory measures anticipated during 2020 by the Department for Environment, Food and Rural Affairs);
- c. the review of the Code of Practice on Household Recycling in Scotland; and
- d. any operational change proposed from contract reviews that require Member governance.

3. Implications

3.1 Resource

- 3.1.1 Capital allowances have been made available through the Council's 2018/19 – 2022/23 capital programme for the Longman waste management facility development and for waste transfer station and other infrastructure purposes. Projected development costs for each of the infrastructure projects will be developed and refined before issuing invitation to tender documentation.
- 3.1.2 A further revenue budget pressure may arise from any increase applied to the Landfill Tax as an incentive applied by the Scottish Government to ensure progress is made towards complying with the landfill ban.

3.2 Legal

The Council's Waste Management service operates in a highly regulated environment. This regulatory regime covers the type of collection services that must be provided to households and businesses, the operation of our landfill sites and other facilities, and how material can be processed. The most significant regulatory issue that the Council currently faces is the ban on landfilling our waste as introduced through the Waste Management (Scotland) Regulations 2012. Scottish Government will be preparing legislation to extend the deadline for the introduction of the landfill ban, stressing full compliance by 2025.

- 3.3 Community (Equality, Poverty and Rural) – The Council engages with some social enterprises in promoting the re-use and re-cycling of materials and minimising waste sent to landfill.

3.4 Climate Change / Carbon Clever -

- 3.4.1 One of the aims of the landfill ban is to reduce emissions of greenhouse gases from landfill sites. The methane emitted from landfill sites is significantly more harmful than CO₂, although it is effectively controlled at the sites used by the Council.
- 3.4.2 The use of waste as a low carbon fuel in 3rd party facilities will reduce the Council's carbon footprint. In the medium term this footprint will be affected by the increased transport required to effectively manage Highland waste. Our footprint will be reduced in the longer term if an Energy-from-Waste facility is provided in the Inner Moray Firth.

3.5 Risk

- 3.5.1 The Council's failure to develop a solution to the ban on landfilling Biodegradable Municipal Waste is a significant legal, financial and reputational risk to the Council. This is reflected in Community Services' current risk register and the Council's Corporate Risk Register (CR11).
- 3.5.2 A common risk for each of the required infrastructure developments will be the costs submitted by bidders – Highland Council has recent experience of fewer than

expected, and higher priced, bids being submitted for non-waste related infrastructure projects, reflecting capacity issues within the construction industry.

3.6 Gaelic
There are no known Gaelic implications.

4. Background and recent developments

- 4.1 The Council has a legal obligation to manage the area's municipal waste, and currently manages over 140,000 tons per annum of household and commercial waste. Around 44% is recycled via the Council's separate materials collection service, as well as our network of Household Waste Recycling Centres and 'bring' recycling points. The remainder is currently disposed of to landfill at:
- Council owned/operated sites in Seater in Caithness and Granish on the outskirts of Aviemore; and
 - commercially operated sites at Duisky near Fort William and Peterhead.
- 4.2 There are 17 separate arrangements and contracts in place for managing the Council's waste, and these are detailed at Appendix 2
- 4.3 The Council's overall approach to developing its arrangements for addressing the ban on landfilling its residual waste was agreed at the meeting of Environment, Development and Infrastructure Committee of 17 May 2018. Two key components of these arrangements are:
- i. the provision of a new waste management facility at the former Longman landfill site in Inverness; and
 - ii. to conduct further work to identify the Council's preferred long-term arrangements for its waste over the next 30 years; particularly the viability of an Energy-from-Waste plant located in the Inner Moray Firth area.
- 4.4 Based on the Outline Business Case completed by SLR Consulting in 2018 (and subsequent project costs development), the Council has commenced the process of developing new waste infrastructure. This includes new Council owned waste transfer stations at Aviemore and Fort William and a new centralised waste management facility at Longman, Inverness.
- 4.5 These new facilities will enable the Council to rely less on private sector facilities. The new waste infrastructure is scheduled to be operational by late 2021. It means the Council can choose to procure or provide a service for:
- the collection and haulage of residual waste from Council facilities; and
 - an end-processing solution that meets Scottish Government requirements with respect to landfilling of biodegradable municipal waste.
- 4.6 Important developments over the last six months have included:
- i. Planning permission being granted at the South Planning Applications Committee of 12th June for the Longman waste management facility;
 - ii. Approval at the Council meeting of 27th June 2019 to develop invitation to tender documentation for the Longman waste management facility and for that to be published to the market;
 - iii. The Scottish Government confirmed on 19th September 2019 that it will introduce a transition period which will delay the implementation of the landfill ban;
 - iv. Highland Council officers met with colleagues from the Scottish Government, other northern and island local authorities, and Zero Waste Scotland on 30th

- July 2019, to provide an update on progress on implementing the landfill ban, and to identify opportunities to meet its requirements, either collectively or individually;
- v. Progress on initiatives being developed at a Scottish level which will affect the Council's current waste management arrangements. These are
 - a. The Deposit and Return Scheme for Scotland Regulations 2020 (draft laid before the Scottish Parliament on 10 September 2019);
 - b. the extension of the Packaging Producer Responsibility System (consultation on specific regulatory measures anticipated during 2020 by the Department for Environment, Food and Rural Affairs); and
 - c. the review of the Code of Practice on Household Recycling in Scotland. The implications of these for the Council are still to be identified, and it is proposed that a report is submitted to a future Committee meeting recommending the Council's approach to their implementation;
 - vi. A project team with Programme Management Office support, including a Project Manager, has been established to take forward this work. The project sponsor is Malcolm MacLeod and progress is reported regularly to the Change Board. A coordinated action plan will be prepared to ensure all the various projects underway proceed at pace; and
 - vii. Member scrutiny has been provided through the Waste Strategy Members Working Group.

5. Scottish Government – Landfill Transition Period Announcement

- 5.1 The confirmation letter regarding the delay to the landfill ban issued on 19 September 2019 by the Scottish Government is provided at **Appendix 1**.
- 5.2 Key points in the letter associated with the delay are:
 - i. the need for the Council to evidence of continuing progress towards achieving full compliance between now and 2025;
 - ii. the Scottish Government's offer of centrally coordinated intervention to help local authorities procure solutions; and
 - iii. the Landfill Tax being used to provide a further incentive to ensure that transitional arrangements proceed at the necessary pace.
- 5.3 Detailed proposals on these points are not yet available; however, as noted above officers are engaging with the Government to allow early development of the appropriate project plans and contract arrangements and to support budget preparation.

6. Project Updates

- 6.1 Longman waste management facility.
 - 6.1.1 As agreed at the Council meeting in June 2019, the project team is progressing with the detailed specification for invitation to tender documentation. Subject to the receipt of detailed bids and internal approvals, it is intended that the contract to build the Longman facility should be awarded during Spring 2020. Projected completion and handover will be by November 2021.
 - 6.1.2 During this pre-tender phase, officers are refining the specification (and thus the capital cost projection) to reduce risk to the overall delivery of the project.

- 6.1.3 A further capital sum could be required if equipment for producing Refuse Derived Fuel is necessary at a later date. A separate bid could be sought for this within the capital programme refresh, with the proviso that it would only be drawn down subject to market forces determining that producing Refuse Derived Fuel (RDF) would lead to a net financial benefit to Highland Council. This cannot be confirmed until a separate procurement exercise is undertaken to confirm the end-product that would be most attractive to the market . It is worth noting, however:
- that in the period up to 2025, due to the landfill ban timeline extension, the need for RDF production at the Longman facility looks less likely;
 - that RDF production is also looking less likely for the longer term as the Deposit Return Scheme may enable The Highland Council to secure a pre-treatment derogation from SEPA for residual waste being sent to energy-from-waste facilities in Scotland; and
 - only a long-term export option is likely to require RDF production as it is not permissible to export unsorted residual waste.
- 6.2 Aviemore waste transfer station.
- 6.2.1 Currently, waste from Badenoch and Strathspey is landfilled at Granish, Aviemore. This landfill will have reached capacity by the end of 2020. As part of the infrastructure required to manage waste in compliance with the Waste (Scotland) Regulations 2012, a waste transfer station is needed to receive waste, and recyclable material, and prepare it for onward transportation.
- 6.2.2 A planning application for this project was submitted on 12 September 2019. It is anticipated that the facility will be available by August 2020, subject to planning permission being granted.
- 6.3 Fort William waste transfer station.
- The waste collected by the Council within Lochaber is currently taken to a commercially run landfill at Duiskey to the west of Fort William. A waste transfer station like the facility proposed in Aviemore is being pursued in the Fort William area, and is an essential part of the infrastructure required to ensure cost effective management of waste operations. Two sites are under consideration, and both have had initial assessments carried out to determine whether these are viable and deliverable. Both are well-located to integrate with the local waste collection operations, and work will continue on securing and designing a site, as well as stakeholder engagement.
- 6.4 Seater landfill site and waste transfer station.
- 6.4.1 The landfill site at Seater, Caithness is owned and operated by the Council. It has capacity under the current rate of landfilling operations until the end of 2022. An options appraisal will be undertaken to identify whether there is value in extending the capacity of this site, either by raising the height profile or creating a new cell. The Project Design Unit is currently investigating the feasibility of such development, recognising that a full planning application may be required in due course.
- 6.4.2 There is an existing waste transfer station at Seater which may need some upgrading once landfilling activity ceases; SEPA will be consulted about the need for, and extent of, upgrading which may be required.

7 Energy-from-waste (EfW) development potential.

7.1 As Members will be aware, the report to this Committee on 17th May 2018 agreed that further work be carried out to identify the Council's preferred long-term arrangements for the management of its waste for the next 30 years, in particular the viability of the option for an Energy from Waste plant located in the Inner Moray Firth. Two complementary workstreams are being undertaken to move this forward. As Members are also aware, this will meet the requirements of the letter from the Scottish Government as set out in Appendix 1 in terms of making progress at pace

7.2 Firstly, a site search is being undertaken on sites within the Inner Moray Firth. This will include an initial high-level survey of potential users of the energy produced by an EfW plant (electricity and heat). This is important to determine whether there are alternative sites that offer potential, and all require to be assessed within any future Environmental Impact Assessment required to support a future planning application. The 34 sites previously short-listed for the waste management facility will be assessed for their EfW suitability against a range of criteria over two phases:

- a. Phase 1 assessment
 - i. allocated or permitted for EfW;
 - ii. proximity to Inverness;
 - iii. suitability of access to principal road network;
 - iv. likelihood of site availability;
 - v. environmental sensitivity; and
 - vi. flood risk.
- b. Phase 2 assessment
 - i. potential to connect to heat users and
 - ii. potential to connect to electricity users.

7.3 Secondly, given the decisions previously made relating to the Longman facility, and taking into account the favourable planning status of this location for wider waste management uses, including EfW (as set out in the Inner Moray Firth Local Development Plan), an assessment of the feasibility and viability of developing an EfW facility adjacent to the planned waste management facility at the Longman site is being commissioned.

7.4 The key outputs will be a report and accompanying resource model which will provide THC with a comprehensive understanding of the costs (initial investment and annual on-going), risks and benefits involved. It is anticipated that these key outputs will include:

- A comprehensive financial analysis of both capital costs and on-going operating costs;
- A definition of the nature and cost of infrastructure to 'export' the heat and power outputs of the EfW facility to the national grid and potential local customers;
- An understanding of the short term through to long term pros and cons of differing operational models, from THC owned and operated through to third party owned and operated;
- As comprehensive a project risk assessment as can be identified at this time, and the potential financial and operational impacts of these;
- An overview of the type of financial packages which can be put together (including any financial incentives available from Scottish and UK sources likely to be accessible during the development timeframe);

- A definition of the work programme, required outputs (e.g. particular technical studies, environmental impact assessment, planning application etc.) and pragmatic timescale to undertake the full process following completion of this feasibility and viability assessment report, through to the point of announcing a preferred contractor;
- Recommendations for further works or studies that may be required to better understand the risks and opportunities;
- An identification of the type of project team which THC would need to engage, their remit, over what time periods to support the various stages of the work programme; and
- A carbon impact projection for an EfW facility.

It is expected that this work will conclude early in 2020 and a report will be brought to this Committee as soon as possible thereafter.

8. Future Residual Waste Handling Costs

- 8.1 Residual waste handling costs Highland Council £11.377m per annum and the current residual waste handling contracts (broadly 57% of the annual revenue expenditure) expire at the end of 2020. The residual waste contracts cover:
- a. receipt, transfer, transport, treatment and disposal of the residual element of municipal solid waste from Inverness to Peterhead, Aberdeenshire; and
 - b. receipt, transfer, transport, treatment and disposal of the residual element of municipal solid waste from Lochaber.
- 8.2 These arrangements are being reviewed and will be aligned to the new infrastructure being developed. Any operational changes proposed as a result of this review requiring Member approval will be reported to a future Committee.
- 8.3 Waste management revenue expenditure from 2021 will be influenced by factors currently outwith the Council's control. These include:
- i. any further changes to landfill tax. As part of the transitional arrangements of the implementation of the landfill ban in 2025, the Scottish Government intends use Scottish Landfill Tax to provide a further incentive to ensure that work proceeds at pace. Currently (2019/20) the cost per tonne for landfilling residual waste is £91.35 (which equates to £7.6m for 83,000 tonnes). Prior to the transition period being announced, the tax was expected to increase to £94.15 per tonne in 2020/21.
 - ii. the market's potential response to a multi-phased contract requirement which could specify
 - a. landfilling of residual waste for an initial period, then
 - b. redirecting residual waste to non-landfill solutions.
- 8.4 Members will be briefed on developments as more certainty emerges.

9. Conclusion

- 9.1 The extension of the deadline of the landfill ban provides more time for the Council to identify its medium and long term solutions. This work must continue at pace, and the revenue and capital implications of the delay in implementation must be mitigated. Regular updates will be provided to Members on all of the various strands of work outlined in this report.

Designation: Chief Executive Officer Customer and Communities, and Chief Executive Officer Infrastructure and Environment

Date: 25 October 2019

Author: Andy Summers, Head of Environmental and Amenity Services
Stephen Graham, Project Manager

Background Papers: Appendix 1 – Cabinet Secretary's Letter

APPENDIX 1 – Letter from Cabinet Secretary for Environment, Climate Change and Land Reform

Cabinet Secretary for Environment, Climate Change
and Land Reform
Roseanna Cunningham MSP



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19 September 2019

Dear colleague

As you will know, the Scottish Government published a Waste Markets Study in April 2019 which examined Scotland's readiness to deliver the forthcoming ban on biodegradable municipal waste to landfill from January 2021. Whilst this demonstrated significant progress towards the ban, it confirmed that both public and private sectors will not be fully compliant by 2021 without reliance on export options, including landfill in England.

Recent advice from the Committee on Climate Change reinforced the importance of reducing our reliance on landfill and the Scottish Government remains fully committed to ending the practice of sending biodegradable municipal waste to landfill in order to contribute to climate change targets and ensure Scotland's waste is managed in a sustainable way.

I have carefully considered key issues and available evidence, the challenges faced by public and private sectors and the range of options available. In doing so, I have been provided with advice from a working group made up of public and private sector waste sector professionals, and we have also taken account of the views of wider stakeholders.

I acknowledge the significant progress made to date and, particularly, that a majority of local authorities and many commercial operators have long-term or interim solutions in place. However, I am extremely disappointed to note that others have not made sufficient progress, despite the the ban beng set in legislation in 2012. I also understand that there is significant potential domestic capacity in the pipeline to help deliver the ban, but not by January 2021.

My key consideration is to do what is right for Scotland's – and the global – environment. The recent advice from the Committee on Climate Change reinforced the importance of reducing our reliance on landfill and I am clear that the destination must remain the same – we need to end the practice of sending biodegradable municipal waste to landfill.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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Our approach to achieving this must reflect the spirit of the ban. I am concerned in particular about the additional environmental impact associated with sending significant volumes of Scotland's residual waste, potentially over significant distances, to landfill in England. I am also mindful of the additional financial implications for local authorities of having to rely on export options.

Taking account of these factors, I am prepared to accept – very reluctantly - that an alternative, transitional approach is necessary; and that some commercial operators and a minority of local authorities need longer to achieve full compliance with the ban.

Therefore, I have agreed that full enforcement should be delayed until 2025 for both public and private sectors managing wastes covered by the ban. This timescale is in line with the broader advice provided by the Committee on Climate Change on action needed to meet net zero emissions targets. **I expect local authorities and the commercial sector to make further progress at pace before the legislation needed to extend the deadline is made.**

This decision has not been taken lightly and I am extremely disappointed that more progress has not been made to date. As such, I should stress that I want to see evidence of continuing progress towards achieving full compliance over the period between now and 2025. It would be totally unacceptable to see action deferred to create another pressure point as we approach 2025.

In order to support progress, I have concluded there should be a positive, centrally co-ordinated intervention to help the remaining local authorities procure solutions for the remaining tonnage of waste that provide the necessary contract length to support investment. Any such approach should be Local Government led (i.e. driven by local authorities without existing solutions who would retain formal responsibility for securing alternative treatment solutions for the waste arising in their areas) and supported by the Scottish Government, where appropriate. My officials will be working during the coming months to ensure that this moves forward as swiftly as possible.

I am also looking to the commercial sector in particular to respond to remaining challenges and for sector representative bodies to provide necessary leadership, to continue to actively contribute to national and local delivery planning and to help facilitate any practical support needed to secure full compliance.

In relation to future delivery plans, I wish to reinforce the importance of reducing waste and increasing recycling. These provide the best solutions in line with the waste hierarchy and will reduce reliance on solutions further down the hierarchy, such as energy from waste.

It is important that there should be a financial incentive to complying with the ban as soon as possible. **In that regard, Scottish Landfill Tax will be used to provide a further incentive to ensure that transitional work proceeds at the necessary pace.** The precise profiling of changes will need careful consideration so as not to provide an incentive for landfilling in England.

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We will continue to work closely with key partners and will bring forward detailed proposals for this transitional approach in due course. Finally, I want to reiterate the importance of further progress at pace and my expectation that all partners will play their full part in order to help end Scotland's contribution to the global climate emergency. To this end, I intend to establish a Programme Board comprising senior leaders and waste management professionals across public and commercial sectors, who will be tasked with overseeing progress from this point and driving forward the necessary measures to ensure full compliance with the ban by 2025. The board will report to me at regular intervals.

If you have questions about the detail of this letter, please contact Janet McVea, Head of Zero Waste Unit in the first instance at jqce.cezw@gov.scot.

Yours faithfully



Roseanna Cunningham

Appendix 2 – Arrangements in place for managing the Council's waste, including facilities, contracts and arrangements

A. Highland Council currently operates from a network of Waste Transfer Stations (WTS) throughout the area as follows:

- 1) Council owned and operated facilities at
 - a) Skye (Portree);
 - b) Sutherland (Lochinver, Tongue and Brora);
 - c) Ross-shire (Gairloch and Ullapool),
- 2) Commercially owned facilities at
 - a) Evanton, and
 - b) Inverness.

B. The Council currently outsources a range of waste management services to Contractors in Easter Ross, Inverness, Lochaber, and Badenoch & Strathspey as follows:

1) Easter Ross

- Transport of the residual element of Municipal Solid Waste from Evanton to Seater, Caithness
- Receipt, transfer and transport of mixed dry recyclables from Authority transfer station at Invergordon to Authority-specified locations for recycling

2) Inverness

- Receipt, transfer, transport, treatment and/or disposal of the residual element of Municipal Solid Waste from Inverness to a nominated facility, currently at Peterhead;
- Receipt of segregated food waste, transfer into the Authority's containers, and storage until uplifted by the Authority's specified contractor's vehicles;
- Receipt, transfer, transport and disposal of skip-contained, segregated domestically-produced bagged asbestos cement from recycling centres;
- Receipt, transfer and transport of mixed dry recyclables from Inverness to Authority-specified locations for recycling;
- Receipt, storage and loading of colour segregated glass destined for recycling

3) Lochaber

- Receipt, transfer, transport, treatment and/or disposal of the residual element of Municipal Solid Waste from Lochaber
- Receipt, transfer and transport of mixed dry recyclables from Lochaber to Authority-specified locations for recycling

4) Badenoch & Strathspey

- Receipt, transfer and transport of mixed dry recyclables from Badenoch and Strathspey to Authority-specified locations for recycling.