

ABERDEEN CITY COUNCIL

COMMITTEE	Capital Programme Committee
DATE	18 November 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Ness Energy Project
REPORT NUMBER	RES/20/192
DIRECTOR	Steve Whyte
CHIEF OFFICER	John Wilson
REPORT AUTHOR	Pete Lawrence
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Committee on progress made with regards to the procurement/construction/operation of the Ness Energy Project. This requirement was a recommendation approved at Full Council on the 4 March 2019.

2. RECOMMENDATION(S)

That the Committee:

- 2.1 Notes the progress achieved to date;
- 2.2 Notes the financial position for the project; and
- 2.3 Instructs the Chief Officer Capital to provide a further update on progress to the March 2021 Capital Programme Committee.

3. BACKGROUND

- 3.1 On 4th March 2019, the Council approved the award of the Ness Energy Project Residual Waste Treatment contract for the implementation of the Project to a consortium led by Acciona Industrial and Acciona Servicios Urbanos and an

Inter-Authority Agreement, IAA3. Similar approvals were given by Moray Council and Aberdeenshire Council on 4th March and 7th March respectively.

- 3.2 The contract was signed on 8 August 2019 with work starting immediately to prepare the site, activate the planning permission and commence engineering design and procurement.
- 3.3 An update on progress with the project was provided to committee in January 2020.

Update Since January 2020

COVID-19

- 3.4 The COVID-19 pandemic resulted in the cessation of all construction activities from 25 March until 15 June 2020. Since then, construction works have resumed taking into account all government guidance with additional hygiene and operating measures introduced as a result of COVID-19 Risk Assessments undertaken to ensure the health of all staff and to minimise the risk of spread of the virus. The site closure has had an impact on the project and the implications have been discussed with the contractor over the summer. The process for implementing a variation of contract terms is now underway. At this stage, there is no indication that there will be budget implications.

Engineering Design and Procurement

- 3.5 One of the major areas of activity throughout 2020 has been the development of the detailed design of the facility and subsequent procurement of sub-contractors to undertake the construction, manufacture and installation of plant components. The contractor has reported some additional difficulties caused by COVID-19, however, overall progress in this area has been satisfactory and is currently not affecting the programme completion date.

Off-site Manufacturing

- 3.6 Manufacture of many components of the boiler, turbine, generator and flue gas treatment systems continued largely unaffected during the worst of the COVID-19 pandemic. At the current time, these tasks are not having an adverse effect on programme completion. Latterly, significant elements of the boiler have been delivered to storage areas in Aberdeen ready for installation.

On Site Works

- 3.7 COVID-19 impacts aside, progress on site has been broadly on programme. Extensive concrete piling has now been completed and the main foundations for the boiler house is now being laid. The formation of the waste bunker is underway. The first major above ground structure, the bunker wall, will commence in November 2020.

Pollution Prevention and Control (PPC) Permit

- 3.8 The contractor continues to provide additional information and clarifications to SEPA in relation to the PPC Permit application. Progress has been hindered by COVID-19, however there is no indication that the application will not be successful or that delay will hinder project completion.

Programme

- 3.9 As indicated above, the COVID-19 site closure aside, works are proceeding as anticipated. Commissioning is anticipated to commence in Spring 2022 with the facility fully operational by the end of 2022.

Project Team

- 3.10 The Project Team is now well established led by the Northeast Waste Contracts Manager who joined the team in February 2020.

Inter-Authority activity

- 3.11 In accordance with the Inter Authority Agreement, the Project Team has reported to the Project Board frequently this year. The consequences of COVID-19 have required greater Project Board input than normal. The Project Board, acting within powers defined in IAA3, has approved the terms of a contract variation to deal with COVID-19 impacts. The Elected Member Engagement Group has met via Microsoft Teams and will continue to be updated every 6 months on the project.

Community Liaison

- 3.12 The contractor has established a Community Liaison Group including south of the River Dee Community Councils and elected representatives. This group met in January 2020. COVID-19 restrictions have prevented further meetings. The contractor has continued to update the project website and provided updates to 'Torry Vision' (local news and events). Additional electronic means of communication are being developed to ensure community engagement is enhanced.

Community Benefits

- 3.13 COVID-19 has hampered efforts to develop community benefits, however, engagement with local schools has now restarted and work is underway to fulfil requirements to provide apprenticeships, work placements and training as set out within the contract.

4. FINANCIAL IMPLICATIONS

- 4.1 Payments are being made to the contractor in line with Milestones set out in the contract. At this stage, there is no indication that there are budget implications albeit that Milestone payments have been slowed to some degree as a result of COVID-19 impacts on the construction works.

- 4.2 The table below shows the project budget share for the Aberdeen City Council.

Gross Budget	Spend to date
£70.0m	£ 20.75m

5. LEGAL IMPLICATIONS

- 5.1 Three minor contract variations have been agreed with the contractor since the last report. All are technical in nature and have no notable financial or risk implications for the project.

5.2 As indicated above, the impacts of COVID-19 are being addressed through a contract variation.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	Contractor termination	L	Extensive procurement work undertaken to select proven and financially stable contractor. Strong contractual controls in place
Compliance	Health and Safety breaches during construction	L	Strong contractual obligations to use best Health and Safety practice monitored on site daily by Authority Technical representative
	Failure to obtain Permit to operate from SEPA	L	Proven technology already consented elsewhere in Scotland
Operational	Delay in Construction Programme	M	Consequences of delay managed through contract conditions. Effective communication with three authorities' waste teams to manage consequences should they arise
Financial	Project costs increase as a result of Contractor Claims	M	Contract conditions define claims management processes
Reputational	Construction delay and cost overspend	L	Contract obligations deemed sufficient to minimise risk to the Authority
Environment / Climate	Failure to operate facility within authorised emission levels	L	EfW is best available technology for management of mixed municipal waste. Established and proven process selected during procurement provides strong confidence that plant will operate well within acceptable standards. Low carbon heat and power from this facility will displace fossil fuel thereby reducing net carbon emissions

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	<p>Unleashing the non-oil and gas economic potential of the city: The construction of the energy from waste facility will create over 200 jobs many using skills transferable from the oil and gas sector. Furthermore, during the 20 years of operation, highly skilled, engineering based staff will be required, again utilising skills common in the oil and gas sector.</p> <p>Maximising community benefit from major developments: There are numerous community benefit obligation built into the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education.</p>
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	<p>The proposals within this report support the delivery of LOIP Stretch Outcome 1 – 10% increase in employment across priority and volume growth sectors by 2026. The construction of the energy from waste facility will create over 200 jobs. Furthermore, during the 20 years of operation, highly skilled, engineering based staff will be required.</p> <p>Greater than 90% employed on the project will be paid the Living Wage as a minimum.</p>
Prosperous People Stretch Outcomes	<p>2.1 Promoting inclusive economic growth for our most disadvantaged communities. There are numerous community benefit obligations built into the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education. The facility is being developed close to one of the disadvantaged areas of the city.</p>
Prosperous Place Stretch Outcomes	<p>14.1 Reducing emissions across the city through delivery of Aberdeen’s Sustainable Energy Action Plan ‘Powering Aberdeen’. Construction of the Ness Energy EfW facility will significantly reduce carbon emissions from the disposal of non-recyclable waste. The facility also provides the opportunity to develop low carbon heat supplies to local housing and businesses thereby offsetting fuel poverty.</p>

Regional and City Strategies	Strategic Development Plan: Sustainable Development and Climate Change. This facility will increase the supply of renewable energy in the region and diversify the mix of renewable sources. The facility enables the objective to meet our waste management needs locally and promote the development of the Circular Economy. The facility is specifically identified at paragraph 6.18 as an objective of the Plan.
UK and Scottish Legislative and Policy Programmes	The Waste (Scotland) Regulations 2012 introduced a ban on the landfilling of biodegradable waste. This ban will now come into force in 2025. The facility enables the three authorities in the Northeast to comply with that regulation 3 years in advance.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required. Evidence submitted to Equalities Team.
Data Protection Impact Assessment	Screening questions completed – not required

9. BACKGROUND PAPERS

None.

10. REPORT AUTHOR CONTACT DETAILS

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