17th November 2026

Agenda Item No. 8

Cireco Scotland Annual Performance Report 2025/26

Report by: Barry Neill, Head of Environment and Building Services

Wards Affected: All

Purpose

The purpose of this report is to summarise the performance of Fife Resource Solutions LLP (FRS)/Cireco Scotland for 2025/26.

Recommendations

It is recommended that the Environment, Transportation and Climate Change Scrutiny Committee considers and comments on the performance of Fife Resource Solutions LLP/Cireco Scotland during 2025/26, as detailed in this report

Resource Implications

There are no resource implications associated with this report.

Legal and Risk Implications

There are no legal or risk implications associated with this report.

Impact Assessment

An EqIA has not been completed and is not necessary as the report does not propose a change or revision to existing policies and practices. There are not considered to be any implications under the Fairer Scotland Duty.

Consultation

The Chair of Fife Resource Solutions was consulted in the preparation of this report, along with Finance Services.

1.0 Background

1.1 The Council's Arms-Length External Organisation (ALEO), Fife Resource Solutions LLP (FRS) commenced operations on 1 April 2014. It was established to provide services to the Council and to utilise assets to expand the provision of services to third parties, with a view to driving efficiency and increasing external income. It was envisaged that increasing income in this way would make a positive contribution to the Council's

revenue budget reduction process and thereby help to protect key services provided to Fife's communities.

1.2 Cireco Scotland (Cireco) is the trading arm of FRS utilising the physical and intellectual assets under the control of FRS on a proper contractual basis to provide best in class resource management services to local authorities and valued waste management companies to generate a significant subsidy to Fife Council. This ensures the delivery of the activities noted within this paper, on behalf of Fife Council, whilst ensuring compliance with all relevant duties and obligations under pertinent employment, financial, waste and environmental legislation.

1.3 In summary, Fife Council commissions waste and resource management services from FRS and pays FRS an annual management fee. FRS is the Council's ALEO and delivers the services set out below on the Council's behalf. Cireco Scotland is the trading arm of FRS. It sells services to other local authorities and commercial customers. The income it generates supplements the management fee so that Council services are fully funded.

1.4 Cireco is the resource management solution of choice for a number of local authorities including Stirling; Perth & Kinross; Falkirk and Scottish Borders.

1.5 The financial benefits accrued by the group are required to supplement the annual fee received from the Council to ensure the services delivered on behalf of the Council are fully funded.

1.6 The function, activities, and services delivered by FRS for and on behalf of the Council are set out below:

- Transfer, treatment (including recycling), energy recovery and disposal of waste produced by or on behalf of the Council, including waste from Council departments such as Building Services, Education, Waste and Street Cleaning. This includes waste transfer, haulage and maintaining statutory compliance.
- Collection, transfer, treatment (including recycling), energy recovery and disposal of waste produced by commercial and industrial premises whose operators have engaged the Council to provide these services.
- Processing of bulky waste (non-Persistent Organic Pollutants (POPs)) for recycling and energy recovery.
- Processing of bulky waste (POPs) for energy recovery.
- Operation of active and closed landfills.
- Operation of Material Recovery Facilities at both resource recovery sites.
- Operation of an Anaerobic Digestion Plant and composting operations.
- Processing of Fife Council recyclates.
- Operation of 11 Household Waste Recycling Centres (HWRCs).
- Servicing and maintenance of circa 260 Household Recycling Points.
- Generation of renewable power and heat from the treatment of waste.
- Generation of renewable power from wind and solar.

- Development and maintenance of data management systems to record and monitor the flow of wastes, including recyclates, the completion of statutory data returns and the calculation and payment of Landfill Tax.

1.7 FRS employed an average of 212 people directly during 2025/26. Most employees live in and around Fife, contributing to the economy of the area.

2.0 Key highlights during 2025/26

2.1 The organisation achieved full transition to Energy from Waste (EfW) in 2024/25, providing a compliant solution for the Council ahead of the upcoming ban on biodegradable waste to landfill from the 1st of January 2026. In preparation for this the ALEO, on behalf of Fife Council, arranged agreements with two outlets; Earls Gate Energy Centre (for 110,000 tonnes of waste) and Westfield Energy Recovery Park (160,000 tonnes), both of which provide a long-term solution for the disposal of residual waste. Westfield reached full operational capacity in August 2025.

2.2 The equipment within the Material Recovery Facility (MRF) at Cireco Park is continually being invested in to ensure best in class recovery of recyclates in line with legislation and market demands. Examples include the addition of a Tomra optical sorter through Recycling Improvement Funding from Zero Waste Scotland and installation of a cyclone to enable Fife Council to collect film and flexible materials. AI robotic sorting was also added to improve sorting efficiency with a view to future legislative and regulatory changes. Further technological improvements were made to the MRF, including installation of a new cyclone to remove plastic film and a second baler. Works started in February 2026, completing in July 2026, making use of pEPR funding of £3.3m to install cutting edge AI sorting equipment which enables increases in throughput, capture rate and product quality. FRS/Cireco would like to extend an invitation to members of this committee to visit our site in Dunfermline to see the investment in this state-of-the-art facility.

2.3 Improvement works were carried out at the front end of the Anaerobic Digestion plant to reduce contamination and improve the quality of the soil conditioner produced.

2.4 Over the last year FRS continued to operate 11 HWRCs on behalf of the Council. In 2025/26 the number of complaints reduced from 68 received in 2024/25 to 55 complaints. Of these complaints 18 were upheld, 9 partially upheld, 11 resolved and 17 were not upheld.

2.5 The group remain committed to ensuring compliance and continual improvement across the services we deliver with our ISO9001 and ISO14001 accreditation being maintained in 2025/26. We are preparing for our reaccreditation in Summer 2027. Work is underway to bring our Health & Safety Management approach in line with ISO45001 during 2026/27.

3.0 Current and future challenges

3.1 A significant fire broke out on 12 May 2026 at the Lower Melville Wood site near Ladybank. The fire caused extensive damage to site equipment, infrastructure and

affected the local community. The cause of the fire was a lithium-ion battery incorrectly disposed of in residual waste that ignited.

3.2 The fire took place after the end of the 2025/26 reporting year. The response and preventative measures introduced following the incident are summarised below.

3.3 Prior to the fire in May 2026 FRS/Cireco and Fife Council worked closely in partnership to roll out a communications campaign from November 2025 highlighting the dangers of incorrect disposal of batteries. Vape disposal containers were rolled out across 10 HWRCs in November 2025. Since the fire in May this partnership working has been strengthened to include the Scottish Fire and Rescue Service with further press releases, videos, social posts and livery on Refuse Collection Vehicles.

3.4 The waste industry is facing this challenge nationally with numbers of fires increasing due to incorrect disposal of batteries, particularly lithium-ion batteries, which are present in so many of the electronic devices used daily by households. FRS/Cireco, working with partner Local Authorities, have carried out compliance visits to ensure measures are in place to mitigate the risk of batteries coming into our sites in residual waste and share best practice. Additionally, our partner Local Authorities are also delivering communications campaigns promoting safe battery disposal. This is a risk that cannot be eliminated but work is continuing to raise public awareness of safe disposal of batteries/orphaned electronic devices.

3.5 This report notes the recent fire in May. Since the fire, significant investment has been made with works undertaken to reduce the impact of fires through alterations to storage and processing approaches to ensure that, when fires do occur, they can be easily contained, and the risk of excessive damage is reduced. This includes the use of the Fire Rover, an AI-enhanced, human-verified, automated suppression system to help ensure the safety of operations. This is in addition to NIR fire detection, separation of the initial processing and sorting elements from the remainder of the process, ensuring storage within concrete bays has suitable fire breaks and working with the wider sector and Fire Services to determine best practice for fighting and containing fires. The operations that interact with Fife Council have largely returned to normal except that food waste going to Thornton transfer station, which the council now operate. The waste is transferred from there to the Anaerobic Digestion plant at Lochhead. A more detailed report will be contained in the 2026/27 Performance Report.

3.6 As well as the national fire risk there is currently a national waste disposal crisis where capacity has reduced dramatically, and the sector faces extreme challenges securing sufficient disposal capacity. In preparation for this, and to ensure Fife Council had sufficient waste disposal contracts in place, in 2018 FRS/Cireco arranged fuel supply agreements with two outlets; Earls Gate Energy Centre (for 110,000 tonnes of waste) and Westfield Energy Recovery Park (160,000 tonnes), both of which provide a long-term solution for the disposal of residual waste. The impact of this decision, taken 8 years ago, ensures that Fife Council continues to have secure outlets for disposal of waste during a time of uncertainty for other waste producers.

3.7 The continued misuse of recycling points**,** due to high levels of contamination and side waste/fly tipping, presents challenges in encouraging householder participation, service costs as well as the ability to recover recyclable materials. Items left at points include furniture, white goods, bagged general waste which is potentially from a household origin but also illegally deposited construction and commercial waste. Although this service is out with the core functions FRS/Cireco empty contaminated bins using

residual waste vehicles. FRS/Cireco also works closely with Fife Council to arrange for the clearance of side waste/fly tipping from the sites and to seek education and engagement interventions regarding the appropriate use of recycling points. Fife Council and FRS/Cireco take a collaborative, proactive approach working with a number of services to ensure the recycling points have additional resources during the festive period.

3.8 FRS/Cireco continue to work in partnership with Fife Council teams. There are monthly meetings with the Domestic Waste and Corporate Communications Teams. The most recent campaign, in collaboration with the Scottish Fire and Rescue Service, highlighted the importance of the safe disposal of batteries.

3.9 The Scottish Government Household Recycling Charter Code of Practice (CoP) is going through a co-design process and is due for public consultation in 2027. The updated CoP will help inform local authorities on requirements for kerbside recycling. This could have an impact on FRS/Cireco operations if there is a change to the materials that are collected through the kerbside service, or collection frequency.

3.10 The UK Deposit Return Scheme (DRS), due to be implemented in October 2027, will see significant potential impacts on the collection of beverage containers within all waste streams. This will affect the value derived from these materials when processed but also the volume of materials collected at the kerbside.

3.11 The UK wide Packaging Extended Producer Responsibility (pEPR) legislation impacts the types of material that require collected from all properties and recycling points along with how the material must be handled, separated and recorded to access the producer funding. From 2028 the Scheme Administrator (PackUK) must assess the extent to which each relevant authority is providing an effective waste management service in relation to household packaging waste. All local authorities will be closely scrutinised on the efficiency and effectiveness of their collection and disposal services. FRS/Cireco will continue to work in partnership with the Council to limit the impacts and maximise the opportunities of pEPR. A significant portion of this funding reflects the performance of the recycling/separation element of packaging and the performance of HWRC sites. To that end the work undertaken to date and wider developments within the MRF facilities to increase data capture, material segregation and reduction in target materials within the residual streams are all key to ensuring the Council can evidence the performance standards required to maximise the pEPR funding received.

3.12 From 2028, PackUK will undertake improvement action plans for local authorities that are not performing efficiently and effectively. This could impact future pEPR payments and scrutinise historic payments. In 2025, Fife Council was chosen to take part in a PackUK pilot for improvement actions. This looked at all aspects of its services including FRS/Cireco's operations. The output of the pilot was an improvement action plan detailing what Fife Council and FRS/Cireco should do to reduce the likelihood of future improvement actions in 2028.

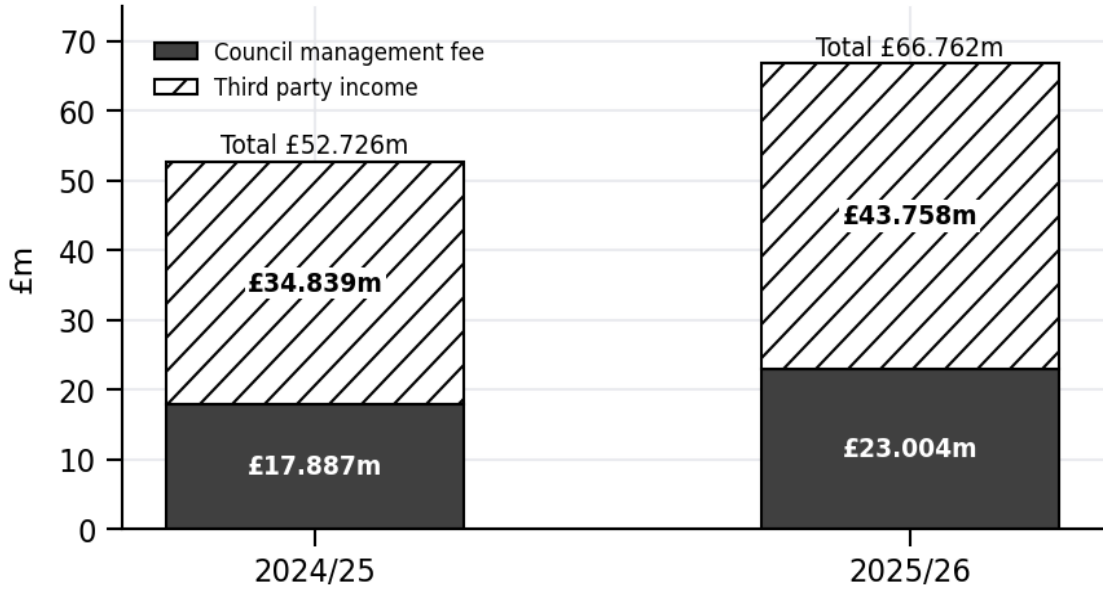
3.13 The UK Emissions Trading Scheme (ETS) for EfW has been postponed. A new start date has not been confirmed. FRS/Cireco and Fife Council must continue to be aware of ETS developments as there are financial implications when it does come into effect. Actions should be taken now to reduce the number of fossil-based materials disposed of in the residual waste stream.

4.0 Financial Performance 2025/26

4.1 The table below compares 2024/25 and 2025/26 financial and waste handling performance:

Performance	2024/25	2025/26	Change
Group turnover	£52.726m	£66.762m	+£14.036m (+26.6%)
Management fee	£17.887m	£23.004m	+£5.117m (+28.6%)
Third party income	£34.839m	£43.758m	+£8.919m (+25.6%)
Total tonnage handled	418,000t	456,078t	+38,078t (+9.1%)
Fife Council tonnage	168,100t	176,835t	+8,735t (+5.2%)
Fife Council recycling rate	44.6%	43.1%	−1.5 percentage points

Figure 1: Group turnover by source, 2024/25 and 2025/26 (£m)



4.2 Group turnover increased by £14.036m (26.6%) and the Council management fee by £5.117m (28.6%). The increase can be attributed to rising waste disposal costs including taxes increasing. Third party income rose from £34.839m to £43.758m, an increase of £8.919m (25.6%). This is due to the start of the contract with Perth and Kinross to handle their residual waste, and helping other local authorities process their recyclates. Total tonnage handled rose by 38,078t (9.1%), with Fife Council tonnage up 8,735t (5.2%). The Fife Council recycling rate fell by 1.5 percentage points. There was a reduction in organic waste being collected which in previous years has helped the recycling rate. Fife Council contamination rates remain high.

4.3 The cost to provide core Council activity was £27.764m, compared with a Council management fee of £23.004m, a difference of £4.760m. External trading income therefore makes a material contribution to the overall funding of the services delivered by FRS on behalf of the Council.

4.4 FRS meet Fife Council colleagues 4 weekly to review the projected 2026/27 financial position. To date there are no concerns on either side.

4.5 The year-end external audit fieldwork was carried out by Henderson Loggie and commenced from June 2026. The annual accounts and audit report were presented to the FRS Board, with the position in line with expectation. The external auditors provided positive feedback to the audit files that were prepared.

4.6 The external auditors were content that there are no issues regarding going concern with the business following review of the revenue monitor for the first 6 months of financial year 2026/27. A copy of the audited accounts for 2025/26 is available for member review within the background papers.

5.0 Conclusion

5.1 FRS continues to deliver best value sustainable waste and resource management services on behalf of Fife Council and maximises economic opportunities that exist in the development of a green economy. In spite of the current national waste disposal capacity crisis, decisions taken by FRS and Fife Council in 2018 mean the Council has safe, sustainable disposal outlets for all waste streams and is not exposed to the risks caused by this that other local authorities are facing.

5.2 The trading arm of FRS, Cireco Scotland, provides a high-quality total resource management solution for local authorities, commercial customers and waste management companies. The success of the business and the income generated provides the Council with full access to quality infrastructure which we continue to invest in. All goals related to initial inception have been delivered:

- Provision of services to the Council.
- Utilising assets to expand the provision of services to third parties, with a view to driving efficiency and increasing external income.
- Making a positive contribution to the Council's revenue budget reduction process and thereby helping to protect key services provided to Fife's communities.

5.3 2025/26 was a successful year for FRS as the organisation continued to provide the desired subsidy to Fife Council whilst ensuring compliance with all relevant duties and obligations under pertinent employment, financial, waste and environmental legislation.

5.4 FRS continues to work in close partnership with Fife Council and other stakeholders to ensure continued compliance and the delivery of best value in light of the challenges posed through changing disposal habits and public demands, as well as noted future legislative and regulatory changes.

Appendices
None

Background Papers
Fife Resource Solutions LLP: Annual Report and Financial Statements for the year ended 31 March 2026

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