

Millerhill and Potential New Waste Management Project

Report by Trevor Muir, Chief Executive

1. Introduction

This report provides Members with an update on progress regarding the Millerhill site and discusses the potential for a new residual waste management project. Cabinet is asked to agree the way forward.

2. Background

The Cabinet on 17 June noted that the Lothian and Borders Waste Management Project had been closed by the Project Board following the Scottish Government's rejection of its Outline Business Case.

At the meeting, Members were advised that Councillor Imrie was chairing a small working group, including the Chief Executive, looking at possible options for a revised Midlothian waste management strategy.

After hearing that Millerhill remained the only site identified as suitable and available to offer to bidders for a potential Midlothian Waste Management Project, the Cabinet approved the Option to purchase 37.77 acres of vacant land at Millerhill Marshalling Yards from the British Rail Board Residuary (BRBR).

The Option has been secured and, after considering a number of options, the working group recognises that the preferred way forward involves working with neighbouring authorities and seeks approval to progress discussions with of City of Edinburgh and East Lothian Councils.

The following progress has been made:

Market Sounding

A detailed market sounding exercise involving waste management contractors has been carried out by a cross divisional group of officers from Midlothian Council. This has indicated a substantial interest in the site and especially in a three Council joint project.

A summary of the report is provided at appendix 1.

The Millerhill Site

Option to purchase: Negotiations with BRBR were concluded and Midlothian Council now holds the Option. The current agreement would require Midlothian by February 2009 to either purchase the site at a cost of £2.16 million, try to negotiate an extension (which might be difficult) or abandon the Option.

With the agreement of the Cabinet Member for Strategic Services, and following identification of a possible window of opportunity, a bid for £2,164,490 has been

made on behalf of Midlothian Council to the Scottish Government's Zero Waste Fund. This fund of £100 million over the current three year period is expected to be available to local authorities but the guidance has not been issued as yet and it is highly unlikely that the allocation for the current year will be able to be spent. Midlothian has provided the Scottish Government with what it believes is an eligible bid which could allow spending in this current year.

Access

Redacted under Section 33 as would prejudice substantially the Council's commercial interest.

Land swap

Redacted under Section 33 as would prejudice substantially the commercial interests of a third party.

Other uses

Although the working group believe any new project must concentrate on residual treatment, Cabinet should be aware that officers will continue to assess the potential for other additional activities on site whether shared with partner authorities or provided separately.

Potential for New Project

Based on the market sounding and on high level financial modelling carried out internally, there is a clear business case for progressing with a new residual waste treatment project.

The Do Nothing option does not represent Best Value and exposes the Council to the risk of substantial fines in forthcoming years.

The financial modelling has shown that a number of options are less expensive than the Do Nothing option. These include:

- A joint project with both East Lothian Council and (particularly) City of Edinburgh Council, who would bring substantial economies of scale due to their potential tonnage throughput;
- A Midlothian only project which procures a plant that treats both Municipal and Commercial & Industrial Waste in order to achieve economies of scale similar to those under the 3-Council option.

Indicative costs per tonne for these alternative solutions are shown below, with the Do Nothing Option also included for comparison purposes:

Table 1: Cost/tonne comparison		
Option	Overall Cost per tonne	Saving Compared with Do Nothing
Do Nothing	<i>Redacted under Section 33 as would prejudice substantially the Council's commercial interest.</i>	
Joint Project with CEC/ELC (EfW Solution)		
Midlothian-only EfW Project with C&I waste (EfW Solution)		

Work is ongoing on whether the costs of a treatment solution can be met, but without any future annual funding from the Zero Waste Fund, neither of the alternative options considered in Table 1 are affordable.

Proposed Approach

Initial informal contact has been made with both CEC and ELC, However it is suggested that formal contact now be made through the Cabinet Member for Strategic Services and the Chief Executive. A tripartite meeting is currently being arranged.

While it is hoped that CEC and ELC will agree to a new joint project, it is suggested that Midlothian Council should take a firm line on timescales and the structure of any project. While Midlothian would benefit significantly from any economies of scale especially from Edinburgh, Midlothian holds the only suitable site identified in the area that can provide the necessary level of competition to ensure a value for money solution for all three Councils.

The fall back position for Midlothian if no agreement is reached would be to consider a Midlothian-only solution that procures a treatment plant for both Midlothian Council's waste and Commercial & Industrial Waste. This would allow the Council to benefit from similar economies of scale that the 3-Council option provides.

It should be recognised that to date there has been significant support for a tripartite project from CEC and ELC at the highest level.

Following on from discussions with CEC and ELC it will be necessary to map out the procurement details and timescale for a new project.

3. Report Implications

3.1. Resource

There are substantial financial implications ahead for all Scottish Councils if they are to work in partnership with the Scottish Government on the journey towards a Zero Waste Scotland. There is also a severe penalty regime in place where fines can be imposed by the Scottish Government for excess landfilling of wastes if Councils were to continue with current practices.

Access Road

Redacted under Section 33 as would prejudice substantially the Council's commercial interest.

The Millerhill Site

It is hoped that funding of the site purchase will be met by the ZWF application. In the event it is not, the Council has the option of meeting from the Capital Plan or seeking contributions from partner councils.

Treatment Solution

The high level modelling undertaken internally by the Council demonstrates that the Do Nothing option is not viable as a long-term solution, as it exposes the Council to prohibitive costs in terms of Landfill Tax and LATS fines.

As stated above, ongoing work to develop alternative solutions suggests that there are a number of potential options that deliver cost savings when compared with the Do Nothing option. These options include:

- A joint project with both East Lothian Council and (particularly) City of Edinburgh Council, who bring substantial economies of scale due to their tonnage throughput;
- A Midlothian only project which procures a waste treatment plant that includes Commercial and Industrial Waste in order to achieve economies of scale similar to those under the 3-Council option.

Work is ongoing on whether the costs of a treatment solution can be met, but without any future annual funding from the Zero Waste Fund, neither of the alternative options considered are affordable.

Following contact with CEC and ELC it will be necessary to consider the project development costs and agree budget requirements between partners. This would be the subject of a future report to Cabinet.

Initial exploratory work and modelling is being contained internally within existing resources.

3.2. Risk

Risk management was very much at the heart of the Lothian and Borders Waste Management Project. In considering the options for any new Projects to support a resolution to move “Towards a Zero Waste Midlothian” with or without other Council partners, the Cabinet will be provided with an appropriate risk assessment should any recommendation be brought to Members.

The potential alternative options modelled above assume that the Zero Waste Fund provides funding to Midlothian of £482, 000 per annum, based on Midlothian’s share of the proposed £37.127 million allocated to Councils and distributed on the Waste Collection GAE indicator. This funding is assumed to be in place from 2009/10 onwards and continue throughout the proposed duration of a project (i.e. for the next 25 years).

However, the funding itself and the distribution of that funding has yet to be determined or committed. Without this funding, the options presented above incur significant funding gaps throughout the lifetime of the project.

Furthermore, the Council benefits from the economies of scale brought to the project by both other Councils (City of Edinburgh and East Lothian) and from the Commercial & Industrial Waste sector. Without additional tonnage from either of these sources, any treatment plant procured by the Council would incur large diseconomies of scale which would result in any option involving treatment becoming more expensive than the Do Nothing option.

The Council will also have to balance proposals against the risk that failure to act will expose the Council to increasing landfill tax and potential fines. Fines can be imposed for excess landfilling as a result of the European landfill Directive which limits the amount of biodegradable municipal waste permitted to be landfilled. The Councils exposure to fines alone is around £0.250m in 2009/10 rising to £2.1m by 2019/20, the last date for which targets have been set.

There is a risk that the funding bids to the ZWF for the land acquisition and/or site access are unsuccessful. Should this arise, decisions will be required as to how these are to be funded.

3.3. Policy

Strategy

The proposals which are in line with the Council's resolution "*towards a zero waste Midlothian*" support a number of Council priorities covering the following agreed objectives:

- Objective 1- Supporting healthy, caring and diverse communities where local needs are met
- Objective 2- Maximising business opportunities
- Objective 4- Conserving and improving Midlothian's natural environment; and
- Objective 6- Delivering Responsive, Efficient and Effective Services to the People of Midlothian

Consultation

The Directors of Corporate and Commercial Services have been consulted in preparation of this report.

Equalities

This report is not proposing new services, policies, strategies, or plans which will require to be assessed for equalities implications.

Sustainability

The proposals in this report support the Council's core value of Sustainability as outlined in its Corporate Strategy:

“we want to ensure that everything we do can be justified by its positive long-term social, economic and environmental benefit to Midlothian and so is not done merely for short-term gain.”

This proposal supports the Council’s long term vision of a Zero Waste Midlothian and is consistent with the Council’s Sustainability Strategy.

4. Recommendations

Cabinet is asked to note progress and agree:

- a) the proposed approach to a potential new project on the basis that the Do Nothing option does not represent Best Value to the Council;
- b) a preferred option of working in partnership with City of Edinburgh and East Lothian and including opportunities for inclusion of commercial and industrial waste;
- c) endorse the Chief Executive’s decision to apply to the Scottish Government’s Zero Waste Fund for funding of £2,164,490 for the purchase of the Millerhill site;
- d) to commence formal negotiations with City of Edinburgh and East Lothian; and
- e) to continue negotiations with EWS regarding a potential land swap.

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Report Contact: Gordon Pollock

Tel No: 0131 271 3334

E mail: gordon.pollock@midlothian.gov.uk