

Item: 17.

Policy and Resources Committee: 18 June 2024.

Integrated Waste Facility – Revised Stage 2 Capital Project Appraisal.

Report by Corporate Director for Neighbourhood Services and Infrastructure.

1. Overview

- 1.1. Existing waste facilities are located across a number of sites and are no longer fit for purpose. The proposed Integrated Waste Facility would enable more efficient collection of a greater range of recyclable materials, thus increasing the recycling rate, provide resilience with regards to future legislative changes, assist in the reduction of the volume of residual waste sent to Shetland for processing and enable waste and recycling collection services to reflect both local and national aspirations with regards to the management and processing of recyclable materials.
- 1.2. The revised Stage 2 Capital Project Appraisal, attached as Appendix 1 to this report, is an update on one previously presented to this Committee in November 2021. It examines the case for a new Integrated Waste Facility to be constructed on Council owned land at Hatston.
- 1.3. The financial implications of the proposed facility are clearly described in the Appendix, noting that the estimated capital cost for construction of the facility is £26.8m. Ongoing revenue costs to repay this investment are estimated to be £1.33m per year for a period of 30 years. The current revenue budget for environmental services is £2,626,000.
- 1.4. As a result, the proposed development is considered to be unaffordable.
- 1.5. However, the Council remains firmly in support of the principle of modernised and improved waste and recycling facilities and so it is proposed to instead develop an integrated waste strategy, setting out a portfolio of projects designed to increase recycling rates, reduce revenue costs and improve the overall resilience of these services.

- 1.6. Following investigation, these opportunities will be brought to the relevant Committee(s) for consideration in accordance with existing governance procedures and as resources allow.
- 1.7. Development of the integrated waste strategy can be funded by the remainder of the £150,000 funding originally allocated for the Stage 2 Capital Project Appraisal, of which £87,886 remains unspent.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Note that, on 29 November 2021, the Policy and Resources Committee recommended that the proposed new Integrated Waste Facility be added to the capital programme for 2023/24 onwards, subject to the successful outcome of the grant application to the Scottish Government's Recycling Improvement Fund.
 - ii. Note that the Council was unsuccessful in securing funding from the Recycling Improvement Fund, with the outcome finally notified in 2022.
 - iii. Note that the revised Stage 2 Capital Project Appraisal in respect of the proposed Integrated Waste Facility, attached as Appendix 1 to this report, concludes that the current project scope is unaffordable.
 - iv. Note that the Council remains committed to improving recycling rates.
 - v. Instruct the Corporate Director for Neighbourhood Services and Infrastructure to develop an integrated waste strategy, comprising projects designed to increase recycling rates, reduce revenue costs and improve the overall resilience of waste and recycling services, funded from the balance of £87,886, from the original approved allocation of £150,000, available in the Capital Project Appraisal Fund in respect of the Integrated Waste Facility project.

3. Background

- 3.1 On 26 September 2018, the Development and Infrastructure Committee recommended that 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.

- 3.2 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.
- 3.3 On 29 November 2021, the Policy and Resources Committee recommended that 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, subject to a successful outcome of the grant application to the Scottish Government's Recycling Improvement Fund.
- 3.4 An application was made to the Recycling Improvement Fund for funding support in order to develop the Integrated Waste Facility. The application was for £12m towards the £17.2m project. Unfortunately, this bid was ultimately unsuccessful.
- 3.5 Following this unsuccessful bid for funding, officers have subsequently reviewed the scope of the proposed Integrated Waste Facility. The processing technologies originally identified continue to represent the most effective means of dealing with waste and recycling arisings in Orkney, noting that the legislative environment has continued in the anticipated direction and that further requirements for the collection of an increased range of materials remain likely.
- 3.6 In April 2024, external cost consultants reviewed the pricing schedule for the project and updated costs in accordance with current prices. The revised project budget is now £26.8m. The budget allows for inflation until 2027. It has assumed that construction would be completed by end 2027 with site opening in early 2028.
- 3.7 Included within the costs are collection vehicles and food waste containers which would be required in order to provide the anticipated separate food waste collection facilitated by the development of the new facility. These costs were not included in the original Stage 2 Capital Project Appraisal.

4. Integrated Waste Facility

- 4.1 The components of the proposed waste facility are:
- In Vessel Composting, (IVC), for food and garden waste.
 - Mechanical Pre-treatment (Shredding) for Residual waste.
 - A sorting facility for mixed dry recyclable materials

- 4.2 In addition, a new Household Waste Recycling Centre would be built, with the capacity to take a greater variety and quantity of materials. Complementary to this, a Re-use facility is also proposed, working in partnership with the Third Sector, a charity or a community group to maximise the quantity of materials re-used within Orkney.
- 4.3 The mechanical pre-treatment process would enable the sifting and sorting of waste and ensure compliance with regulatory waste thermal treatment guidelines. This builds in flexibility to explore other disposal options in Scotland or the UK. The process will also be able to remove valuable materials from the waste stream such as steel and aluminium cans, enabling the recovery of value from these materials.
- 4.4 The ability to sort dry recyclable materials will facilitate the introduction of co-mingled kerbside collections. These are recognised to improve recycling rates as it makes it easier for the community to recycle. This co-mingled method is commonplace in Scotland, making it easier for residents and visitors to understand.
- 4.5 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.
- 4.6 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.
- 4.7 One additional full-time equivalent (FTE) post 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. Alternative approach

- 5.1 Whilst construction of the Integrated Waste Facility is unaffordable, the key principles behind the project, and the anticipated outcomes, remain valid. Therefore, it is proposed to instead identify a range of smaller projects, which can be implemented as resources allow and which would be focused on fulfilling the following key objectives:
- Increasing the recycling rate.
 - Improve the resilience of the service.
 - Reduce revenue costs.
 - Contribute to local economic development opportunities.
- 5.2 This portfolio of projects would be a mix of smaller capital projects, operational efficiencies, community engagement initiatives and commercial opportunities. Together they would form an integrated strategy, aimed at delivering the objectives noted above within the resources available and to appropriate timescales.
- 5.3 Without forestalling the work required to develop this portfolio, it is envisaged that some individual components of the Integrated Waste Facility could be delivered as stand-alone projects, with the commensurate gains in service efficiency and achievement of the stated objectives.
- 5.4 All projects would be subject to appropriate governance and reported to Members accordingly.

For Further Information please contact:

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Implications of Report

- 1. Financial** – Financial implications are detailed in Appendix 1 and its Annexes.
- 2. Legal**- As set out in the report, the Council is aware of forthcoming legislative changes impacting on waste collection and treatment which will place additional requirements on the Council's facilities and collection services. As the existing infrastructure is not capable of addressing all of these requirements, approving the recommendations will assist the Council in preparing for these legislative changes.
- 3. Corporate Governance**- None.
- 4. Human Resources**- Staffing impacts are detailed above and in Appendix 1.
- 5. Equalities**- None
- 6. Island Communities Impact**- None applicable to this report.

7. **Links to Council Plan-** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan-** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk-** The new facility will have a positive impact on carbon emissions as a greater quantity of materials will be re-used and recycled. There will be increased Circular economy opportunities through the proposed Re-use facility. More materials will be diverted from landfill and energy from waste. The replacement portfolio of projects will have the same objectives and so the same envisaged positive outcomes.
10. **Risk-** Risks are fully detailed in Appendix 1
11. **Procurement-** Procurement of an external contractor will be required to develop the proposed list of projects, due to lack of available resource within the service.
12. **Health and Safety-** None
13. **Property and Assets-** None.
14. **Information Technology-** None
15. **Cost of Living-** None

List of Background Papers

Paper entitled Proposed New Waste Management Facilities (Item 6) submitted to Development and Infrastructure Committee, 26 September 2018.

Paper entitled Integrated Waste Facility (Item 9) submitted to Development and Infrastructure Committee, 7 September 2021.

Paper entitled Former Abattoir, H21, Hatston Industrial Estate (Item 6), submitted to Asset Management Sub-committee, 2 November 2021.

Paper entitled Integrated Waste Facility - Stage 2 Capital Project Appraisal (Item 8) submitted to Policy and Resources Committee, 29 November 2021.

Appendix

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

Capital Project Appraisal – Stage 2

Capital Programme: General Fund

Client Service: Neighbourhood Services

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 coming 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 (2022) for household waste recycling rates show that in Orkney the rate is 23.3%, compared to a Scottish average of 43.3%. 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 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:

- A local Energy from Waste solution is not technically viable. Instead, residual waste should be subject to mechanical pre-treatment, prior to export for disposal.
- 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. Food waste is also relatively heavy and thus represents a significant portion of the costs of shipping waste outwith Orkney for treatment.

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. 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 are generally recognised to 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 coming years. Development of an Integrated Waste Facility will ensure that the Council is able to appropriately fulfil this existing statutory provision. 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 is item I10 in the Council Delivery Plan, contained within the Developing our Infrastructure section.
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 would be cleared and the site made good as part of this project. Costs for this are included in the financial assessment. Following this the site would be available for use by other Council functions or disposal, to be determined by Council.

	Criteria	Response
4.	Minimises Capital Cost	The total cost of the proposed Integrated Waste Facility is £26.8m, which is close to the total available capital funding for the entire Council. There is no scope therefore to fund this project without significant external support.
5.	Maximises Investment from External Sources	The proposed Extended Producer Responsibility Scheme will enable Local Authorities to recover the costs of collecting and processing a wide range of recyclable materials. However, this fund will only be accessible if the local authority can demonstrate that their collection systems represent the most effective and efficient means of collecting these streams. The current system is unlikely to meet these requirements and so the ability to access this funding is in doubt. The proposed facility will, however, enable collection schemes that are more in line with industry and government expectations and so facilitate access to this funding.
6.	Beneficial Impact on Revenue Expenditure	There is no beneficial impact on revenue budgets, in fact quite the opposite. Loan charges on the capital expenditure, at £1.3m, are 50% of the current total revenue budget for the service, which is £2.6m. There is therefore no means of covering these costs from within the existing revenue budget without significant efficiency savings which have not been able to be identified.
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	The project will enable beneficial environmental impacts, in that it will promote

	Criteria	Response
		<p>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 towards an equitable service to all areas of Orkney.</p>
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 Third 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 £26.8m.

6.2. This level of funding is close to the maximum amount that the Council can borrow and, if the project went ahead, would significantly restrict the ability to develop any other capital projects. This level of capital expenditure is considered therefore to be unaffordable within existing budgets.

6.3. Annex 3 details the associated revenue budget implications. The loan repayments are in the region of £1.3m, which represents 50% of the existing £2.6m budget for Environmental Services. There are not expected to be significant revenue savings associated with this project, meaning that the service would be unable to service the loans.

7. Risk Assessment

7.1. Risk of not proceeding:

- Without the identification of alternative, smaller scale projects;
 - The Council will be unable to make progress towards achieving the national recycling rate of 70%.
 - 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 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.
- The facility at Chinglebraes could require significant additional investment in the future.

7.2. Risks of proceeding

- There are significant financial risks associated with this project, rendering it unaffordable within existing budgets.

8. Conclusion

8.1. Whilst provision of an Integrated Waste Facility would 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 the project in its current configuration is unaffordable.

8.2. Consequently, alternative options for improvements to the waste and recycling service will need to be explored, so as to identify opportunities for improving recycling rates and reducing revenue costs.

8.3. These options will necessarily be smaller in scope and reach than the proposed facility, with a consequent diminution of their impact. However, taken together, they will offer some improvements and ensure that available resources are exploited to maximum benefit.

9. Recommendation

It is recommended that the project to provide an Integrated Waste Facility is terminated and other options for improvements to the waste and recycling service explored.

10. Accountable Officers

Hayley Green, Corporate Director for Neighbourhood Services and Infrastructure, Email Hayley.green@orkney.gov.uk

Lorna Richardson, Head of Neighbourhood Services, Email lorna.richardson@orkney.gov.uk

Alan Dundas, Service Manager, (Environmental Services), Email Alan.Dundas@orkney.gov.uk

11. Annexes

Annex 1 – Site location and proposed layout.

Annex 2 – Financial Assessment of Capital Expenditure.

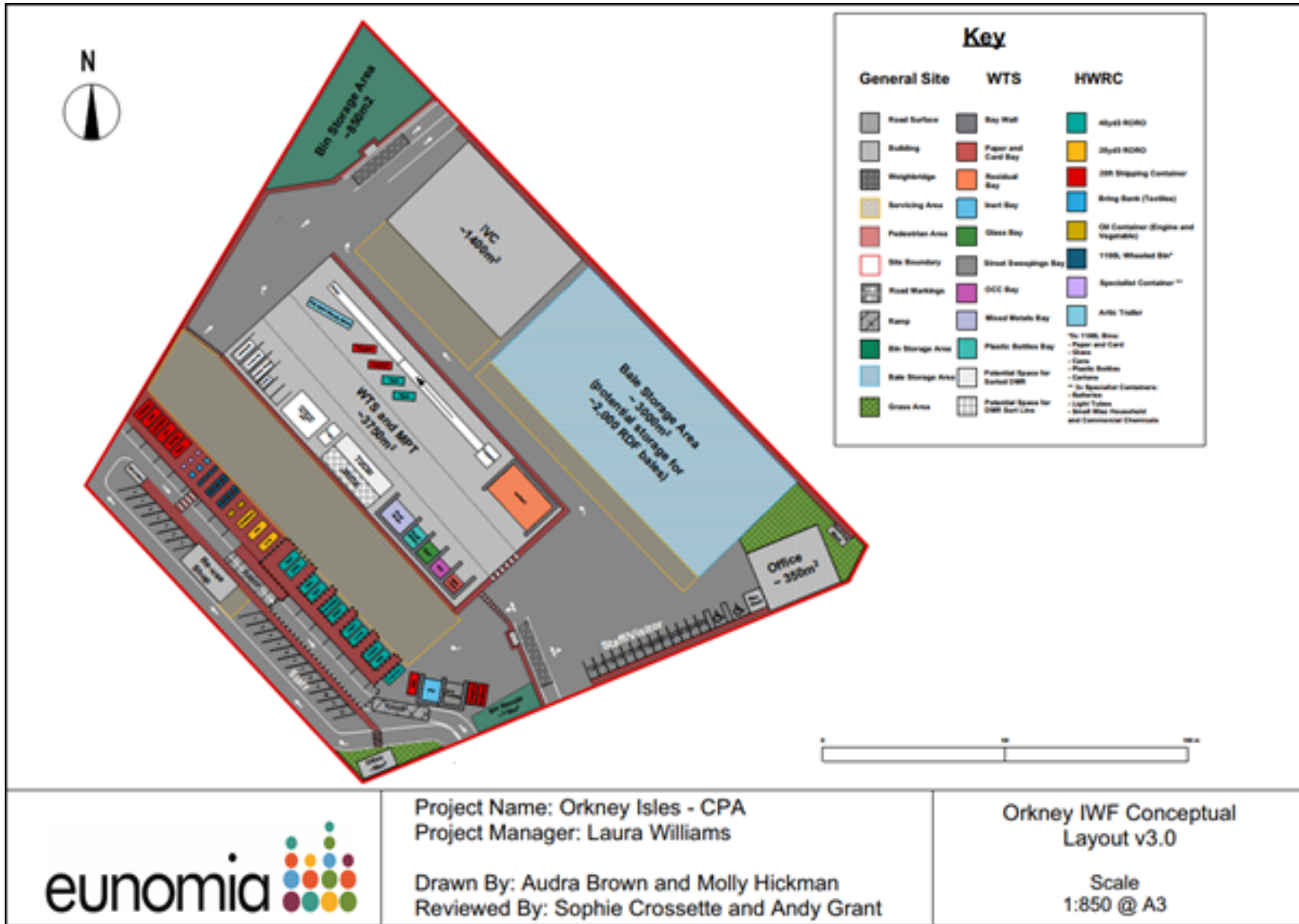
Annex 3 – Financial Assessment of Revenue Expenditure.



Annex 1

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:

Environmental services

Project Name:

Integrated Waste Facility

		1	2	3	4	5	Onwards	Notes
CAPITAL COSTS	Total £ 000	2024/25 £ 000	2025/26 £ 000	2026/27 £ 000	2027/28 £ 000	2028/29 £ 000	£ 000	
1. Initial Costs (at inflated prices)								
Land or Property Purchase	500.0	500.0	-	-	-	-	-	
Other Site Costs (including Fees)	4,205.2	-	4,205.2	-	-	-	-	
Construction or Improvements	13,657.6	-	2,812.2	9,099.0	1,746.4	-	-	
Information Technology Costs	297.0	-	148.3	148.3	-	-	-	
Plant, Vehicles & Equipment	6,030.0	-	2,127.9	2,127.9	1,774.5	-	-	
Professional Fees - Consultant	2,071.6	-	1,035.8	1,035.8	-	-	-	
		-	-	-	-	-	-	
Gross Capital Expenditure	26,761.3	500.0	#####	#####	3,520.9	-	-	
						-	-	
						-	-	
2. Initial Funding (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Recievable, etc.	-	-	-	-	-	-	-	
Net Capital Cost of Project	26,761.3	500.0	#####	#####	3,520.9	-	-	
Net Council Capital Expenditure	26,761.3	500.0	#####	#####	3,520.9	-	-	
Net Present Value	24,636.2	500.0	9,837.5	#####	3,041.5	-	-	
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 originally provided by Eunomia Research and Consulting. These have been revised by Turner and Townsend in their report, High Level Cost Estimate, Orkney Intergrated Waste Facility, Orkney Islands Council, May 2024.

2. Costs for the technology elements were based on supplier quotes, averaged across the number of quotes supplied. These prices have been adjusted for inflation in 2024.

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	2024/25 £ 000	2025/26 £ 000	2026/27 £ 000	2027/28 £ 000	2028/29 £ 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	- 366	-	-	-	-	- 183	- 183	1
Finance and Loan Charges	5,308.0	-	-	#####	#####	#####	#####	2
Miscellaneous Expenditure	178	-	-	-	-	89	89	1
Gross Revenue Expenditure / (Saving)	5,119.6	-	-	#####	#####	#####	#####	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	
Fees and Charges	18.0	-	-	-	-	9.0	9.0	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	18.0	-	-	-	-	9.0	9.0	
Net Revenue Expenditure / (Saving) of Project	5,101.6	-	-	#####	#####	#####	#####	
Increase / (Reduction) in Revenue Costs	5,101.6	-	-	#####	#####	#####	#####	
Net Present Value	1,250.8	-	-	#####	#####	#####	#####	
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 £100,000 per annum in terms of revenue operating costs once the new facility is fully operational in 2028/29. 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 £89,000 per annum. This should however be offset by savings in the volume of waste to be shipped to Shetland estimated at £183,000 per annum, along with potential to generate additional income from the sale of recyclates estimated at a further £9,000 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 £26.8m for the proposed development would be funded by borrowing. Estimated loan charges of £39.8m would be repayable on a straight line basis over 30 years, and based on an assumed interest rate of 3.0% per annum. This equates to an average cost of £1.33m per annum.