

**WASTE PPP AND LANDFILL BAN COMPLIANCE - PROGRESS UPDATE ON
OPTIONS**

1.0 EXECUTIVE SUMMARY

- 1.1 This report is an update on the options being appraised to identify the most appropriate choice for the future of the Waste PPP that supports compliance with the Landfill ban and provides overall best value to Argyll & Bute Council. The transition to Landfill ban compliance will result in increased revenue costs from a combination of a higher gate fee and haulage costs. The purpose of the options appraisal is to identify what option offers the best overall value and the option that is the most deliverable. The review will identify and future proof the Councils journey in the respect of the handback of the PPP contract and will focus on the workable solution to accommodate the landfill ban ensuring that appropriate timescales are identified and the work process that is to be undertaken.

RECOMMENDATIONS

Members are recommended to:-

- Endorse the report and the approach being taken to determine the most appropriate option for the Council regarding waste disposal;
- To note that a further report detailing an options appraisal will come forward to the September EDI Committee, providing information on the preferred option and outlining any capital and revenue cost implications.

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2.0 INTRODUCTION

- 2.1 This report is an update on progress on the options to identify the most suitable option for the future of the Waste PPP contract to enable Officers to support compliance with the Landfill ban and provide overall best value to Argyll & Bute Council. The recommendations of this report form the basis of the request to the Scottish Government to mitigate against increased costs resulting from the PPP agreement.
- 2.2 The Council have a Waste PPP agreement with Renewi (formerly Shanks) that began in 2001. The 25 year PPP agreement subsists until September 2026.
- 2.3 Within the PPP area, around 25,000 tonnes of residual (general) waste is processed every year. The Waste PPP agreement covers the majority of the Council's area and population. Argyll & Bute Council is the most expensive cost per household out of all of the local authorities in Scotland at around £200 per premise; the national average is around £100 per premise for waste disposal due to geography and PPP contract which processes general waste to provide a higher level of diversion from landfill than provided by many other Scottish Authorities.
- 2.4 The ban on the disposal of Biodegradable Municipal Waste ban to Landfill is a measure brought in under the Waste (Scotland) Regulations 2012. The alternative to Landfill is a transition from Waste Disposal to Waste recovery via Energy from Waste (EfW). The Scottish Government announced a national review of EfW which will run until March 2022. Further information on the outputs from this review will be shared with members post March 2022.
- 2.5 To comply with the Landfill ban the Council is required to ensure that residual waste will go for recovery via EfW rather than disposal at landfill. Increasing uncertainty in terms of national policy for waste disposal is impacting on the Council's time line for having in place a compliant solution.

3.0 RECOMMENDATIONS

3.1 Members are recommended to:-

- Endorse the report and the approach being taken to determine the most appropriate option for the Council regarding waste disposal;
- To note that a further report detailing an options appraisal will come forward to the September EDI Committee, providing information on the preferred option and outlining any capital and revenue cost implications.

4.0 DETAIL

PROGRESS UPDATES

- 4.1 To comply with the landfill ban officers identified changes required on Island sites for future proofing and compliance with the landfill ban. Various infrastructure improvements have taken place.
- 4.2 The Council site located at Glengorm on Mull has seen the build of a landfill cell and the conversion of the existing shed to a Waste Transfer Station.
- 4.3 The Islay site located at Gartbreck has a new Waste Transfer Station under development. This is converted from the original shed at that location. In early 2022 the tender will be released for the build of a new landfill cell at Gartbreck.
- 4.4 Joint procurement has taken place between Argyll & Bute Council and West Dunbartonshire Council for residual waste for the Helensburgh and Lomond area. This residual waste material is transported to Auchencarroch, Barr Environmental Limited's site in Alexandria.
- 4.5 Barr Environmental have been the subject to a Tax Tribunal which has resulted in Barr Environmental being liable to a large tax repayment. It is understood that Barr Environmental (BE) have appealed the Tax Tribunal outcome and that the appeal will be taken in March this year. With the size of the tax liability there is a risk to the viability of BE, and officers have taken the following action to mitigate BE not being able to continue to deliver the existing contract:-
- Engaged with the other 5 Councils who currently procure services from BE, Scottish Government and Zero Waste Scotland to ensure that mutual support is available and information sharing takes place
 - Made contact with other suppliers to ensure that arrangements can be quickly procured should the BE contract not be available
 - Held meetings with SEPA regarding both a temporary and permanent waste transfer station which would be required, should an alternative (and more distant) off taker be utilised
 - Carried out design work for a waste transfer station to ensure that a solution could be quickly progressed
- 4.6 Officers are engaging with Renewi in relation to the handback of the Waste PPP contract. Progress to date includes:-

- The introduction of a working group of Council colleagues to enable the smooth transition of the handback;
- A draft Project Initiation Document has been developed;
- A combined share point is in place for the sharing of contract documentation/file sharing;
- A document review agreement has been initiated;
- A risk issues log is in use by both Council and Renewi officers to identified risks and to rate them accordingly;
- Officers will be attending each Renewi site in 2022 to identify what changes will be required to adapt current Renewi operational landfill sites to Waste Transfer Stations prior to the handback of the contract in September 2026;
- A brief is being developed for an external consultant, which will review the options for the return of the contract at the end of its term in 2026.

4.7 Officers are procuring support from Caledonian Economics to carry out a study on the options available to the Council for future waste provision. This study will follow the Treasury Green Book on Investment Appraisal. Work already completed by the Council forms the first part of the Options process set out in the Green Book ("Generating Options and Long-list Appraisal"), and the four work streams detailed below form the "Shortlist Options Appraisal" and "Valuation of Costs and Benefits". The workstream of options are noted in Appendix 1. The options at this stage are in draft with the final requirements are to be completed prior to works commencing. The Workstreams are summarised below.

Workstreams:-

- Workstream A – Analysis of options for Waste PPP

The purpose of Workstream A is to identify a preferred path out of the PPP contract, whether early termination under the terms of the contract, variation to make it technically complaint (perhaps an EfW solution specified by Renewi), or a separate mutual agreement (for example by altering the Expiry Date).

- Workstream B – Long Term Technical Options Mapping

Workstream B will identify a shortlist of ideal long term solutions beyond 2025/2026. There are several variables in this including the possibility of partnering solutions with neighbouring authorities (notably Highland Council, West Dunbartonshire, Eilean Siar).

- Workstream C – Short-to-Medium Term Technical Options Mapping

The purpose of Workstream C is to identify a shortlist of solutions to get to 2025/26. These solutions could be constituent parts of the long term solutions identified in Workstream 2 or separate shorter term arrangements.

- Workstream D – Valuation of Costs and Benefits

Workstream D will provide an analysis of and quantify the costs and benefits of each option identified by developing and running a flexible spreadsheet model (as recommended in the Green Book).

- 4.8 The consultant's report will include a timeline on the workstream requirements working backwards from the date of the PPP end and Landfill Ban implementation date, included will be key actions and options open to the Council. It is noteworthy to advise that there is a sufficient amount of time for any of the required works from the recommendations of the consultancy to be implemented.
- 4.9 Officers will arrange for further Member seminars to highlight the consultancy outputs and to offer direction in relation to the waste PPP and the requirements to comply with the Landfill ban.

LANDFILL BAN CHALLENGE

- 4.10 Officers have developed options for the transition to a Landfill ban compliant system of Waste Recovery. Argyll & Bute faces a unique set of circumstances that disproportionally increase the cost challenge of the change to accommodate landfill ban compliance.
- 4.11 The Council's low overall quantity of residual waste tonnage feedstock make the construction and operation of a standalone Argyll & Bute based EfW plant unviable. There is no pre-existing facility within the Council area, the only compliant recovery option available to the Council is to transport the waste material for recovery elsewhere, preferably within Scotland. The Council's distance from the majority of Scottish EfW plants in the central belt presents a significant and an ongoing increase in revenue costs as a result of haulage/ferry requirements.
- 4.12 There is continuous uncertainty which surrounds SG policy changes which is having an adverse effect on the delivery of works e.g. the Energy from Waste review which is currently being carried out by the SG. The Scottish Deposit Return Scheme and the potential effects that this may have on the Council. In addition, the Food Waste Review has also been mentioned by the SG. However, this review has no confirmed date to be undertaken.

WASTE PPP RESIDUAL WASTE

- 4.13 The transition to the Landfill of residual waste to its recovery as EfW will result in increased revenue costs for EfW gate fee and haulage costs. This is the case for a number of rural authorities in Scotland. However, this is notwithstanding that Argyll is disadvantaged by the Waste PPP agreement unlike other authorities.
- 4.14 All Waste and Recycled material collected by the Council within the PPP area must be disposed of through the PPP contract. Any change in policy or

regulation that occurs during the term of the agreement that requires disposal services to be altered, triggers a “Change of Law” clause in the agreement.

- 4.15 The likely technical solution that is available to the Council is to source a long-term (seven to fifteen year) contract with an EfW off-taker. The solution would require the conversion of existing Renewi operational landfill sites to Waste Transfer Stations to allow for the storage and haulage of residual waste material to EfW plants.

NEXT STEPS

- 4.16 Officers continue to progress all Waste related matters and have noted below the next steps that are being taken. A timeline is drafted which includes the next steps and recommendations which should be noted.
- Officers will continue to engage with Renewi in relation to the handback process of the Waste PPP contract.
 - Officers will be attending each Renewi site in 2022 to identify what changes will be required to adapt current Renewi sites to Waste Transfer Stations prior to the handback of the contract in September 2026.
 - Officers will further engage with Scottish Government regarding options and implications for Argyll and Bute Council.
 - The options appraisal as noted above will be progressed with results reported back to Members in the early course of the new Council.

TIMELINE – NEXT STEPS/ PROGRESS			
Action/Event	Progress	Owner	Implementation Date
Officers continue to engage with Renewi for Waste PPP contract handback	Meetings have taken place with various documents being shared. This engagement will be ongoing until September 2026 or prior to any change in the contract.	Fleet, Waste & Transport Manager	September 2026
Officers will be attending all Renewi managed sites between January and April 2022 to identify requirements for the site handback and lead-in to compliance with the landfill ban	Meetings to be arranged, tours of all facilities with photographs, videos taken as required.	Fleet, Waste & Transport Manager	January – April 2022
Officers are procuring the services of specialist advisors to carry out an options appraisal of the available options for future waste disposal options. This is detailed in the report above.	A terms of reference has been pulled together based on the work streams detailed above. The procurement process is being concluded in January. Options appraisal report to be complete by June 2022.	Head of Roads and Infrastructure	June 2022
Barr Environmental. Possibility of BE not being able to provide the waste disposal contract to ABC as a result of the Tax Tribunal	Meetings with BE, the other 5 councils who procure services from BE and Scottish Government. Meetings with SEPA regarding waste transfer station licensing etc. Soft market testing and procurement exercises for alternative suppliers should BE not be able to deliver contract obligations.	Head of Roads and Infrastructure and Fleet, Waste & Transport Manager	Appeal decision date unknown.

Members are requested to support the Chief Executive to approach all aspects of support through COSLA.	A&BC Chief Executive to engage with COSLA.	Chief Executive Dates to be confirmed	
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5.0 CONCLUSION

- 5.1 Officers have been progressing a number of issues in preparation for the landfill ban in December 2025. Support is being procured from Caledonian Economics to carry out a study on the options available to the Council for future waste provision and a further report will be brought back to the EDI Committee in September.

6.0 IMPLICATIONS

- 6.1 Policy – This work stream is noted in the Council's waste policy. Delays in the Scottish Deposit Return Scheme and Energy from Waste SG review increase uncertainty in policy issues.
- 6.2 Financial – Compliance with the 2025 Landfill ban will require financial resource from the Council. As the Scottish Government are initiating the change, Officers will pursue financial support from the Scottish Government for this change to provide a long-term financially sustainable solution. Further financial risk concerns relate to Barr Environmental Ltd entering liquidation and the Council having to procure services at a higher cost. Additional costs for an options appraisal by external consultants should be noted.
- 6.3 Legal – The Council is required to comply with the national ban on Biodegradable Municipal Waste to Landfill.
- 6.4 HR – HR issues will be addressed in the external options appraisal relating to the handback of the contract.
- 6.5 Fairer Scotland Duty:
- 6.5.1 Equalities - protected characteristics – None
 - 6.5.2 Socio-economic Duty – None
 - 6.5.3 Islands – None
- 6.6 Climate Change – Transitioning from Landfill to Energy from Waste would result in a reduction in the annual quantity of Greenhouse Gas Generated in Argyll and Bute.
- 6.7 Risk – None
- 6.8 Customer Service – None

Kirsty Flanagan, Executive Director with responsibility for Road and Infrastructure Services

Jim Smith, Head of Road and Infrastructure Services

Policy Leads: Councillors Gary Mulvaney and Rory Colville

11th January 2022

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APPENDIX 1

CONSULTANT SCOPE OF SERVICES

BACKGROUND

The Council are required to comply with the national ban on disposal of Biodegradable Municipal Waste to landfill which will come into force in December 2025.

The Environment Development and Infrastructure Committee (EDI) report of 3 June 2021 provided an update of the Council's Waste Strategy and summarised the opportunities, challenges and uncertainties that the Council is facing as it seeks a way forward that is Best Value and that will comply with the ban on the disposal of Biodegradable Municipal Waste to landfill.

The key points to note are:

- the cost of complying with the ban will entail significant capital and ongoing revenue challenges to the Council;
- the geography of Argyll and Bute presents particular challenges to the collection, treatment and disposal of waste. Three different models are used to cover the main islands (Tiree, Islay, Jura, Coll, Mull, Iona and adjacent small isles); Helensburgh and Lomond; and the remaining mainland and islands;
- the Council is committed to a PPP contract with Renewi which expires in 2026. The current disposal arrangements under the PPP will not comply with the 2025 ban. PPP contracts can be complicated to vary and expensive to terminate;
- the Council has an arrangement with Barr for the disposal of waste collected in the Helensburgh and Lomond area. The future of that contract is uncertain;
- a Deposit Return Scheme is being consulted on but its details are not known and its launch has been put back to summer 2023 at the earliest;
- the Council has signed up to the voluntary Household Recycling Charter and associated Code of Practice. This is expected to be made mandatory.

Regardless of what happens between the landfill ban coming into force in 2025 and the expiry of the PPP contract the following year, a solution that is permanent, compliant and Best Value must be found. The challenge of navigating the final months of the PPP should not stand in the way of identifying and implementing the best long term solution.

The Consultant will carry out an Options Appraisal to model potential changes in Local Authority waste and recycling provision. The Options Appraisal will seek to maximise operational efficiency and where possible reduce the cost of the service or align with policy requirements.

The Options Appraisal will consist of 4 workstreams.

The Consultant will provide:

Workstream A – Analysis of options for Waste PPP

The purpose of this workstream is to narrow down (ideally to one) the permutations of what could happen to the PPP contract between the date of the landfill ban and the expiry of the PPP.

The Consultant will:

1. review the PPP contract to identify termination/variation options;
2. review the financial model;
3. provide an estimate of fixed costs of variation/termination.

The purpose of this workstream is to identify a preferred path out of the PPP contract, whether early termination under the terms of the contract, variation to make it technically compliant (perhaps an EfW solution specified by Renewi), or a separate mutual agreement (for example by altering the Expiry Date).

This is primarily a desktop exercise although some discussions with the relevant officers in Scottish Government will be needed (we note that engagement is ongoing).

Workstream B – Long Term Technical Options Mapping

The Consultant will:

1. identify a shortlist of ideal long term solutions beyond 2025/2026. There are several variables in this including the possibility of partnering solutions with neighbouring authorities (notably Highland Council, West Dunbartonshire, Eilean Siar).

The findings of Workstream A regarding the future of the PPP is key to keeping the shortlist manageable. The technical sectoral expertise to map out the options already exists in the Council. The Consultant will facilitate the process and to ensure that there is sufficient clarity on the options for them to be expanded in a Green Book appraisal. A workshop would be the most effective and efficient way of agreeing which options to be taken forward into more detailed analysis.

Workstream C – Short-to-Medium Term Technical Options Mapping

The Consultant will:

1. identify a shortlist of technical solutions to get to 2025/26

The purpose of the third workstream is to identify a shortlist of solutions to get to 2025/26. These solutions could be constituent parts of the long term solutions identified in Workstream 2 or separate shorter term arrangements.

As with Workstream 2, making assumptions to fix as many of the variables as possible provides the key to developing a manageable shortlist. This means agreeing which variables will have a major influence on the outputs, and which are less significant. For example it could be assumed that the Deposit Return Scheme will initially have an insignificant impact on the waste stream in its early days, but will gradually divert more as time goes on. If necessary, the results of Green Book analysis can be examined to test for sensitivity to these input assumptions.

As discussed above, the technical sectoral expertise exists in the Council and our role would be to facilitate the process and to ensure that there is sufficient clarity on the options for them to be expanded in a Green Book appraisal. This can be done during the same workshop as Workstream B.

Workstream D – Valuation of Costs and Benefits

Workstreams A, B and C will provide a set of pathways that lead from the present day to long term arrangements that meet the needs of the area, are compliant, and have the flexibility to cope with foreseeable changes in demand and regulations.

The Consultant will provide an analysis of and quantify the costs and benefits of each option identified by developing and running a flexible spreadsheet model (as recommended in the Green Book), following these steps:

1. identify and value costs and benefits of all the pathways identified and for each:
 - a. estimate the financial cost to the public sector (in real base year prices);
 - b. qualitatively assess non-monetisable costs and benefits;
 - c. apply Optimism Bias and adjustments for avoidable, transferable and retained risks;
 - d. maintain Risk and Benefits Registers;
 - e. sum the values of costs and benefits in each year;
 - f. discount the yearly sums of costs and benefits and add these over time to produce the Net Present Social Value (NPSV) of each option;
2. then:
 - a. calculate Benefit-Cost Ratios (BCRs);
 - b. identify the preferred option considering NPSV, BCR, non-monetisable features risks and uncertainties;
 - c. conduct sensitivity analysis and calculate switching values for options.

REPORTING

The consultant will prepare a report and deliver a summary presentation to a relevant group from the Council summarising:

- a. the analysis under the four workstreams set out above;
- b. a preferred way forward for the Council;
- c. recommendation for next steps and outline implementation plan.