

Item: 8

Policy and Resources Committee: 29 November 2021.

Integrated Waste Facility.

Stage 2 Capital Project Appraisal.

Report by Interim Executive Director of Environmental, Property and IT Services.

1. Purpose of Report

To consider a Stage 2 Capital Project Appraisal in respect of the proposed Integrated Waste Facility.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 26 September 2018, the Development and Infrastructure Committee recommended that, subject to resources being secured, as an exception to the Capital Project Appraisal process, due to concerns over the sustainability of the current waste disposal route and the necessity of planning to meet more stringent recycling targets, the Executive Director of Development and Infrastructure should submit, to the Policy and Resources Committee, a Stage 2 Capital Project Appraisal in respect of proposed new waste management facilities.

2.2.

That, on 7 September 2021, when reviewing the preferred treatment options and the proposed site for a new waste facility, the Development and Infrastructure Committee recommended that the proposal to progress development of new waste management facilities be reaffirmed, based on the following:

- In Vessel Composter for organic (food and garden) waste.
- Mechanical pre-treatment (shredding) for residual waste.
- Sorting facility for mixed dry recyclable materials.

2.3.

That, on 2 November 2021, the Asset Management Sub-committee recommended that the site of the former Abattoir/Cull Hall at Hatston Industrial Estate, incorporating the existing Household Waste Recycling Centre and associated infrastructure, be designated as the preferred site for the proposed new Integrated Waste Facility.

2.4.

That an application has been made to the Scottish Government's Recycling Improvement Fund in respect of eligible capital costs relating to the proposed new Integrated Waste Facility, representing approximately £12,000,000 of the gross capital cost of £17,206,000.

2.5.

That efficiency savings associated with the resulting changes in collection methods, increased income from the sale of recyclable materials and a reduction in disposal costs due to reduced residual volumes will cover only part of the cost of the associated loan charges.

2.6.

That, should the proposed new Integrated Waste Facility project be approved and added to the capital programme, an asset transfer in respect of the former Abattoir building, which is currently held on the Strategic Reserve Fund as an investment property, will be effected at market value, currently £500,000.

It is recommended:

2.7.

That, subject to the successful outcome of the grant application to the Scottish Government's Recycling Improvement Fund, the Stage 2 Capital Project Appraisal in respect of the proposed new Integrated Waste Facility, attached as Appendix 1 to this report, be approved.

2.8.

That, as an exception to the Capital Project Appraisal process, due to concerns over the sustainability of the current waste disposal route and the necessity of planning to meet more stringent recycling targets, the provision of a new Integrated Waste Facility be added to the capital programme for 2023/24 onwards, at a gross capital cost of £17,206,000.

2.9.

That the capital cost of the Integrated Waste Facility be part-funded by external grant funding of £12,000,000, with the remaining capital financing requirement financed through borrowings.

2.10.

That a contribution of £500,000, to be met from General Fund unearmarked Reserves, be made to the Strategic Reserve Fund to reflect the arms-length transfer of the former Abattoir building at Hatston Industrial Estate to the General Fund in order to accommodate the new Integrated Waste Facility.

3. Introduction

3.1.

On 7 September 2021, when reviewing the preferred treatment options and the proposed site for a new waste facility, the Development and Infrastructure Committee noted:

- That, in October 2015, the Council agreed that a project to develop the “Proof of Concept” phase of exploring the feasibility of the proposal to replace the existing waste management facility at Chinglebraes be initiated.
- That, on 26 September 2018, the Development and Infrastructure Committee reviewed a Stage 1 Capital Project Appraisal in respect of proposed new waste management facilities, which proposed that two options be progressed for further consideration, namely:
 - Option 2 – Residual waste resource recovery on Orkney – Energy from Waste.
 - Option 4 – Separate food waste collection and processing, for example Anaerobic Digestion or In Vessel Composting.
- That the Development and Infrastructure Committee subsequently recommended that, subject to resources being secured, as an exception to the Capital Project Appraisal process, due to concerns over the sustainability of the current waste disposal route and the necessity of planning to meet more stringent recycling targets, the Executive Director of Development and Infrastructure should submit, to the Policy and Resources Committee, a Stage 2 Capital Project Appraisal in respect of proposed new waste management facilities.
- That a detailed business case investigation had resulted in the following conclusions:
 - Option 2 was not technically viable and instead residual waste should be pre-treated in Orkney prior to shipping elsewhere for disposal.
 - For Option 4, the most appropriate technology for the processing of food waste was via In Vessel Composting.
- The preferred site for the proposed replacement waste facility for Chinglebraes, namely the former Abattoir/Cull Hall site at Hatston, incorporating the existing Household Waste Recycling Centre and associated infrastructure, as detailed on the plan attached as Appendix 1 to the report by the Interim Executive Director of Environmental, Property and IT Services.

3.2.

The Committee recommended that the proposal to progress development of new waste management facilities be reaffirmed, based on the following:

- In Vessel Composter for organic (food and garden) waste.
- Mechanical pre-treatment (shredding) for residual waste.
- Sorting facility for mixed dry recyclable materials.

3.3.

The Committee recommended to the Asset Management Sub-committee that the site of the former Abattoir/Cull Hall at Hatston, incorporating the existing Household Waste Recycling Centre and associated infrastructure, be adopted as the preferred site for the proposed new waste management facilities.

3.4.

On 2 November 2021, when considering the preferred site for the proposed new Integrated Waste Facility, the Asset Management Sub-committee recommended that the site of the former Abattoir/Cull Hall at Hatston Industrial Estate, incorporating the existing Household Waste Recycling Centre and associated infrastructure, be designated as the preferred site for the proposed new Integrated Waste Facility.

4. Proposed Waste Facility

4.1.

The components of the proposed waste facility are:

- In Vessel Composter for organic (food and garden) waste.
- Mechanical pre-treatment (shredding) for residual waste.
- Sorting facility for mixed dry recyclable materials.

4.1.1.

In addition, it is intended to incorporate an extended Household Waste Recycling Centre into the site, with the increased area meaning that it will be capable of taking a significant increase in tonnages of both residual waste and recycling as well as offering scope to collect a wider range of recyclable materials. Complementary to this, the concept of the addition of a re-use 'front of house' one stop shop, with a view to working in partnership with a third sector partner to operate this facility, is included.

4.2.

The mechanical pre-treatment process will enable the sifting and sorting of waste and so ensure compliance with regulatory waste thermal treatment guidelines. This builds flexibility in respect of the export of treated residual waste, allowing the exploration of options elsewhere in Scotland or the UK or, potentially, Europe. Additionally, this process will sift out the most valuable materials from the waste stream such as steel and aluminium cans, enabling the recovery of value from these items.

4.3.

The ability to sort dry recyclable materials will facilitate the introduction of co-mingled kerbside collections, which drive up recycling rates, due to making it easier for the community to recycle. This will also ensure a more consistent system with the rest of Scotland, again making it easier for residents and visitors to understand and allowing consistent messaging across the country.

4.4.

The new facility has been designed with the future in mind, enabling Orkney to benefit from forthcoming legislative changes by providing the infrastructure and space to collect additional materials with the capacity and technology to process these where there is a clear market. This will result in a plant that has inbuilt resilience, capable of responding to the future market and the opportunities that presents including increasing further the household recycling performance.

4.5.

The cumulative impact of collecting more recycling streams, plus the separation of food waste will result in reduced residual waste tonnages being shipped to Shetland for disposal. This results in reduced haulage costs as well as reduced disposal costs. In order of magnitude, the savings that can potentially be achieved through the delivery of a new waste facility and associated collections infrastructure will be derived from avoided residual disposal, residual collections savings and recycling collection savings.

5. Human Resource Implications

5.1.

One additional FTE will be required for operation of the In Vessel Composter. However, it may be possible to provide for this from within the existing pool of operational staff. No reduction in staff requirement is anticipated.

5.2.

Any increase in Service establishment, will require relevant governance approval to be sought, in line with relevant Council and HR Policies and Procedures.

6. Corporate Governance

This report relates to the Council complying with governance and its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

7. Financial Implications

7.1.

The financial implications are detailed in the attached Stage 2 Capital Project Appraisal.

7.2.

It is estimated that the proposed facility will not require additional revenue funding. However, neither will it offer opportunities for significant savings. Instead, the benefit of the Integrated Waste Facility is in the opportunities for efficiencies with collections and disposal, rather than the treatment process itself. This contrasts with the initial assumptions outlined in the Stage 1 Capital Project Appraisal where recurring revenue savings of £1,000,000 per annum were estimated for the two options being recommended. While this appeared to provide a clear platform upon which to plan for an investment of this nature, unfortunately this was based on the use of technology which is not viable for the volumes of waste arising in Orkney.

7.3.

Support to cover some of the expected capital costs is being sought from the Scottish Government's Recycling Improvement Fund. This is a £70 million fund designed to support transformative projects aimed at substantially improving Scotland's recycling rate through the improvement of services and treatment infrastructure. Following an initial expression of interest, the Council was invited to submit a Stage 2 application to the Fund and is currently awaiting the outcome of this application. Funding is being sought for the full amount of in-scope costs, which represents approximately £12 million of the overall costs.

7.4.

Based on planned capital expenditure of £17,206,000, associated loan charges are estimated to range between £14,200 and £996,900 over the initial 5-year period of the capital programme, averaging £802,100 per annum over 30 years.

7.5.

After allowing for the potential of award of £12,000,000 of Government grant funding, this still leaves the Council with a capital financing requirement of £5,206,000 to meet. The loan charges associated with an investment of this nature are estimated to range between £14,200 and £300,700 over the initial 5-year period, averaging £243,100 per annum over 30 years.

7.6.

Given the scale of the proposed investment in infrastructure, the award of grant funding is considered to be critical to the overall affordability of the development, as are the recurring efficiency savings required to fund the associated loan charges. With the net revenue savings forecast to arise from this development quantified at £80,000 per annum, this leaves a shortfall of £163,100 per annum to be met from within the General Fund services loan charges budget. This position is currently being reviewed in light of the slippage on previous years' capital programmes but, with supply chain issues also impacting on deliverability of the existing 5-year capital programme, it is not yet clear whether sufficient capacity exists to absorb this cost pressure within existing budgetary provisions. This position will need to be further reviewed if the level of capital grant funding is not realised at the level set out above.

7.7.

The former Abattoir is held on the Strategic Reserve Fund, as an investment property at £500,000. As the Strategic Reserve Fund should not be disadvantaged for decisions that are taken on service-related grounds, an asset transfer will be carried at market value, subject to the above development being approved and added to the capital programme. This will necessitate a matching transfer of General Fund unearmarked reserves to the Strategic Reserve Fund in recognition of the arms-length transfer of the property.

8. Legal Aspects

8.1.

Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of its financial affairs. As part of this, the Council is expected to have regard to economy, efficiency and effectiveness in its use of resources.

8.2.

In terms of Section 35 of the Local Government in Scotland Act 2003, the Council must determine and keep under review the maximum amount which it can afford to allocate to capital expenditure. In so doing, the Council must comply with regulations made by Scottish Ministers.

9. Contact Officers

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10. Appendix

Appendix 1 - Stage 2 Capital Project Appraisal – Proposed Integrated Waste Facility.

Capital Project Appraisal – Stage 2

Capital Programme: General Fund

Client Service: Roads, Fleet and Waste

1. Background

1.1. Orkney's existing waste transfer station (Chinglebraes) has been operating since 1976. Despite investment a few years ago, it is an ageing facility and cannot provide the scope to improve, nor the flexibility that will be required to respond to the changing legislative landscape in waste over the next five years.

1.2. There is a wide range of planned and proposed legislation impacting on waste collection and treatment which will place additional requirements on the Council's facilities and collection services. The existing infrastructure is not capable of addressing these requirements, nor does it provide sufficient flexibility to be confident of being able to address any additional requirements which may arise.

1.3. The latest official government figures (2019) for household waste recycling rates show that in Orkney the rate is 18.8%, compared to a Scottish average of 44.9%. The Scottish Government target is for 70% of all household waste to be recycled by 2025. Significant interventions are required to allow Orkney to aim for this target, enabling a wider range of materials to be collected and processed separately. In particular, this applies to the ability to separately collect and treat food waste. Although Orkney is currently exempt from the requirements to collect this material separately, given its significant potential contribution to overall recycling rates there is a clear indication that this exemption may be removed in the future. Whilst garden waste is currently treated separately, it is not to the standard required and so does not currently count towards the recycling target. To collect additional material streams will require expansion of the facilities at the Waste Transfer Station and the ability to separate and sort co-mingled material streams.

2. Options available

2.1. Following the decision in 2015 to explore the feasibility of replacing the facility at Chinglebraes, a Stage 1 Capital Project Appraisal considered by the Development and Infrastructure Committee in September 2018 recommended that two options be considered for the treatment of waste. These were:

- Residual waste – local recovery in Orkney through an Energy from Waste Plant.
- Organic waste – separate treatment through either an Anaerobic Digestion plant or via In Vessel Composting.

2.2. A detailed Business Case was subsequently completed in 2019 with the objective of achieving the following:

- A balance between defining and delivering sustainable levels of waste minimisation/reduction and recycling.
- Potentially introduce treatment of selected waste streams (e.g. treatment of organic wastes and other processes, increasing resource recovery).
- Providing a residual waste treatment option and/or facility of appropriate scale and technology.
- Minimising the disposal of residues to landfill to meet the forthcoming ban on biodegradable municipal waste to landfill ban.

2.3. As a result of this work, the preferred options from the Stage 1 Capital Project Appraisal were investigated, with the following conclusions:

- Option 2: An Energy from Waste solution is not technically viable. Instead, residual waste should be subject to mechanical pre-treatment, prior to export for disposal.
- Option 4: The most cost-effective treatment for organic waste is In Vessel Composting.

2.4. The details and conclusions of the Business Case study were discussed in depth with Members at a seminar on 19 September 2019. A key finding was that there is no suitable energy recovery technology capable of dealing with the relatively low volumes of waste produced in Orkney. Therefore, waste will continue to be required to be exported for disposal. The provision of additional pre-treatment will, however, allow for flexibility regarding disposal locations, should this be necessary.

2.5. Inherent in this conclusion is the requirement for the Council to introduce a food waste collection service to the community. Currently Orkney is not required to collect food waste separately, due to the rural derogation contained within the Waste (Scotland) Regulations 2012. However, there have been strong indications from the Scottish Government that this derogation may be removed in the future.

2.6. The original Stage 1 Capital Project Appraisal gave no consideration to any sorting facilities for recyclable materials. However, given the increasing focus by Government on the capture of a wider range of materials and the associated legislative requirements regarding kerbside collection and sorting, it is considered prudent to take this opportunity to include the appropriate sorting facilities, principally, an ability to separate plastic materials from steel and aluminium. This will enable the co-collection of these materials, simplifying the collection processes for householders, increasing the recycling rates and ensuring compliance with regulatory requirements.

3. Proposed Waste Facility

3.1. The components of the proposed waste facility are:

- In Vessel Composter for organic (food and garden) waste.
- Mechanical pre-treatment (shredding) for residual waste.
- Sorting facility for mixed dry recyclable materials.

3.2. In addition, a Household Waste Recycling Centre, with the capacity of taking all existing material tonnages, plus an ability to collect a wider range of recyclable materials will be included. Complementary to this, the concept of the addition of a re-use 'front of house' one stop shop, with a view to working in partnership with a third sector partner to operate this facility, is also part of the proposed facility.

3.3. The mechanical pre-treatment process will enable the sifting and sorting of waste and so ensure compliance with regulatory waste thermal treatment guidelines. This builds flexibility in respect of the export of treated residual waste, allowing the exploration of options elsewhere in Scotland or the UK or, potentially, Europe. Additionally, this process will sift out the most valuable materials from the waste stream such as steel and aluminium cans, enabling the recovery of value from these items.

3.4. The ability to sort dry recyclable materials will facilitate the introduction of co-mingled kerbside collections, which drive up recycling rates, due to making it easier for the community to recycle. This will also ensure a more consistent system with the rest of Scotland, again making it easier for residents and visitors to understand and allowing consistent messaging across the country. It will also enable the collection of additional materials, ensuring that the Council is able to benefit from the proposed Extended Producer Responsibility Scheme and recover some of the costs of collection and treatment of these materials.

3.5. The new facility has been designed with the future in mind, enabling Orkney to benefit from forthcoming legislative changes by providing the infrastructure and space to collect additional materials with the capacity and technology to process these where there is a clear market. This will result in a plant that has inbuilt resilience, capable of responding to the future market and the opportunities that presents including increasing further the household recycling performance.

3.6. The cumulative impact of collecting more recycling streams, plus the separation of food waste will result in reduced residual waste tonnages being shipped to Shetland for disposal. This results in reduced haulage costs as well as reduced disposal costs. In order of magnitude, the savings that can potentially be achieved through the delivery of a new waste facility and associated collections infrastructure will be derived from avoided residual disposal, residual collections savings and recycling collection savings.

4. Land Purchase Requirements

4.1. The preferred site for the proposed replacement waste facility for Chinglebraes has been identified as the former Abattoir/Cull Hall site at Hatston, incorporating the existing Household Waste Recycling Centre and associated infrastructure, which is in the ownership of Orkney Islands Council.

4.2. On 2 November 2021, the Asset Management Sub-committee recommended that the preferred site be designated for this project.

4.3. The location of the proposed site, together with a conceptual layout of the Integrated Waste Facility, is detailed in Annex 1.

5. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The Council has a statutory duty to provide waste and recycling collection services and to ensure that the materials collected are dealt with appropriately. There are also Scottish Government targets in respect of recycling performance which the Council is expected to contribute to. The current Waste Facilities will not be able to meet the statutory obligations anticipated over the next five years. Development of an Integrated Waste Facility will ensure that the Council is able to appropriately fulfil this existing statutory provision in a cost-effective, flexible and pragmatic manner. The proposed facility is being designed to be as future proofed as reasonably possible.
2.	Meets Corporate Priority / Community Planning Goal	The proposed Integrated Waste Facility will support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Enterprising Communities. It relates directly to Priority 4.6: Explore ways to reduce the volume, and cost of handling, of the county's waste of the Council Delivery Plan.
3.	Protects Existing Assets	The Integrated Waste Facility will consolidate the existing waste related assets, ensuring efficient use of the land and buildings at Hatston and enabling the site at Bossack to retain and focus on its landfill operations. The existing assets at Chinglebraes will be cleared and the site made good as part of this project.

	Criteria	Response
		Costs for this are included in the financial assessment. Following this the site will be available for use by other Council functions or disposal, to be determined by Council.
4.	Minimises Capital Cost	The proposed treatment options were subject to a detailed Cost-Benefit analysis, ensuring that the selected processes provide appropriate pay-back and that capital expenditure represents value for money.
5.	Maximises Investment from External Sources	<p>Support to cover some of the expected capital costs is being sought from the Scottish Government's Recycling Improvement Fund, a £70 million fund designed to support transformative projects aimed at substantially improving Scotland's recycling rate through the improvement of services and treatment infrastructure.</p> <p>Following an initial expression of interest, the Council was invited to submit a Stage 2 application to the Fund in September 2021 and the results are still awaited. Funding is being sought for the full amount of in-scope costs, which represents approximately £12 million of the overall costs.</p>
6.	Beneficial Impact on Revenue Expenditure	<p>It is estimated that the proposed facility will not require additional revenue funding. However, neither will it offer opportunities for significant savings. Instead, the benefit of the Integrated Waste Facility is in the opportunities for efficiencies with collections and disposal, rather than the treatment process itself.</p> <p>In addition, the proposed Extended Producer Responsibility Scheme will ensure that Local Authorities are able to recover the costs of collection and treatment of specified packaging materials, such as plastic film. The current waste facilities do not allow the collection of these materials and so the Council will not be able to benefit from this scheme. However, the new facility will ensure that the Council is able to fully benefit, with potentially significant reductions in net revenue costs.</p>

	Criteria	Response
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	There is no direct link to other statutory provisions.
(b)	Protects or Enhances Discretionary Provision	There is no direct link to other discretionary provisions.
8.	Re-use of Derelict Land or Building	The land proposed for the Integrated Waste Facility is currently occupied by the existing Household Waste Recycling Centre, the disused Cull Hall and the former Abattoir.
9.	Promote or Enhance Orkney's Environment	<p>The project will enable beneficial environmental impacts, in that it will promote and facilitate greater recycling and re-use of materials within Orkney.</p> <p>A planning development brief was submitted to the Planning Service in November 2020 who advised that the development is not likely to have significant effects on the environment and therefore will not require an Environmental Impact Assessment. Nor does it fall within a sensitive area. Therefore, no detrimental environmental impact is expected.</p>
10.	Promote or Enhance Orkney's Heritage	There is no direct promotion or enhancement of Orkney's heritage associated with this project.
11.	Economic Prosperity or Sustainable Communities	<p>This project facilitates the development of business opportunities related to the re-use, recycling or reprocessing of individual material streams as it will enable their separate capture. Significant opportunities are becoming available in this field as Scotland moves to embrace circular economy principles and the appropriate technology develops.</p> <p>This can be particularly suited to smaller communities at a distance from the large-scale reprocessing facilities. The In Vessel Composting facility will require technical skills and so will provide greater opportunity for skilled work within the waste team at the Council.</p> <p>The facility will enable the collection of a greater range of materials from both Mainland and Island communities and assist to moving</p>

	Criteria	Response
		towards an equitable service to all areas of Orkney.
12.	Enhances Council operations or Improves Health and Safety	This project will improve the efficiency of the waste and recycling collection services, ensuring that a wider range of materials can be collected using existing resource and therefore providing greater service to the community. As it incorporates a site for a re-use facility it also has the potential to provide opportunities for 3 rd sector organisations.

6. Financial Implications

6.1. Annex 2 details the capital implications associated with the project. The total estimated capital cost of the project is £17.2m, of which the technology components comprise £4.4m.

6.2. Annex 2 details the associated revenue budget implications. There is not expected to be any net gain or increase in revenue costs associated with waste treatment, although some efficiency savings will be realised in association with reduced volumes of waste being sent for disposal and increased income from the sale of recyclable materials.

7. Risk Assessment

7.1. Risk of not proceeding:

- The Council will be unable to make progress towards achieving the national recycling rate of 70%. There are no other identified interventions which could help to achieve this.
- No additional materials can be collected, meaning that the Council will not be able to take advantage of the funding likely to be offered as part of Extended Producer Responsibility.
- The facility at Chinglebraes could require significant additional investment in the future, with no associated improvement in recycling capabilities.
- The Council will be unable to comply with any future changes to statutory obligations with regards to the collection and disposal of recyclable materials and/or waste.

7.2. Risks of proceeding

- This is a complex project which will require careful management to ensure that the desired outcome is fully realised. It is proposed to procure specialist support to assist with the development and procurement of this tender.

- Insufficient internal resource to adequately manage the project. To mitigate this, specialist external expertise will be brought in to assist with project management.
- Substantial price increases for materials as a result of current supply-chain challenges. As the project is not due to begin until 2023, the market may stabilise by that point. Efforts will be made to ensure supplies of materials are confirmed and prices agreed prior to project commencing, as far as is reasonably practicable.

8. Conclusion

8.1. Provision of an Integrated Waste Facility will ensure that the Council is able to fulfil its statutory and wider obligations with regards to the collection, treatment and disposal of a wide range of materials. In particular, it will substantially improve Orkney's recycling rate, ensure that the Council is well placed to take advantage of future funding opportunities associated with Extended Producer Responsibility and facilitate wider commercial opportunities around the re-use and recycling of various material streams.

8.2. The facility has been designed with the future in mind, enabling Orkney to benefit from forthcoming legislative changes by providing the infrastructure and space to collect additional materials with the capacity and technology to process these where there is a clear market. This will result in a plant that has inbuilt resilience, capable of responding to the future market and the opportunities that presents including increasing further the household recycling performance.

8.3. The cumulative impact of collecting more recycling streams, plus the separation of food waste will result in reduced residual waste tonnages being shipped to Shetland for disposal. This results in reduced haulage costs as well as reduced disposal costs. In order of magnitude, the savings that can potentially be achieved through the delivery of a new waste facility and associated collections infrastructure will be derived from avoided residual disposal, residual collections savings and recycling collection savings.

9. Recommendation

It is recommended that the Integrated Waste Facility is added to the capital programme, at an estimated cost of £17.2m and with an expected start date of April 2023. That the project be part-funded by a capital grant of £12m, leaving a capital financing requirement of £5.2m to be financed through borrowings. The project is then expected to be complete by April 2025, with the new facility operating from January 2025.

10. Accountable Officers

Hayley Green, Interim Executive Director of Environmental, Property and IT Services, Email Hayley.green@orkney.gov.uk

Lorna Richardson, Interim Head of Roads, Fleet and Waste, Email lorna.richardson@orkney.gov.uk

Jonathan Walters, Facilities Manager, Email Jonathan.walters@orkney.gov.uk

11. Annexes

Annex 1 – Site location and proposed layout.

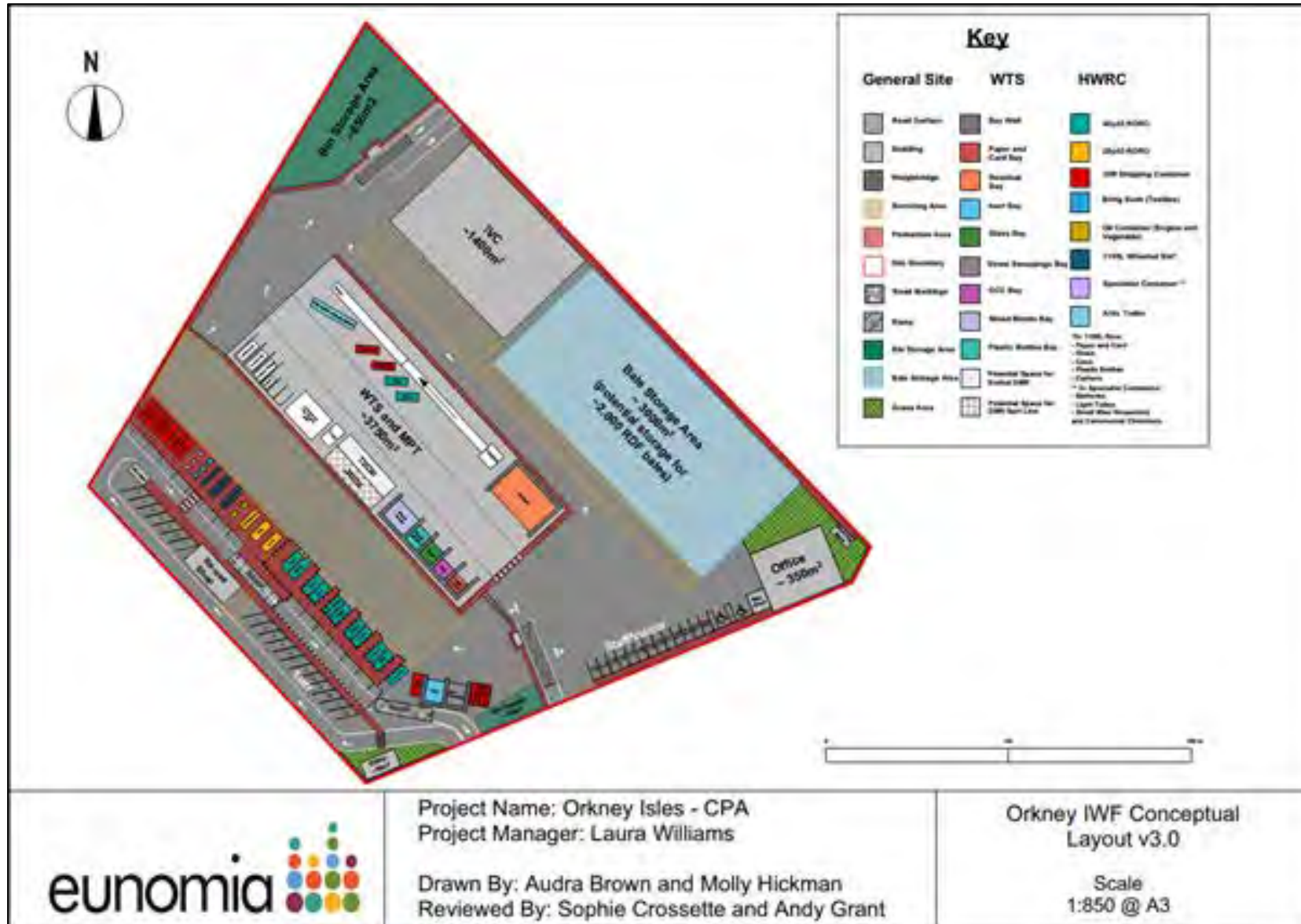
Annex 2 – Financial Assessment of Capital Expenditure.

Annex 3 – Financial Assessment of Revenue Expenditure.



Existing Site with Abattoir, Cull Hall and Hatston HWRC

Conceptual Site Layout



Project Name: Orkney Isles - CPA
 Project Manager: Laura Williams

Drawn By: Audra Brown and Molly Hickman
 Reviewed By: Sophie Crossette and Andy Grant

Orkney IWF Conceptual
 Layout v3.0

Scale
 1:850 @ A3

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme:	General Fund
Client Service:	Roads, Fleet and Waste
Project Name:	Integrated Waste Facility

		1	2	3	4	5	Onwards	Notes
CAPITAL COSTS	Total £ 000	2021/21 £ 000	2022/23 £ 000	2023/24 £ 000	2024/25 £ 000	2025/26 £ 000	£ 000	
1. Initial Costs (at inflated prices)								1
Land or Property Purchase	500.0		500.0		-	-		
Other Site Costs (including Fees)	5,532.0	-		3,263.0	634.0	1,635.0	-	
Construction or Improvements	4,916.0	-		209.0	3,507.0	1,200.0	-	
Information Technology Costs	230.0	-		-	230.0	-	-	
Plant, Vehicles & Equipment	4,400.0	-		-	4,400.0	-	-	2
Professional Fees - Consultant - In-house	1,628.0	-		814.0	814.0	-	-	
Gross Capital Expenditure	17,206.0	-	500.0	4,286.0	9,585.0	2,835.0	-	
2. Initial Funding (at inflated prices)								
Government Grants	12,000.0	-		3,000.0	6,700.0	2,300.0	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Recievable, etc.	12,000.0	-	-	3,000.0	6,700.0	2,300.0	-	
Net Capital Cost of Project	5,206.0	-	500.0	1,286.0	2,885.0	535.0	-	
Net Council Capital Expenditure	5,206.0	-	500.0	1,286.0	2,885.0	535.0	-	
Net Present Value	4,574.9	-	476.2	1,166.4	2,492.2	440.1	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

Notes - Additional narrative on main assumptions and support working papers

1 The estimated costs for the project were provided by Eunomia Research and Consulting in their report "Orkney Islands Council – Capital Projects Appraisal Report v3.0" and its Appendix 10. Eunomia were selected as part of a tender process conducted in April 2020. Their subcontractor, Stantec provided a set of capital cost estimates for the developed conceptual site design including drainage and utilities arrangements, site levels and cut/fill remodelling, access, road layouts, areas of hardstanding, weighbridge locations and building area and height. These high level budget costings are Order of Cost Estimates, and are based on the project stage assumed to be RIBA stage 1/2 or equivalent.

2 Costs for the technology elements were based on supplier quotes, averaged across the number of quotes supplied.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme:

General Fund

Client Service:

Roads, Fleet and Waste

Project Name:

Integrated Waste Facility

		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2021/21 £ 000	2022/23 £ 000	2023/24 £ 000	2024/25 £ 000	2025/26 £ 000	Onwards £ 000	Notes
1. Full Year Operating Costs (at inflated prices)	Please see note below							
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	-	-	-	-	-	-	-	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	- 284	-	-	-	-	- 142	- 142	
Finance and Loan Charges	729.3	-	-	-	243.1	243.1	243.1	2
Miscellaneous Expenditure	138	-	-	-	-	69	69	
Gross Revenue Expenditure / (Saving)	583.3	-	-	-	243.1	170.1	170.1	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	
Fees and Charges	14.0	-	-	-	-	7.0	7.0	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	14.0	-	-	-	-	7.0	7.0	
Net Revenue Expenditure / (Saving) of Project	569.3	-	-	-	243.1	163.1	163.1	
Increase / (Reduction) in Revenue Costs	569.3	-	-	-	243.1	163.1	163.1	
Net Present Value	-	-	-	-	222.5	144.9	140.7	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	

Notes - Additional narrative on main assumptions and support working papers

1. It is anticipated that this project will generate efficiency savings of £80,000 per annum in terms of revenue operating costs once the new facility is fully operational in 2025/26. Whilst the costs associated with the operation of the new facility will be broadly in line with those associated with current working arrangements, additional recurring costs associated with the collection and treatment of the waste have been estimated at £69,000 per annum. This should however be more than offset by savings in the volume of waste to be shipped to Shetland estimated at £142,000 per annum, along with potential to generate additional income from the sale of recyclates estimated at a further £7,000 per annum. In advance of further details being confirmed in respect of Extended Producer Responsibility arrangements, these figures indicate that part of the associated loan charges for this development can be met by the Service.

2. The capital financing requirement of £5.206m for the proposed development would be funded by borrowing. Estimated loan charges of £7.292m would be repayable on a straight line basis over 30 years, and based on an assumed interest rate of 2.5% per annum. This equates to an average cost of £243,100 per annum.