

Agenda – Public Accounts Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Bowen
Meeting date: 13 May 2019	Committee Clerk
Meeting time: 13.00	0300 200 6565
	SeneddPAC@assembly.wales

(Private pre-meeting)

(13.00 – 13.15)

1 Introductions, apologies, substitutions and declarations of interest

(13.15)

2 Paper(s) to note

(13.15 – 13.25)

2.1 Intra-Wales – Cardiff to Anglesey – Air Service: Letter from the Welsh Government (23 April 2019)

(Pages 1 – 3)

2.2 Public Procurement: Letter from the Welsh Government (30 April 2019)

(Pages 4 – 7)

2.3 Scrutiny of Accounts 2016–17: Letter from Sport Wales (8 April 2019)

(Pages 8 – 20)

3 Scrutiny of Accounts 2017–18: Consideration of responses to the Committee's Report

(13.25 – 13.40)

(Pages 21 – 51)

PAC(5)–12–19 Paper 1 – Assembly Commission

PAC(5)–12–19 Paper 1A – Letter from the Assembly Commission on Relaxation of the Establishment Cap (3 May 2019)

PAC(5)–12–19 Paper 2 – National Museum Wales

PAC(5)–12–19 Paper 3 – Public Services Ombudsman for Wales

PAC(5)–12–19 Paper 4 – Welsh Government



- 4 Welsh Government Financial Support for Business**
(13.40 – 15.15) (Pages 52 – 66)
Research Briefing
PAC(5)–12–19 Paper 5 – Chwarae Teg
- Cerys Furlong – Chwarae Teg
Robert Lloyd Griffiths – Institute of Directors
Dylan Jones–Evans – University of South Wales
- 5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**
(15.15)
Items 6, 7 & 8
- 6 Welsh Government Financial Support for Business: Consideration of evidence received**
(15.15 – 15.30)
- 7 Governance Review of Betsi Cadwaladr University Health Board: lessons learnt: Consideration of draft report**
(15.30 – 16.15) (Pages 67 – 99)
PAC(5)–12–19 Paper 6 – Draft Report
- 8 Waste Management: Auditor General for Wales' Reports**
(16.15 – 16.45) (Pages 100 – 307)
Research Briefing
PAC(5)–12–19 Paper 7 – Auditor General for Wales Report: Procuring Residual and Food Waste Treatment Capacity
PAC(5)–12–19 Paper 8 – Welsh Government Response
PAC(5)–12–19 Paper 9 – Auditor General for Wales Report: Waste Management in Wales: Municipal Recycling
PAC(5)–12–19 Paper 10 – Welsh Government Response

PAC(5)-12-19 Paper 11 – Auditor General for Wales Report: Waste
Management in Wales – Preventing Waste

PAC(5)-12-19 Paper 12 – Welsh Government Response

**Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group**

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

18 April 2019

Dear Chair

Further to my letter of 20 August 2018, I am writing to update you regarding the recent completion of the tender exercise to secure a provider for the Intra Wales Air Service for the next four years.

On 18 February 2019, the Welsh Ministers awarded the contract to Eastern Airways, the company that has ensured regular flights between Cardiff and Anglesey for the last two years.

You will have seen the press notice issued by the Minister for Economy and Transport announcing the news. A copy is attached for ease of reference.

I am pleased to confirm the new contract will seek to discharge the last two outstanding recommendations made by the Public Accounts Committee in its July 2015 report (recommendations 7 and 9). Specifically, the operator is required to undertake and analyse the data from two passenger surveys per year, and use the findings to inform its marketing plan. It also requires the provider to undertake a review of the impact of its marketing plan and revise its marketing plans annually with a view to raising awareness and increasing patronage on the route.

The new Public Services Obligation (PSO) air service contract will build on the restored stability and passenger confidence of the last two years, bringing greater visibility to the service amongst new and existing passengers. Welsh Ministers' aspirations for the route remain focussed on growth in order to increase connectivity for businesses, citizens and visitors to Wales while providing value for money. Currently, the service is limited to 19 seats due to weight restrictions at Anglesey Airport, but capacity could potentially be increased to 29 seats per flight if the restriction, which is imposed by the UK Government, can be lifted.

I am sure you will appreciate that much of the contract detail with Eastern Airways is considered to be commercially sensitive and will not be published. However, I am able to share some of the overarching themes contained within it:

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- the minimum service requirements remain the same as with previous contracts – providing two direct rotations each working day (Monday to Friday) between Cardiff International Airport and Anglesey Airport. However, this contract allows for a maximum capacity of 29 seats per flight;
- check-in for flights shall remain open until at least 30 minutes before scheduled departure times, which will optimise the length of the operating day for maximum benefit of business travellers;
- online booking capability will be provided and potential passengers will have the ability to purchase tickets in both English and Welsh, with ticket flexibility options being offered;
- a dedicated marketing budget will ensure an annual marketing plan is designed to maximise the number of people using the service. Passenger surveys will continue to be undertaken and analysed, and the findings will help to inform the marketing plan; and
- an enhanced passenger experience will be offered, including fast-track security at Cardiff Airport, in-flight cabin crew service including complimentary soft drinks and snacks, and access to the executive lounge at Cardiff Airport. Increased visibility of the service on booking platforms (i.e. via travel agents and through third party global distribution systems) will also seek to increase awareness and usage, with an overall aim of reducing the cost of subsidy required in the future.

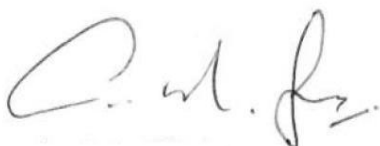
On a related topic, you will have heard the recent news about regional airline Flybe curtailing its operations at Cardiff Airport by the end of the 2019 summer and you may be aware of an alliance agreement that Eastern Airways holds with Flybe. I would like to reassure you that we do not expect the position with Flybe to cause any disruption to the Cardiff-Anglesey air link. Customers currently use the Flybe website to book their PSO travel and this is expected to continue; however Eastern Airways is able to 'switch on' its own online booking system should this be required in the future.

Since the new contract began in mid February, the PSO remains a popular choice for passengers looking to travel quickly between north and south Wales and I am sure you will agree this is an exciting time for the future of the service.

I am copying this letter to the Chair of the Economy, Infrastructure and Skills Committee, who also has a strong interest in the PSO.

With best wishes.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources

Cardiff to Anglesey flights secured for another four years

Economy and Transport Minister, Ken Skates has awarded the contract securing air travel between Cardiff and Anglesey for the next four years to the company that has ensured regular flights for last two years.

The new Public Services Obligation (PSO) air service contract has been given to Eastern Airways, who since March 2017, has established stability and restored passenger confidence achieving significant growth on the route of around 40%, bringing visibility to the service amongst new and existing passengers.

Transport Minister, Ken Skates said:

“Wales needs to be better connected. Eastern Airways shares our ambitions to significantly grow the route over the next four years, thereby increasing the economic benefit to Wales. I hope this will include Eastern Airways operating its Jetstream 41 at the full capacity of 29 seats, offering almost 50% more seats than it is currently able to offer.

“This increase would be subject to the UK Government supporting the reclassification of Anglesey Airport. This would enable the full capacity utilisation of the larger aircraft helping bring exciting growth opportunities to the region.

“The need for an increase in capacity on the route has been clearly demonstrated over the last two years. With increased efficiencies and higher yield due to additional passenger revenue, this increase in capacity would see a reduction in the subsidy over the four years of the contract when compared to continuing with a 19 seat operation.

“The new contract will continue to make a positive contribution towards the Welsh economy and the goals of the Well-being of Future Generations (Wales) Act 2015 by lessening the gap between local communities and the capital city, improving regional connectivity, increasing socio-economic opportunities and contributing to the delivery of ‘A Wales of cohesive communities’.

“The PSO route provides an important functional and symbolic link connecting north and south Wales. It facilitates access to internal markets for Welsh businesses. This quick and effective internal mode of transport will be vital post Brexit.

“In addition to already supporting the Cardiff – Anglesey service, I continue to push the UK Government to allow Wales to introduce a network of new PSO air services across the UK to support Wales’ domestic trade.”

Eastern Airways General Manager (Commercial and Operations), Roger Hage said:

“Since stepping in to cover this incredibly important economic link between the north and south of Wales, we have proactively grown passenger numbers as part of the Flybe branded service.

“We are delighted in being awarded the contract to help further grow the capacity on the service in fully supporting the Transport Minister, and both Cardiff Airport and Anglesey Council’s ambition to increase accessibility and also improve connectivity to other services of offered by our partner Flybe, plus Qatar, KLM, Ryanair and TUI at Cardiff.”

Agenda Item 2.2

Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Cyfarwyddwr Cyffredinol - Director General



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
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29 April 2019

Dear Chair

Thank you for your letter of 29 March, following up on a number of important procurement-related points.

NPS Review

I note the Committee's concern regarding the difference in the level of actual engagement with the National Procurement Service (NPS), compared with original expectations. This was a key factor which contributed to the review of the NPS and Value Wales.

In response to stakeholder feedback gathered before and during the review process, the NPS has actively engaged with customers to develop a new approach to national contracting. This is helping shape a reduced, and more focused programme of activity and customer support for a new national contracting function.

Local Authority Heads of Procurement, facilitated through the Welsh Local Government Association, have been instrumental in developing a new proposed programme. NHS Wales feedback is also currently being considered.

Wider engagement has also been undertaken through a range of customer groups consisting of end-service users. A number of sectors are also developing their own regional approaches, in close collaboration with Welsh Government officials.

This activity represents the application of lessons learnt and embraced through the operation of the NPS and intelligence shared by customers during, and post the review.

A wide range of lessons have been gathered through the establishment and delivery of the NPS. For example, those relating to the recommendations of the Wales Audit Office review of the National Procurement Service have been shared through the Welsh Government assurance networks. The experience of the NHS Wales Shared Services Partnership is helping shape a future national contracting pipeline, and all options for future delivery models will be explored. We expect details of the new delivery model will emerge by the end of summer recess, when we will share all available information with the Committee.

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We are committed to achieving the necessary changes as soon as possible. The review of the NPS and Value Wales called for a significant rethink. Consequently, our focus has been on engaging stakeholders to carefully consider and plan the way forward. Consultation on a future commercial and procurement strategy will take place over the early summer, leading to agreement of a new procurement programme.

A new skills and capability programme is a priority. We heard from customers during the review process that capability development is integral to delivering better procurement outcomes. Through the review, we gathered a great deal of information regarding capability development priorities. We will again work with stakeholders over the summer to plan delivery of a new capability programme, after finalising the future national contracting pipeline.

The future procurement programme will be driven by a new overall strategy which is being developed through consultation with stakeholders. The strategy will clarify what we will do; how we will do it; who we will engage with; and the milestone dates by which we will deliver specific outputs. On 3 April, the Minister for Finance and Trefnydd offered Assembly Members a briefing session with officials on the developing strategy. Officials will organise this session to capture the insight of Assembly Members.

Business Intelligence

Prior to the Interserve rescue plan and Dawnus going into administration, the Commercial and Procurement Business Intelligence (BI) team had already been enhancing its financial due diligence capability. Due diligence is a key process and we have developed systems and strengthened intelligence in this area. It is important to note that each organisation and/or sector also is responsible for ensuring they undertake relevant due diligence during contract award and ongoing contract management.

Work on due diligence has included the identification and establishment of portfolios of key suppliers which are then regularly monitored. Through these portfolios, the BI team communicate changes to the reported financial results of key suppliers to the relevant business area and senior managers for further analysis and action as necessary. This process covers suppliers across National Procurement Service, Welsh Government and wider Welsh Public Sector procurement activity.

The BI team has formed links with Commercial Intelligence colleagues at Crown Commercial Service and UK Cabinet Office. BI officials receive weekly updates on Cabinet Office strategic suppliers. This intelligence is reviewed, and where appropriate, escalated to senior officials for consideration and/or action.

To strengthen relations further, a monthly meeting is being established between BI officials and UK Cabinet Office senior procurement colleagues. This meeting will be used to discuss and share supplier due diligence intelligence on a regular basis, with the first meeting taking place on 29 April.

Dawnus

Your letter asks for information regarding Welsh Government's loan to Dawnus. In March 2018, Welsh Government provided a £3.5m loan to Dawnus Group Ltd.

The loan was part of a package, including a further £3.5m extension to Dawnus' core overdraft lending facilities, from the Group's bank (matched by Welsh Government). The Group requested the support to strengthen its cash-flow position. The loan was provided as part of a credible turn-around plan presented by the Group.

Welsh Government due diligence supplemented work undertaken by external accountants appointed by the bank. Recognising the risks associated with providing a loan, a '*pari passu*' arrangement was

negotiated with the Group's bank. To ensure public sector funding would not be used to replace existing private sector investment, an inter-creditor agreement was negotiated, stipulating that core bank overdraft facilities could not reduce ahead of the Welsh Government investment.

Further protection was achieved whereby the Dawnus Group's bank agreed to carve out assets and aged work in progress from its existing security portfolio, enabling Welsh Government to secure its investment again, based on the '*pari passu*' principle. Welsh Government holds a '*chattel mortgage*' on assets in Dawnus Construction Holdings Limited (where ownership of Group assets resides), and a debenture from Dawnus Group and each other company within the group.

As noted in your letter, £2m has already been repaid by the Dawnus Group. Officials are working with administrators to seek recovery of the outstanding public sector funding.

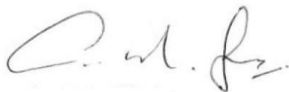
I can confirm Welsh Government has not adopted a policy of using the Construction Skills Certification Scheme (CSCS) in all construction contracts.

Welsh Government promotes intelligent use of such schemes to ensure safe and competent delivery of projects, enabling smaller, local contractors and trades people to access direct and sub-contract work. In keeping with the proportionality principle of the Public Contracts Regulations 2015, each project is assessed to determine if contractors should confirm their workforce is CSCS certified or equivalent.

Costs of CSCS certification involve £30 for the card itself and separate health, safety and environment tests cost £19.50. The Construction Industry Training Board (CITB), which runs CSCS training, has confirmed that no minimum level of qualification is needed to apply and additional support is provided where required.

I am grateful to the Committee for its helpful observations on and input into the next steps with our work on procurement, and will keep you informed of progress at regular intervals.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources

8 April 2019

Nick Ramsey AM
Chair
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Dear Nick

I am writing to you as an update to recommendation 14 of the Public Accounts Committee, Scrutiny of Sport Wales Accounts 2016-17. As you will recall, the recommendation was that Sport Wales would share the outcome of the evaluation of our Young People's Programmes with the committee. I am delighted to be able to do so today. Enclosed is a bilingual copy of the detailed summary of the evaluation. Should the committee wish to review this in electronic form I would be more than happy to arrange this.

As you and your fellow committee members will see from the report's findings, there are a significant number of positives identified as a direct consequence of the programmes we have invested in.

- They have helped develop the skills and confidence of young people and have ensured Sport Wales are an organisation with sector leading expertise in supporting behaviour change within this cohort of society.
- They have developed impressive community participation and important education resources.
- They are providing value for money as a major part of the extracurricular sporting offer with the recognition that current levels of participation in extracurricular sport and physical activity would plummet without the Active Young People Programme investment.
- The Young Ambassadors programme is thriving. They can be a voice for the needs of learners to inform the health and wellbeing curriculum at local level.
- The Active Young People Programmes' connection to education is critical. They have contributed a lot to curriculum resources, workforce skills, and promoting physical literacy as a key concept.

In addition to the positive evaluation of the programme's delivery, what is also very pleasing to share with the committee, is the recommendations of how these programmes can support a future approach to physical activity in Wales. We will take heed of the recommendations, including that;

- More can be done to ensure that good and best practice is shared and implemented, and that the Active Young People Programmes' meet the needs of groups with low levels of participation.
- Active Young People Programmes' connection to health policy and practice should be actively developed and leveraged in pursuit of the national well-being goals.
- The Active Young People Programmes' are strongly aligned with the well-being objectives of the Public Services Boards and other public bodies, but the actual connections with them have yet to be made. This is potentially an area for significant future development.
- AYPPs should be central to delivery of the new Vision for Sport and the new regional delivery arrangements being implemented by Sport Wales. AYPPs can be built on and developed, and their impact enhanced.

This evaluation comes at an important time for reviewing how we collectively engage young people. Both the Welsh Government's 'Health Weights: Healthy Wales' consultation, and the Health Committee's physical activity of children and young people report, place a great deal of importance on the education setting as a primary opportunity to support the physical activity of children. The focus and proven effectiveness of Sport Wales's Active Young People's Programmes are key components in responding to those challenges. Therefore, these types of programmes, and the opportunities we afford young people, will be a central commitment of the new Sport Wales strategy.

I hope the committee find the evaluation informative. In closing, I would also like to extend an invitation to the committee to view the work of our young people's programmes in person, in order to see first hand the positive impact the report highlights.

Yours sincerely



Sarah Powell
Chief Executive

Executive Summary

Background to the Review

The Active Young People Programmes (AYPPs) are long standing and have been regularly reviewed. As part of its ongoing commitment to their development, Sport Wales commissioned us to assess the Programmes contribution to community sport and physical activity, their impact across the Welsh Government's priorities and well-being goals, and whether they can achieve greater impact.

The AYPPs are a critical £5m p.a. investment by Sport Wales that are designed to stimulate and sustain sports participation for young people in Wales, principally in the school setting. Funded by the Welsh Government, and previously the National Lottery, they are delivered through local authorities and focus on both primary and secondary school levels, reaching tens of thousands of young people annually. They target those less likely to get involved in school sport. Initiated as supplementary programmes, they now perform a mainstream function in helping to get and keep all young people active and healthy. The approaches and relationships developed through the AYPPs are envied by sport experts we interviewed in other jurisdictions, and valued by young people, schools and local authorities. The new Vision for Sport in Wales provides a significant opportunity to further develop and enhance the AYPPs' approach in a very challenging financial climate.

Key messages from the Review

- ❖ **Change and transformation:** The AYPPs have been transformed over two decades to reflect experience gained in their delivery, improved insight into the needs of young people, and the changing policy context in Wales. They have moved from a national approach of discrete and separate 'programmes' to a more flexible partnership model which enables local authorities to deploy resources from across programmes in response to local needs.
- ❖ **Value for money:** The AYPPs provide good value for money and they have delivered and evolved despite budget reductions. They are core programmes and provide a major part of all extracurricular sport and physical activity for young people. Current levels of participation in extracurricular sport and physical activity would plummet without the AYPP investment given the extent of participation which it directly supports.
- ❖ **Workforce:** The experience and skills of the AYPP delivery workforce are critical. This value needs to be retained and developed and given greater continuity.
- ❖ **Local variety:** There is great variety in delivery approaches at local level. This fosters innovation and enables a focus on local priorities and needs. More can be done to ensure that good and best practice is shared and implemented, and that the AYPPs meet the needs of groups with low levels of participation.

❖ **Community participation:** A focus on community participation opportunities beyond the school setting has become increasingly important. Community participation levels are now often higher than school based extracurricular participation. Most local authorities are working with external partners to tackle areas of need such as gender, disability, poverty, Welsh language, and ethnicity, and have a strong desire to address mental health issues and improve whole family engagement.

❖ **Young Ambassadors:** The Young Ambassadors programme is thriving. It is now part of the core work of the AYPPs, even without dedicated funding (although they are resourced through the AYPPs). The young volunteers have in part helped to make up for shrinking employed workforce resources. They have also resulted in good learner outcomes and provided a strong voice for young people within the AYPPs' 'system'. They can be a voice for the needs of learners to inform the health and wellbeing curriculum at local level.

❖ **Education:** The AYPPs' connection to education is critical. They have contributed a lot to curriculum resources, workforce skills, and promoting physical literacy as a key concept. The new curriculum and its accountability framework provide a major opportunity to enrich their role both in sports participation and in collateral educational benefits such as attendance, values, and behaviours. Physical literacy has a key role in connecting curriculum and extracurricular activities, and to confer educational legitimacy on extracurricular sport and physical activity.

❖ **Health:** AYPPs' connection to health policy and practice should be actively developed and leveraged in pursuit of the national well-being goals. The joint action plan between Sport Wales, Public Health Wales, and Natural Resources Wales could provide the vehicle for this greater connectivity.

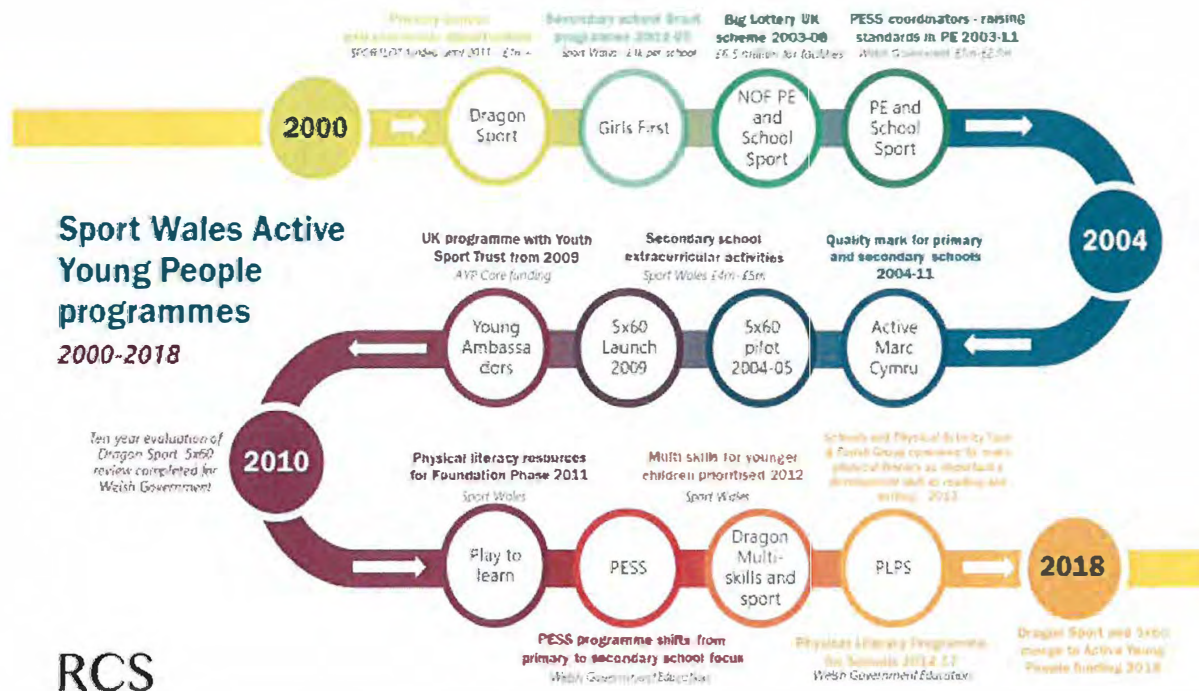
❖ **Well-being objectives:** The AYPPs are strongly aligned with the well-being objectives of the Public Services Boards and other public bodies, but the actual connections with them have yet to be made. This is potentially an area for significant future development.

❖ **Vision for Sport:** AYPPs should be central to delivery of the new Vision for Sport and the new regional delivery arrangements being implemented by Sport Wales. AYPPs can be built on and developed, and their impact enhanced.

The AYPPs and their development since 2000

The major AYPPs have been Dragon Multi Skills and Sport (focused on primary schools) and 5x60 (secondary schools), at around £1m. p.a. and £4m. p.a. respectively. The AYPPs were originally designed to be primarily extracurricular programmes, implemented to provide sport/physical activity outside of the school curriculum. But the extent of Sport Wales' interventions has gone well beyond that, as seen in the diagram below.

Figure 1: Timeline of Active Young People Programmes

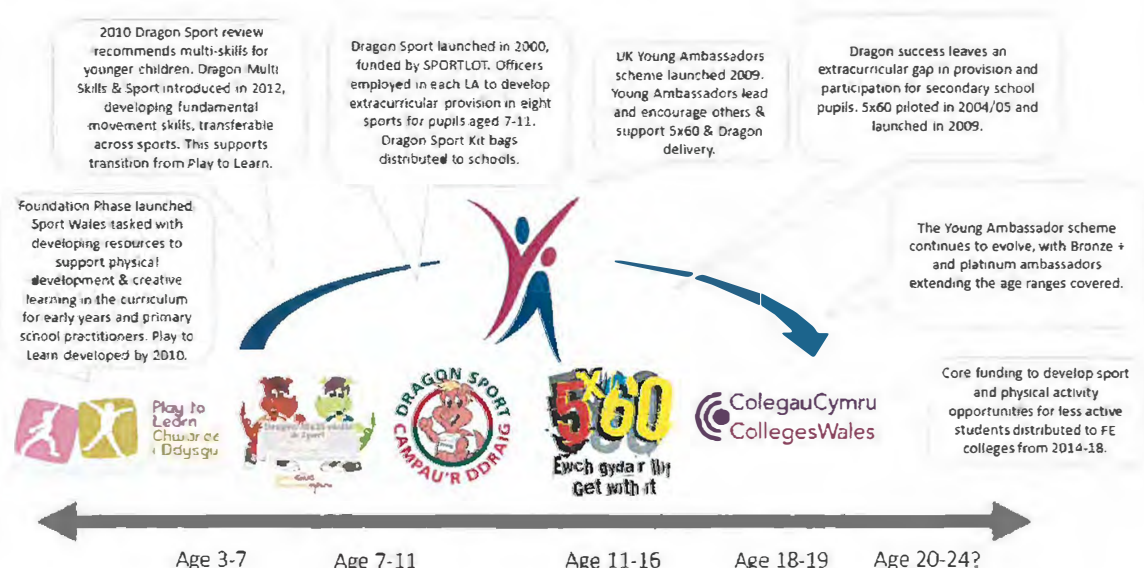


The timeline of intervention stretches for nearly two decades and includes major contributions to mainstream Physical Education (PE) in relation to curriculum resources, workforce skills, and quality standards (through the PE and School Sport Programme (PESS) and later the Physical Literacy Programme for Schools (PLPS)), plus the creation of Young Ambassadors. We treat all these collectively as the 'AYPPs'. They underline the critical importance of the school setting in getting every child physically literate as well as the importance of action within the school setting on issues such as teachers' skills and good curriculum resources. They have developed a comprehensive repertoire to encompass a wide age range and a broad set of supports, as summarised in the diagram below.

The growth and then contraction in the number, scope and resourcing of the AYPPs from 2000 to 2018 is in part a function of the pattern of increasing public expenditure through the 2000s, and the long period of austerity which has followed. It also illustrates some of the overlapping policy themes including the emergence of physical literacy as a major conceptual underpinning of sports policy, the creation of the regional educational consortia, and the increasing emphasis on broadening the range of sports and of skills encouraged through Dragon Sport. The early focus on national programmes, locally delivered, has been transformed. The focus now is partnership between Sport Wales and local authorities to encourage sport participation by all young people including (especially) those who are less active into long term patterns of positive physical activity. The new Vision for Sport is the platform for further development and even more flexibility at local and regional level.

Figure 2: Sport Wales Programme Developments

An Integrated approach to Support Young People



The original 'programmes' are now best understood as part of a flexible repertoire of activities and approaches which local authorities deploy to best effect as they see it in light of their particular local contexts and challenges. This allows for a variety of local approaches. But the core purpose of encouraging participation along sustainable pathways through a partnership and an outcome-based approach is common across all local authorities.

Current delivery and outcomes

The delivery workforce: The AYPPs are delivered through local authorities and, for the most part, the grants received from Sport Wales are used to employ staff with sport development skills. In most local authorities, staff are deployed to work with a cluster of schools or across a part of an authority. Officers also have responsibilities for clubs, specific sports, women and girls, physical literacy, recreation, and so on. This 'patch and pathway' model seeks to combine a local focus with links into longer term routes to sustainable participation. The most important resource is the people who deliver the AYPPs. Programme funding to resource activities is a minimal part of the budget, and the AYPPs' teams aim to achieve a lot with relatively small funding pots. The evidence indicates that more could be done through targeted additional investment, especially given the significant decrease in the workforce as a result of tighter funding. The skills of the local authority delivery teams have changed to reflect changes in approaches to the delivery of the programmes. Their experience is critical to the AYPPs' ongoing success, and this value needs to be retained and developed, and given greater continuity. Ideally additional staff would be recruited in the fields of physical literacy and pedagogy to support implementation of the new curriculum.

Funding aspects: Funding constraints mean that many local authorities have restructured staff and moved to delivering the AYPPs across the 'whole pathway' rather than having specific school-based

officers for 5x60 or Dragon Sport. This change was difficult to manage but is now recognised to be a far better use of resources and to better reflect the thinking behind the new curriculum. Funding allocations were previously weighted in favour of secondary school age pupils, but this became out of line with emerging needs of young people and their families and has been re-balanced in many authorities. Many AYPPs' teams are making efforts to connect to family initiatives, and physical literacy development has resulted in most now working with children in early years and pre-school settings as well as at school age. Overall, the scope of the AYPPs' role has stretched considerably - a 'young person' can be anything from 0 to 25. This is beneficial but carries a risk of over-stretching staff and resources.

Community aspects: A focus on community participation has become increasingly important.

Young Ambassadors: The Young Ambassadors programme is also thriving.

Outcomes: In terms of outcomes, several local authorities do take steps to measure their effectiveness. But there are no national measures for assessing longer term impact outside of the School Sport Survey. However, the survey itself provides a strong evidence base (with 100,000+ respondents) which has provided high quality insight to inform the AYPPs with greater understanding of the pattern of activities of young people, the barriers and enablers to participation, and the differences in participation rates based on age, gender, ethnicity, disability and social group. Local authority reports and individual school-based reports allow local authority teams to create a local differentiated offer to meet the needs of young people. The AYPPs support now represents two thirds of all extracurricular participation at secondary school age – a huge achievement but one which can place strain on the quality of provision.

The AYPPs can be credited with contributing significantly to increasing young people's sports participation. A strong ethos of 'listening' to what young people wanted has been a major part of the success of the programmes. The cost per activity 'event' has reduced radically for both Dragon Sport and 5x60 and is now very similar to the current headline 'cost' of every free swim. While the quality of Dragon Sport and 5x60 programme management data is variable, they indicate a high and growing level of Dragon Sport- related activities and a high but declining rate of 5x60 activities. Nationally in 2011, Sport Wales' School Sport Survey recorded only 27% of Year 3 to 11 pupils participating in sport and physical activity three or more times a week outside of the school curriculum. This had risen to 40% by 2013 and to 48% by 2018. Further, and although the evidence is not conclusive, there has also been an increase in overall sport participation amongst the wider population of Wales which may in part be attributable to earlier phases of the AYPPs.

AYPP connections to education and to physical literacy

The relationship between education and the AYPPs is critical because:

- Being school based creates access to the AYPPs for all children as potential participants, and confers legitimacy on the activities;
- There are potential synergies and complementarities between school-based PE and the extracurricular AYPPs both in terms of facilities and resources, and also in the content of activities and the target participants – for example with the AYPPs focusing on the needs of the less active;

- The AYPPs can be the connector between school and community-based activities, as well as steps along the pathway to sustained adult sport participation;
- There is potential for a continuity of approach between the curriculum and extracurricular child development in terms of the skills and values and behaviours which sport can contribute to;
- Extracurricular sport can foster attributes in children of direct benefit to their 'mainstream' educational attainment and attendance; and
- Sports development activities have been central to uplifting (and sometimes substituting for) the skills of teachers to teach and supervise sport and PE.

The current position: Despite being school based, the connection between the AYPPs and education teams is patchy, although it is improving. Relationships with schools are still very dependent on how sport and physical literacy are viewed by particular headteachers. The Sport Wales contribution to curriculum and workforce development has effectively concluded at school level (and is deeply missed by teachers) now that the Welsh Government's funding has ended. Sport Wales continues to champion 'physical literacy' as a concept, but despite effort and investment the approach to physical literacy is inconsistent across Wales. It has not yet established itself as a clear and compelling way of thinking about young people's physical activity and development. The resource to support the widespread adoption of physical literacy is increasingly thinly spread.

The current curriculum: The AYPPs focus on extracurricular sport but Dragon Multi-Skills and Sport and Play to Learn had important curriculum aspects and (more latterly) a focus on physical literacy. The support given to schools to deliver the early years curriculum has also been critical. But there is not currently any obvious connectivity of extracurricular sport to the mainstream curriculum. There is a lack of guidance and of an accountability framework, and this leaves a gap where there should be a more joined-up approach.

For some authorities there are three key ingredients to the AYPPs' success - using existing school facilities and staff, the flexible and multi-agency partnership model, and involving the whole family. There are some excellent examples of mutual benefits between sport and education, and between the AYPPs and school-based PE. In one, the AYPP officer describes her role as "creating and developing sustainable community activities within the vicinity of schools and then feed in pupils from secondary and primaries". This captures the essence of what the AYPPs are seeking to achieve. The concern is that too many schools with ever tightening resources leave sport/education synergies to Sport Wales' investment rather than leading for themselves and using Sport Wales' expertise in support. Austerity has had a significant impact on local authorities' ability to deliver and many are now solely reliant for extracurricular sport development on Sport Wales' investment in the AYPPs.

There is inconsistency across local authorities in the degree of commitment to leverage sport for its own sake and for collateral educational benefit. One helpful, though not essential, aspect to achieving a good connection is where there is a good working relationship at the 'departmental' level. Of the 22 local authorities, five have sports development teams based in education. Most are based in community or leisure departments. However, the critical success element appears to be that sport is valued at the institutional and policy level, and that people understand its impact and value, and the value for individuals, rather than any specific departmental location.

The new curriculum and physical literacy: The lack of connectivity between sport and the existing curriculum can potentially be addressed through an emphasis on physical literacy, and the implementation of the new curriculum. The new curriculum needs shared terminology between

sport, health and education to provide a framework for planning and collaboration. The philosophy of the new curriculum will need to be reflected in extracurricular activities and is also a great opportunity to embed physical activity into the broader curriculum. The continuing challenge for Sport Wales is to translate the concept of physical literacy to the reality of activity for all.

However, along with the opportunity there is a significant threat that physical activity could be reduced in importance if it is not embedded in the new curriculum effectively and forms part of the associated accountability framework. Estyn recognises that a lot of sport participation initiatives have been rather 'piecemeal' in implementation. Indeed, local authorities appear to give different messages to staff about the importance of sport. How accountability will operate in relation to the new curriculum will be critically important. The 2010 and 2017 school inspection frameworks mean that there is no specific PE subject inspection any longer, although lessons are observed and the findings from those contribute to the overall judgement of the school. Unless sport and physical activity are assessed effectively as part of the new curriculum it is less likely that they will attract appropriate attention and resources in schools.

AYPPs' connections to health and well-being

Sport Wales' objective to link health with sport is embedded in its Business Plan, and sport and health have a number of shared goals. This is not fully reflected at a policy and strategic level, although the joint Action Plan between Sport Wales, Public Health Wales, and Natural Resources Wales is a significant step forward.

At local level we found few strategic links between health and sport, despite the obvious and well evidenced potential synergies. Where connections were positive and strong this was a result of co-location, local strategic partnerships, or individual relationships. The linkage is particularly important for the new curriculum, and the level of priority given to physical literacy. There is a need for more clarity about the boundaries and connections between sport, physical activity and health, and how the impact of sport on health is quantified. A standards'-based approach could contribute a great deal. 'Welsh Network of Healthy School Schemes' is a Public Health Wales flagship award, launched in 1999. A Healthy School is one that "takes responsibility for maintaining and promoting health – not only by formally teaching pupils but enabling pupils and staff to take control over aspects of the school environment which influence health". There could be a major extension of this award to 'Welsh Healthy and Active Schools'. This would be an opportunity to bring the two policy strands together in a practical way. Its development could be jointly resourced and stewarded by Public Health Wales, National Resources Wales, and Sport Wales, and linked also to the accountability framework for the new curriculum.

AYPPs and the Vision for Sport in Wales, and the Well-being Objectives

The Vision for Sport in Wales is “to create an active nation where everyone can have a lifelong enjoyment of sport”. Each component of that is critical. The AYPPs should be central to this Vision because they connect to each element of it. The Programmes emphasise active sport participation of every child and aim to support children at all levels and to lay the basis for lifelong participation. In addition, the AYPPs have deliberately been tailored to the expressed views and needs of children and young people to optimise their enjoyment.

The AYPPs also help give effect to the Welsh Government’s national Well-being Goals. The Well-being of Future Generations (Wales) Act 2015 was not in place when the AYPPs were started but is now a key reference point. Potentially the three most relevant well-being goals are the achievement of a ‘Wales of Vibrant Culture’, a ‘More Equal Wales’, and a ‘Healthier Wales’. In terms of ‘ways of working’ the AYPPs have the potential to take account of the long-term, to focus on prevention, and to encourage collaboration with other partners. Sport Wales’ own Well-being Statement focusses on four high level objectives, one of which concerns children and young people becoming physically active for life, and another which strives for healthier lives for all through physical activity. Overall, because of these synergies, the AYPPs can contribute directly to a wide range of public bodies’ wellbeing objectives and Welsh Government’s ‘Prosperity for All’ strategy, and to Sport Wales’ new strategy.

The AYPPs are also aligned with and capable of giving effect to the specific well-being objectives of the Public Service Boards and other public bodies. But this connection has yet to be made and needs attention both by the public bodies themselves and also by Sport Wales.

Enhancing the impact of AYPPs

The impact and outcomes of the AYPPs can be further enhanced in the following ways, many of which Sport Wales already has actively in hand:

Shape and Purpose of the AYPPs: This should be strengthened and clarified by:

- ❖ Putting the AYPPs on a proper 3-5 year basis for funding and delivery;
- ❖ Restating the purpose and priorities of the AYPPs in their focus on those less likely to participate, their complementarity with school based PE, and the linkage they can provide between school and community based sport participation;
- ❖ Formally ending the brands of ‘5x60’ and ‘Dragon Multi-Skills and Sport’ and merging them in a clearer ‘AYPP’ brand;
- ❖ Conversely, retaining and strengthening the Young Ambassador brand, and creating a development plan for it which would ideally be resourced nationally and provide a degree of national level investment in the brand;

- ❖ Communicating to all key stakeholders (and especially the education community and National Governing Bodies (NGBs)) the role which the AYPPs have in helping those stakeholders to deliver their own objectives;
- ❖ Incorporation of the AYPPs into a wider view of a holistic Wales 'sport system';
- ❖ Development of a stronger policy framework for the AYPPs at Welsh Government and Sport Wales and partner levels to help foster, leverage and entrench the associated educational, health, childcare and well-being benefits of greater sport participation by young people. This could create a shared policy and strategic level understanding where opportunities to work together to develop guidelines and achieve impact can be more readily grasped; and
- ❖ Working closely with Welsh Government to explore opportunities to link more closely with education in particular explore the possibility of issuing a Consultation Document on sport in schools (both curriculum and extra curriculum based) with the potential to lead to statutory or non-statutory guidance under s.175 of the Education Act 2002 and/or s.88 of the Education and Inspections Act 2006.

Operation and Delivery of the AYPPs: This can be further enhanced by:

- ❖ Putting more effort into identifying, sharing, and actively implementing good and best practice, and especially 'what works?';
- ❖ Ensuring that AYPPs form a key part of Sport Wales' target operating model as it implements regional approaches to sports delivery in North Wales and beyond;
- ❖ Incorporate the lessons of this Review into the Local Authority Partnership Agreements, having regard to the period before new regional arrangements are fully implemented nationwide;
- ❖ Developing (and changing) the skills and capacities of Sport Wales' Senior Officers so that they are fully equipped to guide and support local authorities in the new policy context;
- ❖ Applying lessons from related Sport Wales' programmes (such as the C4A Programme) to help optimise the impact of the AYPP investment;
- ❖ Encouraging a stronger focus on responding to the voices of children and young people in shaping the AYPPs at both national and local level;
- ❖ Fully applying modern techniques to the AYPPs in relation to achieving and assessing impact (and especially theory of change methodologies), accomplishing behavioural change (including nudge methods), and deploying social media and technologies;
- ❖ Developing an outcomes-focussed measurement and evaluation framework for both national and local levels to assess the results and impacts of the AYPPs, to help key actors connect interventions and investments to specific and identifiable results; and
- ❖ More focussed harvesting and leveraging of the insight gained from supporting the AYPP delivery at local level to inform policy and practice. This could include an annual event for all AYPPs stakeholders to showcase good practice and its transfer, support networks between key stakeholders, report on progress, and explore emerging themes and relationships.

Sport Wales' new strategy in light of the new Vision for Sport in Wales: It is important to put the AYPPs at the heart of the new strategy:

- ❖ The AYPPS should be central to the objectives and outcomes to give effect to the Vision, including the positive collateral benefits which sport has for young people;
- ❖ The role of the AYPPs should be emphasised to leverage and optimise the use of both the natural resources assets of Wales and the leisure facilities of Wales for the benefit of young people's enjoyment and social and physical development;
- ❖ Physical literacy should be the key conceptual underpinning of AYPPs within the strategy to express the breadth and purpose of physical activity as part of children's social and physical development;
- ❖ The relationship of the AYPPs to the role and work of the NGBs should have more weight. The AYPPs contribute new players and members at community and club level. Some NGBs are keen to widen participation, develop relationships with local authorities and schools, and optimise the role of clubs and community sport. Positive work is underway in this regard. Sport Wales has also prioritised engagement with the NGBs as part of the new regional arrangements. But this remains an important area for development;
- ❖ There should be more explicit connectivity of community sport and the AYPPs (including within regional approaches) to elite sport within the strategy to ensure that the potential benefits are better leveraged and understood; and
- ❖ In building the AYPPs into their future strategy, Sport Wales should seek actively to connect them to the Well-being Goals and objectives of the Public Services Boards and the scheduled bodies.

The AYPPs and Education: This is a key area, and the synergies can be optimised if Sport Wales and its partners are able to:

- ❖ Develop a clear and positive synergy between the Vision for Sport and the AYPPs with the new curriculum and its associated accountability framework;
- ❖ Clarify the contribution which Sport Wales can make to further development and implementation of the new curriculum including in relation to physical literacy and the education workforce skills development; and
- ❖ Consider developing a 'Healthy and Active Standard' for schools jointly with partner agencies and supporting its implementation in schools. Such a Standard could also form an important part of the accountability framework for the new curriculum.

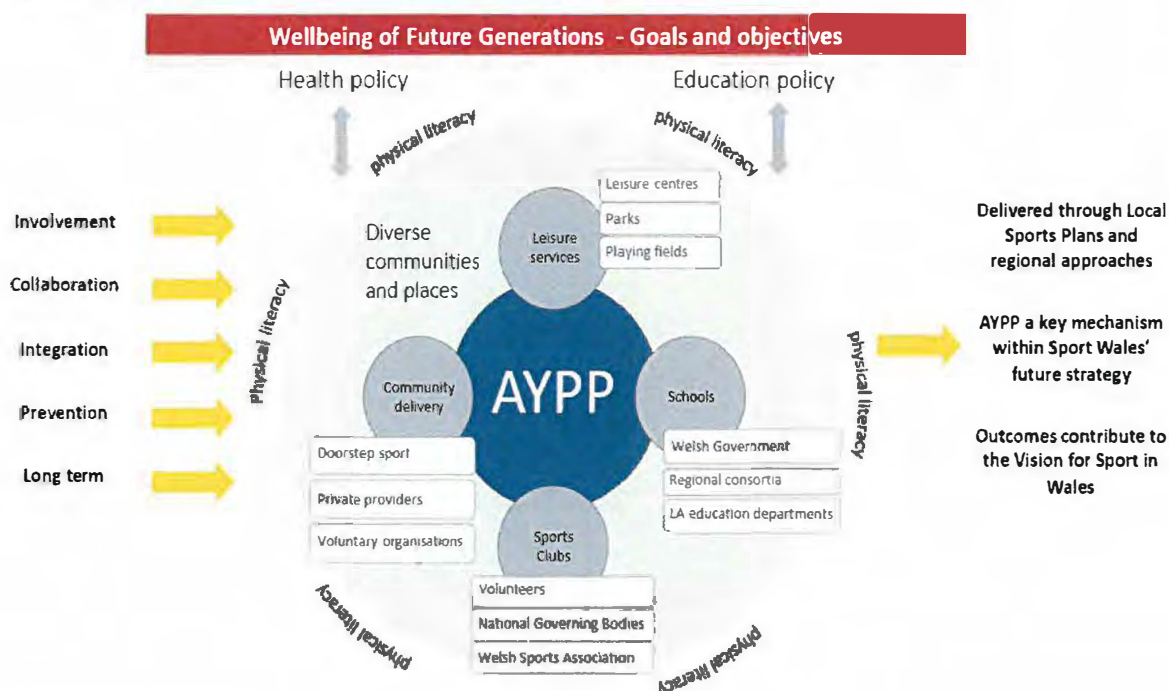
Making the Connections

Sport and physical activity have real value to young people in and of itself, for the sheer enjoyment it can bring in its direct physical, psychological, and social benefits. The AYPPs are central to helping young people access activities which are relevant and enjoyable to them, and in helping them onto a pathway to sustained activity and benefit in later life. From a policy point of view however, it is also the collateral benefits which need to be recognised and mainstreamed. In the diagram below, we have captured some of the major connections and reinforcements which the AYPPs do already make in part and could make much more effectively.

The AYPPs are connected to leisure services, sports clubs, community provision, and schools, though in each case the connections could be strengthened – and as the diagram highlights, the notion of ‘physical literacy’ should surround and inform those connections. This is also the case in relation to the two major policy domains of health and of education, for which sport and physical activity has much to offer in achieving mainstream health and educational objectives. Finally, as we have shown, when guided and delivered with the ‘ways of working’ firmly in mind, the AYPPs are also capable of giving effect to major parts of the Vision for Sport in Wales, and of Sport Wales’ new delivery model.

Figure 3

Sport Wales’ AYPPs – Connected Policy Domains



February 2019

Nick Ramsay AM
Chair of Public Accounts Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

3 May 2019

Dear Nick

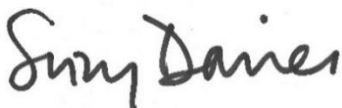
Public Accounts Committee Report on the Scrutiny of Accounts 2017-18

I am writing in response to the Public Accounts Committee report on the Scrutiny of Accounts 2017-18. I would like to thank the Committee for their scrutiny. We will continue to develop our approach of including accessible and transparent information within our Annual Report and Accounts document.

I would also like to take this opportunity to assure the Committee that we remain as committed as ever to providing assurance through external scrutiny and audit as well as our internal governance framework. This work is vital in underpinning our confidence that we use resources efficiently, economically and effectively in delivering our services to the Assembly.

Your Committee's recommendations concerning the Commission (Recommendations 2-10) are addressed in full in the attached Annex. If you would like any further information on any matter covered in the Annex, please do not hesitate to let me know.

Yours sincerely



Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan



Public Accounts Committee Report on the Scrutiny of Accounts 2017-18

Recommendation 2. The Committee recommends that the Assembly Commission's targets include alternative measures, for its financial performance, ensuring rigour in the management of its finances. These could reflect the separation of the resources available for its use and for the Remuneration Board.

New Corporate Performance Indicators

The Commission had considered and agreed a new set of corporate performance indicators, to take effect from 1 April 2019.

The new performance indicators continue to align with Commission's goals and priorities, but take a revised approach with more focus on:

- a. A set of strategic measures of overall corporate performance; and
- b. A set of measures that provide 'stretch' to develop performance where there is a need for improvement or a risk of plateauing

Commissioners particularly welcomed the development of the stretch indicators, which will address procurement with Welsh suppliers, sickness absence, engagement, BAME representation in the Commission workforce, supporting Members to work in the language of their choice and reducing business-related car travel.

Commissioners agreed that both sets of indicators should be reported in the Annual Report and Accounts, rather than in a separate performance report.

Separation of the resources available for its use and for the Remuneration Board

The Budget for 2019-20 already includes separate lines for the Commission's operational budget and a budget for the independent Remuneration Board's determination.

Historically, the budget for the Remuneration Board's Determination has delivered an underspend which has been utilised by the Commission to fund certain projects. To address the Finance Committee's recommendations and to increase transparency, the 2019-20 budget incorporates the following:

- any underspend against the Remuneration Board Determination budget line in 2019-20 will not be drawn from the Welsh Consolidated Fund and will be available for carry forward within the Welsh Reserve.



- a new project fund line is included, in addition to the Commission operational budget. This replaces the previous investment fund which was funded from determination and operational underspends.

Recommendation 3. The Committee recommends that the Assembly Commission sets a broader and more ambitious target for cost savings or efficiencies that reflects the full range of its activities rather than it relate solely to the contracts it is due to renew in the year. Performance against the target should be reported each year in the Assembly Commission's accounts.

The Commission's strategy in setting its annual budget continues to be to propose a budget that is the minimum required to fulfil its statutory requirements and to deliver its goals. The recent changes the Commission has made to improve transparency, by identifying necessary project investments and by separating the operational budget from the determination budget, both reinforce this strategy of only asking for the minimum resources needed. We will continue to work to drive efficiency through our procurement activity as contracts come up for renewal and new contracts are let, as we consider this to be a demonstration of good governance. However, given this strategy, we do not consider it to be necessary or indeed efficient, to set an arbitrary target for annual cost savings and indeed we feel this could lead to a perverse incentive to increase the annual budget purely to deliver a year-end saving and meet the target.

Recommendation 4. The Committee recommends that the Assembly Commission provides to the Committee, when more detail is known, an update on the operation and the outcome of its Voluntary Exit Scheme, including how it was informed by its Capacity Review.

Unlike many public sector organisations, the Assembly Commission does not regularly offer Voluntary Exit. The last time such a scheme was made available was during 2015/16. The current VES scheme was open to applications between December 2018 and January 2019. The aims of the VES, which were derived directly from the capacity review were to:

- Allow the organisation to respond to shifts in its skill requirements;
- Improve workforce efficiency;
- Facilitate organisational change; and
- Deliver long-term savings where possible and/or avoid additional costs in meeting skill shortages.



In total, 43 applications were received and these were considered against the scheme criteria, by a Panel which included an Independent Advisor to the Commission and was observed by a member of the Trade Union Side and the Head of Governance and Assurance. The Panel's assessment of every application was based on the information available via the application, supported and scored by the relevant line manager and subject to moderation undertaken by an independent moderating panel. 22 applications were accepted. A further 4 applications were considered on appeal and were approved following the consideration of additional information not provided in the application. Two applicants subsequently rejected the offer of VES and thus a total of 24 staff will exit by September 2019.

The initial budget of £800k was subsequently increased at Executive Board to £950k and then increased further to £1.016m. Following the completion of the appeal process and to address the aims of the scheme, the final cost was within the agreed budget, and was well within the Cabinet Office Scheme approved budget of £1.5m.

We are confident that the process followed best practice and took account of the lessons learned from the previous VES in 2015-16. We ensured that independent and objective assurance was provided for all stages of the Scheme. We consider that the Scheme has been effective and has delivered the aims, as well as providing a significant opportunity to make valuable organisational changes to improve efficiency and effectiveness.

Recommendation 5. The Committee recommends that the Assembly Commission includes a breakdown of staff absence data in its internal monitoring reports, as well as its annual accounts, to differentiate absences due to mental health issues from other illnesses/reasons.

A breakdown of staff absence data is monitored by the HR Business Partner team for discussion with Heads of Service at monthly meetings, and is reported at Leadership Team quarterly. On an annual basis, a leadership team meeting is dedicated to discussing absence, causes, patterns, benchmarking and remedial actions to support increased wellbeing.

We don't currently report a breakdown of staff absence data in our annual accounts by reason but will review this in producing the 2018-19 Annual report.



Recommendation 6. The Committee recommends that the Assembly Commission provides the Committee with information on how staff turnover rates have changed over the last four years from 2015-16 to 2018-19.

The following table shows the rate of staff turnover between 2015-16 and 2018-19:

Year	Average Headcount	Leavers	Turnover
2015-16	415.95	34	8.17%
2016-17	428.96	38	8.86%
2017-18	451.21	34	7.54%
2018-19	442.55	43	9.72%

Our annual rate of staff turnover has been fairly consistent over this period. We recognise that some turnover is healthy for organisational diversity and refreshed career development opportunities. Annual turnover has provided us with opportunities to change the skills-mix in services and reallocate some posts to higher organisational priorities, particularly Brexit. For comparison purposes, the Public Sector average turnover is 15.7%¹.

Recommendation 7. The Committee recommends that the Assembly Commission provides to the Committee details of the changes it has made to its performance management system, together with an assessment of their effectiveness in strengthening arrangements.

In 2016 we introduced a competency-based approach to our objective setting and monitoring in order to assess performance based on 'what' had been achieved and also 'how'. This improved both the PMDR completion rate and the quality of objectives set.

In September 2018 we amended the process in order to provide a simplified approach to recording discussions, allowing line managers and staff to better focus on the content. This change also received positive feedback, with 80% of staff reporting that they have clear work objectives and receive regular feedback on their performance, and that their performance is evaluated fairly.

¹ Labour turnover rates survey 2018



We undertook an internal audit of the performance management process in December 2018 and we have just concluded an externally facilitated future-needs review which has provided recommendations for further enhancing our performance management and development processes.

Recommendation 8. The Committee recommends that the Assembly Commission builds on the work to engage with Black, Asian and Minority Ethnic Communities and leads the way across the Public Sector by including, in its annual report and accounts, disclosure of the ethnicity pay gap.

We are committed to improving our engagement with Black, Asian and Minority Ethnic Communities, through our outreach work and by continuing to identify all opportunities to increase representation within the Commission's workforce. We have recently engaged Business in the Community to work with us and the Commission has agreed a new stretch indicator for BAME representation in the workforce.

As part of our Annual Diversity and Inclusion Report we publish details of staff pay by race / ethnicity. However, we do not currently publish an assessment of any ethnicity pay gap, as we are awaiting the outcome of the UK Government's recent consultation on what its approach to Ethnicity pay gap reporting will be. The consultation closed in January 2019 and the timescales for reporting its findings are currently unknown. Once the outcome of this consultation is available we will consider its suitability for reporting within our annual report.

Recommendation 9. The Committee recommends that the Assembly Commission ensures there is sufficient investment in other sustainability measures, including charging points, to promote the use of electric vehicles and increase its environmental credentials.

We currently have capacity for up to four electric vehicles to be charged at any one time. There are two additional electric charging points adjacent to the pool car parking space for charging this vehicle and to provide additional capacity.

We charge staff for the electricity used in charging their vehicle but do so at cost price to ensure the financial benefits of using electric cars remains as attractive as possible.

The use of all the parking spaces is monitored daily, and we are in frequent contact with the electric vehicle users to ensure the charging point spaces are working efficiently. We also actively seek views on parking provision, and ownership of electric vehicles by staff as part of our travel survey.



Should demand for charging points increase sufficiently over time, the Assembly will be able to increase provision of this facility in order to support those who've made the switch to an electric vehicle.

Recommendation 10. The Committee recommends that the Assembly Commission works with the Welsh Government to share more widely any relevant learning from its own efforts to increase its Welsh supplier base.

This is in progress and the Head of Procurement has had discussions with staff from Welsh Government and further talks are planned. We are working with Atamis (Atamis produces annual performance reporting on procurement across the WPS) to see whether we can help to refine their reporting capabilities around expenditure with Wales-based suppliers. Finally, we are in contact with the South Wales Chamber of Commerce to understand what more if anything we can do to support Welsh suppliers to win business from us.



Nick Ramsay AM
Chair of Public Accounts Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

3 May 2019

Dear Nick

Relaxation of the Establishment Cap

I am writing to update the Committee on the Commission's cap on its staff establishment. During our evidence session (Scrutiny of Accounts 2017-18) on 8 October 2018, we informed the Committee that the Commission had a staff establishment cap of 491 posts. We had committed to this cap, in good faith, during correspondence with the Finance Committee in November 2017.

For the last 15 months, we have been able to meet all of the demands placed upon the Commission's within this establishment limit. We have been able to achieve this by prioritising how we use available resources and through the successful reallocation of 12 existing posts from services across the Commission, to support preparations for Brexit.

However, in our letter of 20 November 2018 to the Finance Committee, we did make it clear that the above approach 'will help to ensure that the Commission can continue to provide the necessary skills, expertise and capacity to support the Assembly through the particular challenges brought by Brexit and Constitutional change, whilst continuing to work, for as long as possible, within the overall establishment cap of 491 posts'; in other words, there may come a point in time when a different approach would be needed.

As indicated, in presenting our budget overview at the beginning of this Assembly, it was impossible to forecast the effects of Brexit and constitutional change over the five years or when the impact would be felt. We have reached that point. Our capacity planning exercises in January and February of 2019 identified a significant gap between demand and capacity and also that it was no longer sustainable to continue to reallocate existing posts, without causing a significant impact to service delivery.



At its meeting on 4 March 2019 the Commission considered proposals to relax the establishment cap of 491 posts, to provide additional resources, principally to meet the challenges of Brexit. The Commission recognised the pressures and were supportive in principle, but asked for further detail about the expected number of additional posts and reassurance that they could be managed within the existing budget .

Further information was provided to the Commission at its 1 April meeting. This information is shown in Annex 1. Following a discussion, the Commission agreed an increase to the establishment cap of 6 posts, from 491 to 497. These posts are also detailed in Annex 1.

We have committed to keep the Commission informed of the establishment number and any changes at each Commission meeting and we will continue to look closely at options to re-prioritise internal posts, as they become vacant, in order to minimise the overall change on the establishment.

I would also like to take this opportunity to assure the Committee that we remain as committed as ever to providing assurance through external scrutiny and audit as well as our internal governance framework. This work is vital in underpinning our confidence that we use resources efficiently, economically and effectively in delivering our services to the Assembly.

If you would like any further information on this matter, please do not hesitate to let me know.

Yours sincerely



Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan



Annex 1

Extract from 1 April 2019 Commission Paper.

There has been a marked increase in the volume and range of Brexit activity since September 2018, with an increase in the volume of legislation (Brexit and non-Brexit) between January and March. For example, more statutory instruments were tabled in January/February 2019 than during the whole of 2018. At its 18 March 2019 meeting, the Constitutional and Legislative Affairs (CLA) Committee considered an unprecedented volume of legislation: a Bill and 40 statutory instruments.

Across the Assembly Business Directorate there is a need to increase flexibility, skills and resilience to respond to the current and future legislative and other challenges. Short-term staffing arrangements have worked well but are no longer sustainable and there is a significant gap between demand and capacity. As was described in the recent paper to Commission, this demand can be addressed if we have some flexibility to vary our establishment around the current cap of 491, whilst remaining within existing financial resources.

The capability to vary the establishment and headcount, alongside our existing processes for reviewing and re-prioritising vacant posts would enable us to minimise the permanent impact on the establishment, whilst allowing us to meet immediate needs. To provide assurance that the changes do not become excessive, we would intend to report establishment numbers and any changes to the Commission at every meeting.

We have carefully considered whether fixed term or temporary appointments would work. However, we cannot readily set defined timescales for the posts we need to appoint, we need to be competitive in the market against other employers offering permanent contracts and finally, given the levels of churn in the organisation we believe we can minimise the overall establishment impact. Thus, permanent appointments will be necessary.

We have an immediate need for 6 additional posts, as follows:

- 2 European/International Affairs Officers, both based in the Research Service, but supporting activities across the Assembly Business Directorate. In the short to medium term, these officers will support Brexit work. In the longer term, these posts enable the Directorate to develop specialism across a range of policy areas,



which will enable effective monitoring of post-Brexit arrangements, such as common frameworks, trade agreements, and intergovernmental agreements.

- 1 deputy clerk for the CLA Committee, to support the increased volume of legislation due to Brexit as well as to provide resilience for this team in the longer term. This would enable succession planning; we have an experienced Clerk and Second Clerk on whom staff are reliant for advice and guidance on legislative scrutiny.
- 1 Clerk / Team Leader for Legislation, based in the Chamber and Committee Service, but working across the Directorate. There are many projects that require a dedicated senior level resource. This will further boost our capacity and capability by having specialism and depth of knowledge across the whole legislative process. We would rotate clerks through this role, increasing skills and resilience across the Directorate. This is a recast version of an established position that has been vacant since the postholder moved to a temporary role. Filling this vacancy on a permanent basis will increase our headcount.
- 1 specialised legal translator + 1 multi-skilled interpreter/editor. As the volume of Assembly business increases, so does demand on translation and reporting. This includes written, reporting and live interpretation. Some demand can be met from outsourcing, but we need specialised resources inhouse, particularly for legislation.



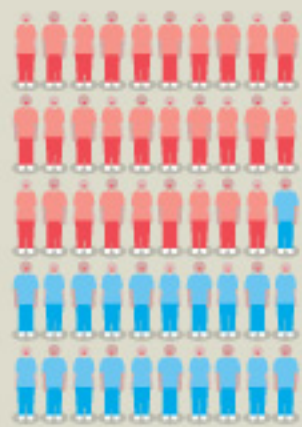
PUBLIC ACCOUNTS COMMITTEE: SCRUTINY OF ACCOUNTS 2017-18

Amgueddfa Cymru – National Museum Wales response to recommendations

Pack Page 32

Rec. No.	Recommendation Narrative	Response	Report page no.
34	The Committee recommends that the Museum complies with best practice in reporting its performance against aims and objectives, using infographics to improve communication and understandability	<p><i>The Museum reports quarterly to the Board of Trustees and the Welsh Government against its annual operational plan which includes the organisation’s aims and objectives. Separately, an infographic of key results was published for the year 2017-18 (attached).</i></p> <p><i>Additionally, for the year 2018-19 and ongoing an annual review of key achievements will be published and shared widely both in hard copy and via our social media accounts.</i></p>	72
35	The Committee recommends that the Museum continues to monitor carefully its staff absence rate, analysing staff absence levels to identify the causes of sickness absence. To enable wider comparison, the Museum should ensure that it calculates and reports its sickness absence rate in line with the wider public sector, disclosing the rate in days as well as percentage terms.	<p><i>Staff absence, including reasons for absence, is monitored by the Senior Leadership Team, Departmental Managers and quarterly by a Committee of the Board of Trustees. The Museum will calculate absence, disclosing rate in days as well as percentage. We have also ran training for line managers in terms of their role in monitoring sickness absences and supporting staff to reduce sickness absences.</i></p>	76

Rec. No.	Recommendation Narrative	Response	Report page no.
36	The Committee recommends that the Museum complies, at the earliest opportunity, with its statutory requirement to produce an annual strategic equalities report.	<i>A strategic equalities report has been produced and will be published annually.</i>	76
37	The Committee recommends that, to promote transparency, the Museum provides to the Committee an update in respect of its progress in implementing its commercial strategy and its performance against it in the 2018-19 accounts.	<i>An update will be provided to the Public Accounts Committee on commercial performance following publication of 2018-19 accounts.</i>	77
38	The Committee recommends that the Museum keeps its current environmental measures under review, and seeks to explore other ways to improve its sustainability whilst maximising value for money.	<i>The Museum is currently (May 2019) investing over £0.5m with help of a Salix loan, to replace aged Chillers and Condensers at National Museum Cardiff, which will help to improve sustainability.</i> <i>The Museum will keep under review its current environmental measures.</i>	78
39	The Committee recommends that the Museum provides an update in respect of its current backlog maintenance plan , in particular in addressing any issues identified as high/significant risk.	<i>The Museum will update its backlog/ preventative maintenance plan and provide an update to the committee, identifying high/ significant risks.</i>	79
40	The Committee recommends that the Museum includes sufficient information in its accounts to improve understanding and facilitate scrutiny, particularly in respect of its potential future liabilities	<i>The Museum will in future include sufficient information to help understanding and scrutiny and potential future liabilities, as agreed with Wales Audit Office.</i>	79



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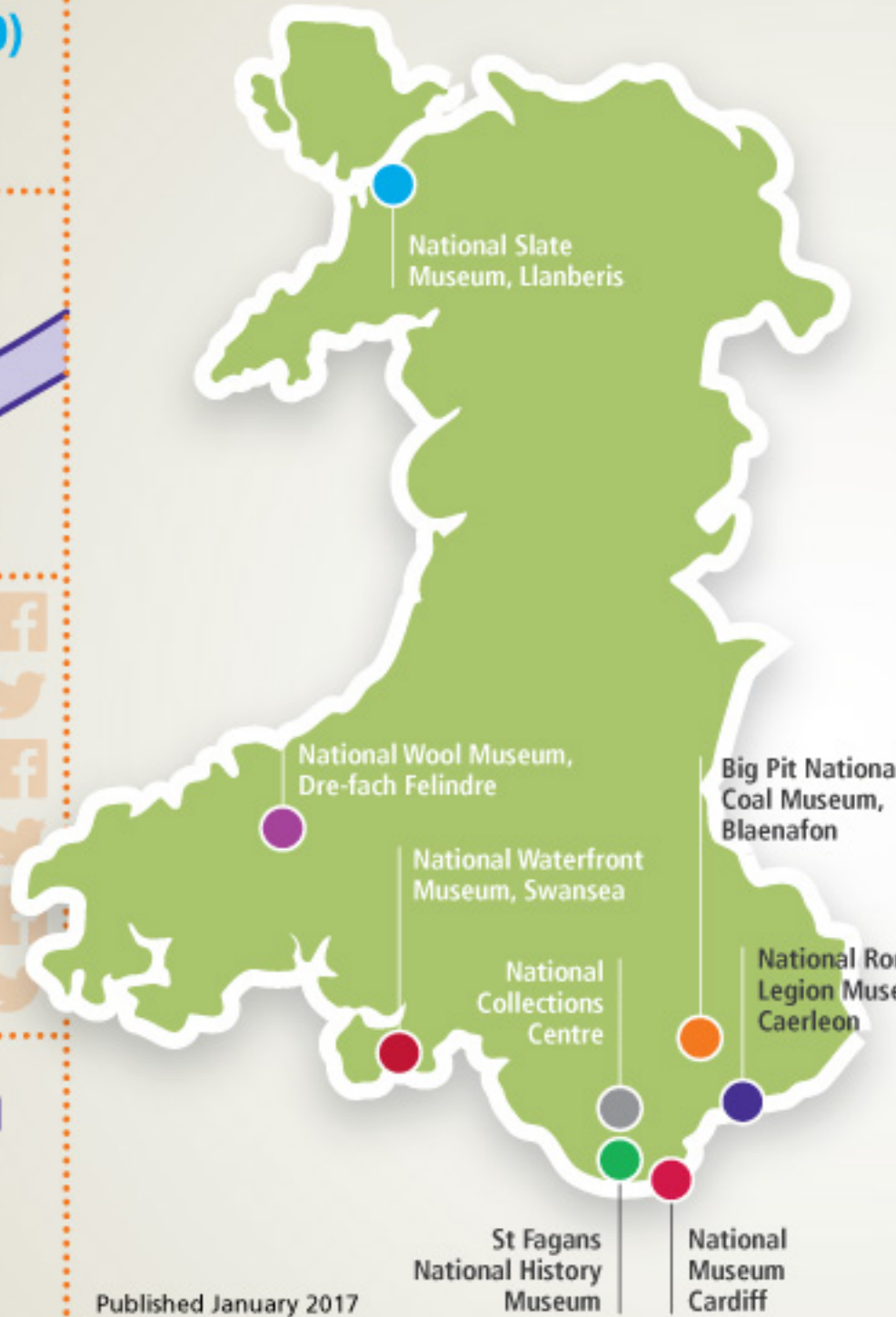
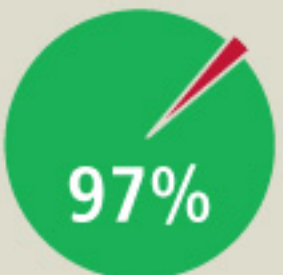
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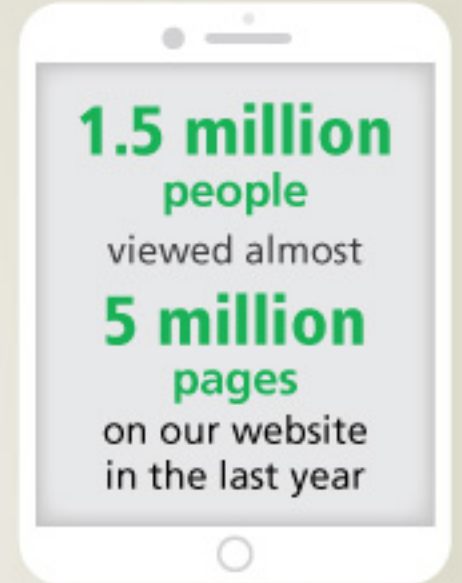
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Our ref: NB/mm

Ask for: Nick Bennett

 01656 641152

Date: 10 April 2019

 Marilyn.morgan
@ombudsman-wales.org.uk

Nick Ramsay AM
Chair
Public Accounts Committee

By Email Only:
SeneddPAC@assembly.wales

Dear Nick

Public Accounts Committee Scrutiny of Accounts 2017/18

Thank you for your recent report on your Committee's Scrutiny of Accounts 2017/18, published on 19 March 2019. The report makes several recommendations relating to the Ombudsman which I will respond to in sequential order:

Recommendation 29. The Committee recommends that the Ombudsman's accounts more clearly and effectively report his performance. This should comply with best practice for financial reporting, setting out the Ombudsman's performance against his objectives, including those in his Operational and Three-Year Strategic Plans, as well as setting out his future plans and targets.

Response: I am pleased to report that, at my most recent Audit and Risk Committee, the auditors were able to confirm that our accounts do reflect best practice.

The Auditor General's certification in the 2017/18 Annual Report and Accounts that:

"In my opinion the financial statements:

- Give a true and fair view of the state of Public Services Ombudsman for Wales affairs...; and
- Have been properly prepared in accordance with HM Treasury directions issued under the Public Services Ombudsman (Wales) Act (2005)."

Members of the Public Accounts Committee might not be aware that for the past two years my annual report and accounts have been published jointly in order to ensure greater symbiosis between financial information, performance information, future plans and targets. Expenditure on each of my objectives is reported in accordance with good

Page 1 of 3

practice. My new three-year Corporate Plan, commencing in 2019/20, more directly links key performance indicators to objectives. Suggestions for further clarity and effectiveness are always welcomed in a spirit of continuous improvement.

Recommendation 30. The Committee recommends that the Ombudsman sets targets for cost savings to reflect the full range of his activities. The performance against these targets should be reported each year in the Public Services Ombudsman for Wales Annual Report and Accounts.

Response: Given the ever-increasing number of complaints coming to my office, we have always sought to make cost savings that can be reinvested in frontline services for citizens. Budgets are reviewed each year, before allocations are made to budget heads. These allocations reflect target savings. In addition, unit costs are calculated each year – the cost per enquiry/complaint has been reduced by more than 40% over seven years. I will give this recommendation full consideration so this can be more effectively communicated in future Annual Reports and Accounts.

Recommendation 31. The Committee recommends that, to promote independence, the Ombudsman appoints an independent member to his Advisory Panel who does not sit on the Audit and Risk Assurance Committee.

Response: I think this recommendation misunderstands the relationship between my Advisory Panel and Audit and Risk Assurance Committee (ARAC). As a corporation sole, I ensure that both committees are stand alone and independent with clearly defined terms of reference. As neither I nor any of my staff are members of the ARAC it is wholly independent and it should not therefore be conflated with a traditional main board/ audit committee structure. The Advisory Panel provides strategic guidance and advice but is not responsible for governance matters. Governance matters are overseen by the Audit & Risk Assurance Committee, with support from internal and external auditors.

In this context I am also aware that my accountability was discussed in the course of the passing of the new PSOW legislation and that you have met with the Chairs of both the Finance and Equality, Communities and Local Government Committees to discuss how my accountability might be enhanced. With this in mind I would like to invite you and the other Committee chairs to the PSOW in Pencoed to meet staff and discuss this specific issue with me and Jonathan Morgan, the independent chair of the Advisory Panel and the ARAC.

Recommendation 32. The Committee recommends that, in the interest of transparency, the Ombudsman considers whether more information could be included in the accounts in respect of the future reporting of his potential liabilities and other aspects of his financial statements.

Response: We fully report our provisions and liabilities in our annual accounts in accordance with statutory financial reporting requirements and these are reviewed and approved by the Wales Audit Office as part of their annual audit of the annual accounts. However, in the spirit of continuous improvement I am very happy to give this recommendation full consideration.

Recommendation 33. The Committee recommends that the Ombudsman explains to the Committee his reasons for making special payments in 2017-18 to former members of staff. This should also set out why such payments were subject to a confidentiality clause.

Response: I am concerned that there is a lack of understanding around this matter. Settlement agreements are generally recognised and accepted as a means of formalising voluntary agreements between employer and employee. The agreements were made in accordance with the ACAS Code of Practice for Settlement Agreements. Employment settlement agreements generally include provisions for confidentiality around sensitive staff-related matters, for both the employee and employer.

However, this does not extend to whistleblowing – confidentiality agreements are not the same as non-disclosure agreements, which have had some prominence in the media recently. The settlement agreements referred to in the accounts related to three individual members of staff and each of the agreements included an express provision making it clear that nothing in the agreement prevented the individual from making a protected whistleblowing disclosure. The details included in the annual report and accounts were agreed by the external auditors and comply fully with the requirements of Managing Welsh Public Money.

In its report, the Committee stated: *“They should not be used as a matter of course to prevent former employees from disclosing the facts surrounding the termination of their employment or to deter them from raising issues about the services provided by their former employer (or “gagging” them).”* This phraseology can be emotionally loaded and potentially misleading and I am happy to put the record straight. During my period in office 23 members of staff have left their employment at PSOW. Settlement agreements were used in only three cases, therefore they certainly do not constitute any form of default position. For contractual reasons I am unable to provide details of the specific individual cases.

Yours sincerely



Nick Bennett
Ombudsman

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mr N Ramsay
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

30 April 2019

Dear Mr Ramsay,

PAC SCRUTINY OF ACCOUNTS 2017-18

Thank you for the report following the scrutiny by the Public Accounts Committee of the 2017-18 Annual Accounts for the Welsh Government, Assembly Commission, Public Service Ombudsman and National Museum. I have considered each of the recommendation raised concerning the preparation and presentation of the Welsh Government annual accounts and responses are detailed at annexes A to C. All the recommendations have been accepted and my officials are taking the necessary action to implement as many of the recommendation as practicable in advance of the publication of the 2018-19 accounts.

Yours,

Shan Morgan

Shan Morgan
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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Responses to PAC recommendations

Recommendation 1. The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11 of Managing Welsh Public Money.

Recommendation accepted. I share the Committee's concern that the Welsh Government and its arms-length bodies should be as open and transparent as possible in their accounts and with the Committee itself, in relation to severance payments as with everything else full transparency is not always possible - as the Committee recognises, there are sometimes issues of data protection or legal obligations to be taken into account. But I think that we can do more to meet the concerns of the Committee and I am considering how we might achieve this. I will write to the Committee with an update within two months.

Recommendation 11. The Committee recommends that the Welsh Government publishes its timetable for the production publication of its accounts and annual report on an annual basis to aid transparency and understanding of the process.

Recommendation accepted. Details of the timetable for preparation of the annual accounts have been published on the Welsh Government website.

Recommendation 12. The Committee recommends that the Welsh Government provides an update to the Committee in respect of its discussions with the Wales Audit Office, including the agreed actions to address the issues encountered during the preparation and audit of the 2017-18 accounts.

Recommendation accepted. A copy of the information I shared with the Auditor General Wales on the actions agreed to address the issues encountered during the preparation of the 2017-18 is attached at annex B.

Recommendation 13. The Committee recommends that the Welsh Government clarifies for the Committee the resources it has in place for the process, as well



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as explain how it ensures it has sufficient skills and capabilities for the delivery of its annual accounts.

Recommendation accepted. The information at annex B provides further details of the additional resources now in place within the team responsible for preparing the core and consolidated accounts and the submission to the Whole of Government Account. All staff are suitably qualified; SEO, Grade 7 and senior civil service staff all hold a relevant professional accountancy qualification, and a number of the staff have previously worked in a central accounts team. In total I have doubled the number of qualified/part qualified staff preparing the 2018-19 accounts when compared with last year.

Recommendation 14. The Committee recommends that the Welsh Government makes more detailed financial and performance information, such as analyses of annual expenditure within each MEG and how these programmes are delivering against planned outcomes. This should include information to allow the public to see how decisions are made and also reports about its in-year performance to increase transparency and accountability.

Recommendation accepted. The annual outturn report which is issued to the Finance Committee after the annual accounts provides comprehensive details of how the Welsh Government outturn compares with the budget. The statement of resource outturn, which is a mandatory requirement for all annual accounts, details expenditure against each of the MEGs. For 2018-19 the Welsh Government will be introducing a further table comprising the 30 largest areas of expenditure. The issue of performance reporting is addressed under recommendation 17.

Recommendation 15. The Committee recommends that the Welsh Government puts measures in place to ensure that it complies with the Welsh Language Standards to publish simultaneously its accounts in English and Welsh.

Recommendation accepted. The Welsh and English versions of the 2018-19 annual accounts will be published simultaneously. GOWA 2006 specifies that the Wales Audit Office must lay the accounts with the Assembly. In the past the WAO has only laid the English version as the Welsh version is not subject to audit. To avoid any possible confusion over publication dates, I will be suggesting to the Auditor General for Wales that we forward copies of the Welsh and English versions of the accounts to his officials and that they then deliver both to the Assembly.



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Recommendation 16. The Committee recommends that the Welsh Government updates the Committee on the timetable for taking the Welsh Government’s policy on the internal use of the Welsh Language to the Board and shares the outcome along with any accompanying papers considered by the Board.

Recommendation accepted. I have commissioned a paper to be presented to the Welsh Government’s Board at its meeting in May for discussion on the Welsh Government’s policy on the internal use of Welsh during the next few months. I have asked for the paper to consider developments in the time since an original paper on the matter and quoted in the Committee’s report, was drafted in 2017. The paper will also consider the balance between an ambitious policy based on the Welsh Language Strategy’s target on one hand, and practical matters on the other. This is clearly a sensitive issue for staff and we must carefully consider how any changes may affect the workforce. In preparing the paper we have also been considering best practice within other public sector organisations in Wales and my officials have met with Assistant Chief Constable of South Wales Police, Jeremy Vaughan, the Assembly Commission, Rhondda Cynon Taf Council and Ynys Mon Council to discuss their practices in ensuring Welsh language skills capacity within the workforce and facilitating and promoting the increased use of Welsh within these organisations. Board policy papers of this nature are not normally published, but following the Board’s discussion of the matter, the paper, taking account of the views of the Board, will be submitted to the First Minister and the Minister for the Welsh Language and International Relations for consideration. I will share with the Committee the outcome of this consideration together with any relevant papers. I hope to be able to do this by September.

Recommendation 17. We recommend that Welsh Government considers how to comply with best practice in financial reporting by including information about its performance, and adopting this practice for the preparation of next year’s annual report and accounts, before issuing further guidance to its sponsored bodies. As a minimum, the annual report and accounts should set out how the money has been spent and what it has achieved, with reference to the targets set by Welsh Ministers and the Welsh Government, as well as performance against them. This should include an analysis of spend against the aims of “Prosperity for All” (and the subsequent programmes) and other organisational targets in the accounts, aligned to the expenditure reported in the financial statements.

Recommendation accepted. I have asked Jeff Farrar in his role as a Non-Executive Director on the Welsh Government Board to lead a task and finish group to advise on a



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suitable approach to preparing an enhanced and systematic set of Key Performance Indicators (KPIs) for the Welsh Government. He has been asked to draw upon existing material and consider what additional measures we could usefully adopt to allow us to monitor progress and achievement more effectively. The terms of reference for the group are “to consider and make recommendations to the Permanent Secretary on a new suite of performance management information and KPIs in relation to her responsibilities for the running of the Welsh Government.”

Mr Farrar has begun his work and I have asked for a report by the end of June. I think it unlikely that much of this work will be ready in time to appear in our forthcoming accounts but I will be able to update the Committee on progress in the autumn. The work relates to the operational performance of the Welsh Government and those areas which fall to the responsibility of the Permanent Secretary, rather than with Ministers. However, I will discuss the potential wider implications of this particular recommendation with the First Minister and I will certainly draw his attention to the concerns which have been expressed by the Committee.

Recommendation 18. The Committee recommends that the Welsh Government makes clear the requirements with which it aims to comply when preparing its annual report and accounts. It should also be clear about the Welsh requirements for Annual Reports and ensures that all bodies comply with this guidance, including themselves. This will help to provide sufficient and appropriate information is disclosed enabling effective scrutiny.

Recommendation accepted. The Welsh Government issues an accounts direction to its public bodies which details how annual accounts should be prepared and who they can speak to if there are any questions. It also works closely with its subsidiaries to ensure that the information provided to support the preparation of the consolidated accounts is robust. All information submitted to the Welsh Government for consolidation into the accounts is independently audited by either the WAO or one of the large accountancy firms. The main source of guidance for the Welsh Government and all other organisations is the Financial Reporting Manual (FRM) which is published and updated by HMT Treasury. HM Treasury is advised on all matters relating to accounting standards by the Financial Reporting Advisory Board (FRAB). The Welsh Government has a permanent seat on the FRAB and is represented by the Finance Director.



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Recommendation 19. The Committee recommends that Welsh Government considers what information can be included in its accounts to promote transparency in respect of the support provided for business without deterring potential investors.

Recommendation accepted. The Welsh Government publishes all the information it can without breaching agreements over commercial confidentiality. This information is reviewed every year to determine whether it remains commercially sensitive. Following the publication of the 2017-18 accounts, the PAC requested a closed session to discuss any information that could not be published and I would suggest that a similar meeting following the publication of this year accounts would be an appropriate means of ensuring transparency and facilitating scrutiny of the decisions taken by the Welsh Government.

Recommendation 20. The Committee recommends that the Welsh Government liaises with its counterparts in the Scottish Government to enhance its understanding of the potential merits of introducing a Whole of Government Accounts for Wales and provides an update to the Committee.

Recommendation accepted. I will provide an update to committee when we meet in the autumn. However, at this stage the Welsh Government has not been provided with a strong case for preparing a whole of Wales account.

Recommendation 21. The Committee recommends that the Welsh Government shares with the Committee its action plan for reducing the gender pay gap.

Recommendation accepted. The Welsh Government is working with Chwarae Teg (in Spring 2019) to develop an action plan for reducing the gender pay gap. This will be shared with the Committee once it has been finalised and agreed.

Recommendation 22. The Committee recommends that, to aid transparency and facilitate scrutiny, the Welsh Government considers whether more information could be included in its future accounts to explain the purpose of exit packages and/or severance schemes.

Recommendation accepted. The Welsh Government will include additional information on exit packages and severance schemes in future accounts. We will also be writing to our Arms-length Bodies to stress the importance of their doing likewise.



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Recommendation 23. The Committee recommends that the Welsh Government includes in its annual report and accounts information about the efficiency activities across its organisation. This should include outturn against the targets set, with an explanation where performance goals are not met.

Recommendation accepted. The work being undertaken by Jeff Farrar will inform how Welsh Government can best create an enhanced and systematic set of KPIs that will help to demonstrate how it is delivering efficiencies across the organisation. We are also considering how we will take forward the pursuit of efficiency savings in the Welsh Government, including the arrangements for measuring them and reporting on them. I will be able to update the Committee in the autumn.

Recommendation 24. The Committee recommends that the Welsh Government provides, in advance of the Committee's scrutiny of its 2018-19 accounts, an update in respect of the work of the Improving Efficiency Board and in particular, the actions implemented as a result of the independent review of its corporate services.

Recommendation accepted. I will write to committee members ahead of the scrutiny of the 2018-19 accounts with an update on the Improving Efficiency Board, including further details of the Corporate Services review.

Recommendation 25. The Committee recommends that the Welsh Government clarifies why and how the Future-proofing initiative differs from Fit for the Future, the scheme introduced by the former Permanent Secretary. This should set out how the scheme is working not only to improve efficiency of the organisation but also advance its capacity and agility.

Recommendation accepted. Future-proofing is a people-centred organisational improvement initiative which aims to equip the Welsh Government civil service to meet the complex challenges it faces in supporting Ministers to deliver its current programme while also building a confident, skilled and sustainable civil service for the future. It builds upon the excellent work of my predecessor through his change programme "Preparing for the Future" and takes account of the learning and insight from that programme.

"Preparing for the Future" looked primarily at organisational and structural ways in which the Welsh Government needed to adapt. Future-proofing now switches the emphasis



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to people-related change and the integrated and system-wide nature of the way we are approaching the behaviour change programme.

As well as introducing a new set of expectations and behaviours which capture the ways of working we encourage and value, we have made significant changes to our performance management systems, promotion systems, leadership training and wider capability-building programme to encourage and embed the expectations across the organisation.

Further information is provided in Annex C

Recommendation 26. The Committee recommends that the Welsh Government clarifies for the Committee its position in respect of adopting the UK Civil Service's Success Profiles and how these will work in the Welsh context, including the relationship - or otherwise – between this approach and that of the standards and values for internal promotion at gateway grades developed with the input of Future Generations commissioner and which framework has pre-eminence.

Recommendation accepted. The Welsh Government plans to adopt the UK Civil Service's Success Profiles recruitment framework in Autumn 2019 (subject to engagement and consultation with trade unions and staff networks within the Welsh Government).

The Assessment and Development Gateway for internal promotion has piloted a number of elements of Success Profiles, including strengths based interviewing. The behaviours and strengths assessed at the Gateway were specifically chosen to be complimentary to the standards and values developed with the input of Future Generations Commissioner.

Recommendation 27. The Committee recommends that, to ensure they are able to provide independent oversight and challenge of the Executive and avoid conflicts of interest (actual or perceived), the Welsh Government should not commission its Non-Executive Director's to undertake work beyond the scope of their non-executive roles.

Recommendation Accepted. The Welsh Government will not in future commission its NEDs to take on other roles for the Welsh Government which are not undertaken as part of their NED role. In addition, the Welsh Government would only be content for its



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NEDs to undertake roles for arms-length bodies of the Welsh Government where it is convinced that there is only minimal scope for conflict of interest; where it is confident that that conflict of interest can be managed properly; and where there is a clear public benefit in the NED undertaking the additional role with an arms-length body.

Recommendation 28. The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the ‘calling in procedure’.

Recommendation accepted. We are still finalising the detail of how our new approach will be applied and I will write again to the Committee once we have concluded our deliberations. I would expect to be able to do this by July.



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Audit & Risk Committee paper - Lessons learned from the preparation of the 2017-18 annual accounts

Background

1. The preparation of the 2017-18 annual accounts for the Welsh Government was fraught with issues primarily due to a number of difficulties with the spreadsheet tools used to consolidate the financial data and a lack of resources. As a result a short programme of improvement work was put in place. The majority of this work has completed and based on the findings the accounts team has now commenced detailed planning for the 2018-19 annual accounts.

Improvement work streams

Supporting tools

2. An experienced and senior accountant from a separate team was asked to review the process and tools used by the team for consolidating the annual accounts to verify that tables and formulae were error free. The individual was well placed to undertake this type of review as her team is also reliant on large complex spreadsheets to support the preparation of the tables that underpin the Welsh Government budget and the two supplementary budgets. The overall goal was to ensure that if data was loaded into the spreadsheet tools used to compile the accounts, it would generate the correct entries for the core financial statements.
3. The work has completed and I am assured that the spreadsheet tools used by the accounts team are free of corruption and/or errors. However, the work highlighted that one of the main reasons why the team encountered problems was they did not follow appropriate procedures. This is being addressed through the improvements introduced for 2018-19.

Overall approach to the preparation of the annual accounts

4. Internal Audit was asked to review the overall approach being adopted by the Welsh Government for the preparation of the accounts. The final report is pending.



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Staff resources

5. Staff resources was a critical issue during the preparation of the accounts and was in part due to the failure of temporary staff to take up post. As a result I have bolstered the number of staff within the team and removed our reliance on agency staff. Going forward the accounts team will comprise:
 - Grade 7 head of accounts
 - SEO Welsh Government Accounts
 - SEO Consolidation & Whole of Government Accounts
 - HEO (Part Qualified)
 - UK Finance Fast Streamer (Part Qualified)
6. I have also appointed a new deputy director to oversee the annual accounts along with the grants centre of excellence, governance and tax. The individual has significant experience consolidating the NHS account for Wales and has previously worked in other areas of the Welsh Government.
7. In total these changes double the number of staff dedicated to the production of the annual accounts for 2018-19.

Workload within the accounts team

8. The annual accounts comprises three main elements; overview of the Welsh Government, accountability report and key financial statements. The overview and accountability report receive a greater degree of external scrutiny and, therefore, the accounts team have in the past had to work closely with numerous other areas of the Welsh Government to compile all the necessary information and tables. This often needs to take place in parallel with preparing the financial statements for audit.
9. For 2018-19, I have asked the head of governance (and former head of accounts) to manage the preparation of both the overview and the accountability report. This will free up the accounts team to focus on the financial data and the relationship with the WAO and should create additional time to consider how we might wish to develop or improve the overview portion of the annual accounts.

Accounts preparation for 2018-19

10. Longer term we have an aspiration to sign off the accounts in July. However, in light of the issues encountered while preparing the 2017-18 annual accounts, this year we will continue with the existing sign off date in mid August.



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Consolidation tools

11. In the medium term the Welsh Government needs to address the fact that it is reliant on complex spreadsheets to consolidate large volumes of data. This will become more of a factor as we consolidate additional public sector organisations. Unfortunately, it was not possible to take this forward for 2018-19. Nevertheless, our finance fast streamer is addressing the problem as part of his final year project. His conclusions and recommendations will be available by September this year.

In conclusion

12. I am confident that the steps taken following the difficulties encountered during the preparation of the 2017-18 annual accounts will address the key issues of resources and the suitability of the consolidation tools. There were a number of issues raised by the WAO in the ISA260; including quality assurance, supporting information and inconsistencies in data, the causes of which can also be directly linked to these wider difficulties.

13. The focus for the 2018-19 annual accounts will be on ensuring that the accounts remain unqualified and are produced to the desired timescales. Nevertheless, the actions taken in response to the difficulties encountered last year will enable the Welsh Government to continue to develop and improve aspects of the annual accounts. In particular we would like to work with the Audit, Risk and Assurance Committee (ARAC) to address some of the challenges raised by the PAC in respect of the overview of the Welsh Government.



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The Future-proofing programme focuses on four main themes

Future-proofing how we lead

This theme is about embedding a culture of collaborative, distributed leadership across the organisation; supporting managers to motivate, develop and empower teams and individuals to deliver high-quality work as efficiently as possible. Over the past 18 months this has introduced **Future-Engage-Deliver** training to support and develop leaders at all levels.

Future-proofing how we learn

This element of the change programme is focused on building capability and developing an adaptable and resilient workforce that is equipped for the future as well as the roles we need today. Over the past 18 months we have run three engaging and inspiring **TEDx events** on the themes of innovative policy-making, digital innovation and inclusive leadership as well as a programme of individual **TED Talks** to share learning. We have introduced new ways to broaden experience and build networks within the organisation and across the public and third sectors through a new **Short Term Experience Programme (STEP)**. We have also redirected our corporate **Learning & Development investment** to address critical skills gaps including immediately offering training to prepare for EU transition activity. This year we will introduce a new **Learning Lab** for all staff to provide online access to a new, blended learning and development offer, including a new policy curriculum that will fully integrate the Well-being of Future Generations principles in our approach to developing policy capability.

Future-proofing how we perform

As part of Future-proofing we have introduced a new, strengths-based, 'coaching-style' approach to performance management that focuses on development and wellbeing as well as performance and delivery. More than 3500 senior and middle managers attended training sessions on the new approach which is based on Future-Engage-Deliver principles. Alongside this, we have also introduced a more transparent and robust progression system that explicitly seeks to test those who apply for promotion against the standards and expectations we have set – including inclusive leadership. The introduction of these new progression gateways has now started with two Grade 7 Assessment and Development Centres held in the past year and a more rigorous approach to assessment procedures for Senior Civil Service roles.



Those who are successful in passing the G7 Development and Assessment Centre are matched into priority roles (this flexibility is an explicit expectation of those who apply for promotion). Similarly, a new G7 Talent Programme has been opened to experienced managers where those who are successful will be matched to two priority posts during the three year programme. Talent Programme participants take part in a structured programme of development designed to equip them for Senior Civil Service roles. These changes mean that the organisation has a cadre of people at G7 level who expect to be posted rather than self-managing their own moves around the organisation, increasing our ability to align resources to critical priorities in a more agile and efficient way.

Future-proofing how we work

To ensure workforce and development planning is aligned to the Cabinet's priorities and as is as agile and responsive as possible, we supported every Division in the organisation to hold a **future proofing development day** to look at current and longer-term priorities, assess team and individual capability gaps and agree team development plans. These sessions also considered how well the **Well-being of Future Generations** five ways of working are being adopted within teams and allowed staff to feed back on where further work is needed to ensure the WFG principles are embedded in our corporate systems, processes and learning and development programmes.



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Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

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May 2019

Response to the Public Accounts Committee's Inquiry on Financial Support for Business

Key messages:

- Recent research from Chwarae Teg found that achieving gender equality could add £13.6 billion to the Welsh economy.¹ It proves that we cannot afford to ignore women's economic potential, and that gender equality could benefit everyone. Businesses must pro-actively tackle inequality to unlock this, otherwise we know that it could take more than 200 years to close the gender pay gap.²
- An implementation gap still exists in economic policy. Tackling inequality is at the centre of Welsh Government's new Economic Action Plan, and we welcome the goal of 'investment with social purpose', but it is still unclear how these good intentions are being put into practice.³ We need to see more accessible reporting and monitoring of the implementation process.
- Equal and diverse representation within Governance structures is essential to good decision making, and should be a key priority. Greater diversity on boards and leadership panels can create a broader range of ideas and perspectives, greater innovation and allow the business to appeal to different clients, as well as providing more of an accurate reflection of society. We know that this isn't just a 'nice to have', but creates real tangible results for businesses.⁴
- Transparency and communication is key, and especially important at all interfaces between Government and Businesses. There is a need for more clarity on the representation within and remit or terms of references of each of the different governance structures and bodies within the Economic Action Plan to ensure a clear and coordinated approach to gender equality.
 - This should include the vision and principles for a Feminist Government developed during Phase 2 of the Gender Equality Review.⁵
- Welsh Government also need to make a commitment that with the different approach taken within the Economic Action Plan and the focus on the foundational economy, different evidence, measures, data and voices are considered to challenge any misconceptions; otherwise we are at risk of reverting to the status quo.

¹ Chwarae Teg, The Economic Value of Gender Equality, 2018 <https://chwaraeteg.com/wp-content/uploads/2019/02/The-Economic-Value-of-Gender-Equality-in-Wales-2018.pdf>

² World Economic Forum, The Global Gender Pay Gap Report, 2018 http://www3.weforum.org/docs/WEF_GGGR_2018.pdf

³ Welsh Government, Prosperity for All: Economic Action Plan, 2017 <https://gov.wales/sites/default/files/publications/2019-02/prosperity-for-all-economic-action-plan.pdf>

⁴ McKinsey and Co, The Power of Parity, 2016 <https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom>

⁵ Chwarae Teg, Gender Equality Review Phase 2: Vision and Language, 2019

Detailed Response:

1. How the Welsh Government is putting arrangements in place to manage its financial support to business under its Economic Action Plan.

- 1.1. With a focus on tackling inequality and investment with a social purpose at the centre of the Economic Action Plan (EAP), achieving gender equality a wider objective of the Gender Equality Review and the Wellbeing of Future Generations Act 'more equal Wales' indicator, it's crucial that Welsh Government are using their financial resources to advance gender equality.
- 1.2. The EAP could be clearer and more explicit in its ambition and targets for ensuring that women are able to access business support and benefit from economic growth. Our concerns so far – such as the implementation gap – are similar to those we found during Phase One of the Gender Equality Review, that promising policy proposals are not being translated into meaningful change for women in Wales.⁶ Clearer goals and objectives on gender equality could help to address this gap.
- 1.3. There also needs to be clarity within the EAP in relation to financial planning and support for businesses after Brexit. Economic uncertainty related to Brexit will have a disproportionate impact on women, which makes the need for gender equality to be mainstreamed in funding all the more important.⁷
 - 1.3.1. Our own Agile Nation 2 programme, which is funded by the European Social Fund and Welsh Government, supports businesses to become more equal employers, reduce their gender pay gap and adopt best practice in equality and diversity. The programme could be at risk due to loss of funding as well as many others with a focus on alleviating inequality.
- 1.4. It's difficult to establish how much support women-led businesses, or women hoping to start up new businesses are currently receiving from Welsh Government.
 - 1.4.1. On 16th January, the Minister for Economy and Transport Ken Skates AM confirmed that more than 100 businesses have now signed up to the Economic Contract; but no feedback has been provided on how businesses have demonstrated their commitment to the requirements of the contract including Fair Work, or what impact this has had on women or other marginalised groups.⁸
- 1.5. In response to the Auditor General's Report, Welsh Government committed to reorganising financial support and taking a regionally led approach to investment; it is important that lessons about the importance of mainstreaming a gender equal approach translate to a regional level, and that this is delivered consistently across Wales.⁹

⁶ Chwarae Teg, Rapid Review of Gender Equality: Phase One, 2018 <https://www.cteg.org.uk/wp-content/uploads/2018/07/final-Rapid-Review-of-Gender-Equality-Phase-One.pdf>

⁷ Chwarae Teg, The Implications of Brexit for Women in Wales, 2018 <https://chwaraeteg.com/wp-content/uploads/2018/12/Briefing-Paper-Implications-of-Brexit-Aug-2018.pdf>

⁸ National Assembly for Wales, Record of Proceedings, 16th January 2019 <http://record.assembly.wales/Plenary/5418#C156030>

⁹ Welsh Government, Letter to the Auditor General for Wales, 11th January 2019 <http://senedd.assembly.wales/documents/s83052/Welsh%20Government%20response%20to%20the%20Auditor%20General%20for%20Wales%20Report%20-%2011%20January%202019.pdf>

1.5.1. This should include the Welsh Government's adopted vision and principles for a Feminist Government.

2. The New Ministerial Advisory Board, which is replacing the sector panels and is intended to inform policy-making and provide external advice.

- 2.1. Equal representation, as well as the representation of individuals with clear understanding and experience of mainstreaming equality is essential in the make-up of key governance structures that lead on informing and advising the Welsh Government.
- 2.2. We welcome the gender balance of the new Ministerial Advisory Board, as well as the clear focus on responsible business within that Board. However, we also need to see active engagement from the board with other under-represented groups to ensure they are able to capture the different barriers faced by certain groups in accessing financial support for business.
 - 2.2.1. It's particularly positive to see a representative of the social care sector appointed to the Ministerial Advisory Board, given that care is a key foundational area, and the over-representation of women in this sector; this must be recognised in order to address key challenges.
 - 2.2.2. This engagement cannot just be limited to quantitative data, it should include meaningful discussions with community groups and organisations that can provide qualitative insights into marginalised communities' experiences of setting up or accessing financial support for businesses.
- 2.3. However, the gender balance and recruitment process for other key positions is still unclear:
 - 2.3.1. It would be helpful if information about the appointed Chief Regional Officers was published and available centrally, as well as information on recruitment processes, and clarity on whether these roles are still on an interim basis, or those appointed have been made permanent.
 - 2.3.2. The same would also be helpful for the proposed regional units, as well as information on how these will work with the Four Enterprise Hubs.

3. The overall coherence of the different ways of providing financial support to business

- 3.1. Welsh Government needs to ensure that in streamlining its services, financial support, as well as information and guidance on how to access that support, is reaching those who may face additional barriers to progressing in business, such as women and other marginalised groups.
 - 3.1.1. The report on Supporting Women in Entrepreneurship found that women perceived barriers to setting up businesses and accessing financial support due to; the lack of appropriate mentors, lack of flexible and mobile funding, barriers such as childcare, lack of contacts, and limited access to business contacts and networks.¹⁰

¹⁰ Welsh Government, Supporting Entrepreneurial Women in Wales: An approach for Wales, January 2019
<https://gov.wales/sites/default/files/publications/2019-01/supporting-entrepreneurial-women-in-wales-an-approach-for-wales.pdf>

- 3.1.2. Chwarae Teg are currently undertaking research on BAME Women’s experiences in (self) employment. Once this is available, it could help to inform the Welsh Government’s approach to supporting all communities in Wales.
- 3.2. In terms of the Economy Futures Fund, we welcome this and the intention to integrate more funds into this pot. We particularly welcome the Minister’s intention to extend these principles through to procurement as well, and would welcome any update on progress in this area.
- 3.2.1. We also welcome the suggestion from the Fair Work Commission’s report that the objectives within the Economic Contract could be extended to finance provided from The Development Bank of Wales and Business Wales.¹¹
- 3.3. The recommendations from the Panel on Supporting Entrepreneurial Women in Wales represent a positive and strong step towards mainstreaming equality initiatives within business, and the Good Practice Guide provides constructive, practical support for Businesses and other actors involved in supporting businesses at start-up and to grow.¹²
- 3.3.1. As well as highlighting the barriers faced by women, it also looked at attitudes held by business providers that may have been preventing more progress being made – such as the lack of recognition of the way in which cultural and institutional issues act as substantive barriers to women and other under-represented groups.¹³
- 3.3.2. The panel also set out a clear two year action plan to implement these recommendations, and coming into the Summer term, some of these should already be in place:
- 3.3.2.1. We can see positive progress on recommendations like developing a page on the Business Wales website with information and networking opportunities specific to supporting women entrepreneurs, as well as the roadshow, which are currently underway.
- 3.3.2.2. Going forward, updates on progress related to the gender lensing of Business Wales and other actions to support women in businesses would be useful, including data related to the recruitment of women as mentors and advisers and the commissioning of community-based projects.¹⁴
- 3.3.3. The promotion of collaboration and commitments to equality within the Be the Spark initiative are also positive in providing coherence, with useful and accessible tools on the website. There is clear and consistent encouragement for businesses from across Welsh Government.
- 3.3.3.1.** However, should this encouragement approach not be as effective as we’d hoped within the first two years, Welsh Government should consider a more directive approach to key actors, such as lenders targets, follow up action plans and other measures that increase accountability.

¹¹ Fair Work Wales, Report of the Fair Work Commission, 2019 <https://gov.wales/sites/default/files/publications/2019-05/fair-work-wales.pdf>

¹² Welsh Government, Supporting Entrepreneurial Women in Wales: An approach for Wales, January 2019 <https://gov.wales/sites/default/files/publications/2019-01/supporting-entrepreneurial-women-in-wales-an-approach-for-wales.pdf>

¹³ Ibid.

¹⁴ Business Wales, Supporting Entrepreneurial Women in Wales: Two Year Action Plan, January 2019 <https://businesswales.gov.wales/sites/business-wales/files/Two%20Year%20Action%20Plan%20ENG.pdf>

4. How transparent access to financial support is, as well as how and why the Welsh Government decides which mechanism it uses to provide that support

4.1. There is poor transparency across the board in terms of the real impact that implementation of the Economic Action plan is having for businesses and individuals; particularly women and other groups who face additional barriers to accessing financial support.

4.1.1. We know that good work is being done, but scrutiny and accountability both within Welsh Government and externally is crucial to ensuring that the implementation gap does not widen.

4.2. This lack of transparency is particularly concerning when it comes to support for the Foundational sectors, which have been identified as a key priority.

4.2.1. Concerns were raised by the Economy, Infrastructure and Skills Committee on 21st November 2018 that no progress had been made on spending committed to support enabling the foundational economy in Wales, and future plans were vague.¹⁵

4.2.2. While a 'single and integrated enabling plan' is a positive approach, we have a number of concerns:

4.2.2.1. While a sub-group of the Ministerial Advisory Board has been established to focus on the foundational economy, it is essential that this includes a representative who can advise from a gender and equalities perspective given the unique gendered problems that exist within certain areas of the Foundational sector; particularly care and food and drink. Clarity on the membership of this group would be appreciated.

4.2.2.2. We are also concerned about the aim to identify strategic challenges and opportunities common to all four sectors, and formulate policy responses. A wealth of information is already available about the strategic challenges facing these sectors, including our own report on Decent Work, as well as those produced by Oxfam Cymru and the IWA.¹⁶ Therefore, at this stage Welsh Government should be focusing on action and implementation.

4.2.2.3. Clarity would also be helpful on how the Fair Work Commission is feeding into this area, as we know Fair Work is a key challenge within the foundational sectors.

¹⁵ National Assembly for Wales, Economy Infrastructure and Skills Committee: Scrutiny of the Economic Action Plan and In-Year Budget 2018-19, September 2018 <http://www.senedd.assembly.wales/documents/s83071/EIS5-02-19P4%20Letter%20from%20the%20Minister%20for%20Economy%20and%20Transport%20to%20Chair.pdf>

¹⁶ Chwarae Teg, Decent Work for Women in Wales, 2018 <https://chwaraeteg.com/research/decent-work/>

Conclusion:

The Welsh Government has made clear commitments to, and emphasised the importance of gender equality in ensuring economic prosperity in Wales. The Economic Action plan and the proposals within it are a positive step towards embedding equality across the board. However, without effective reporting, monitoring and scrutiny of the implementation progress, and without women's voices at the helm of decision-making within this process, there is a risk that its impact might be limited.

We will continue to closely monitor the implementation of the Economic Action Plan and the impact it has on the lives of ordinary women across Wales.

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Agenda Item 8

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Procuring Residual and Food Waste Treatment Capacity



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006.

The Wales Audit Office study team comprised Jeremy Morgan, Emily Owen and Andy Phillips, under the direction of Matthew Mortlock

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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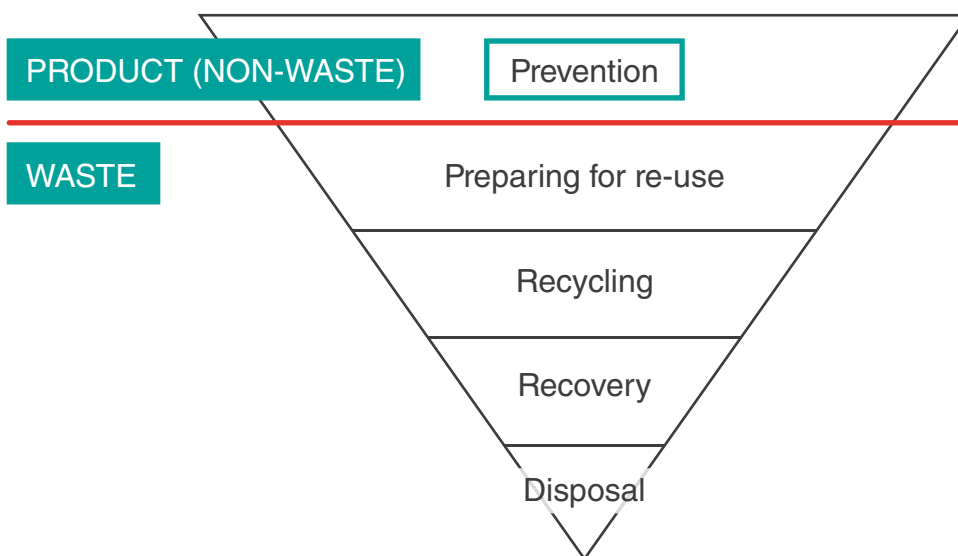
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Summary report

Summary

- 1 Waste management is an important and complex issue that covers a range of different but related approaches. The European Union Waste Hierarchy (Figure 1) reflects the principle that preventing the production of waste, or preparing waste for re-use, has much greater environmental benefit than recycling, which in turn has greater environmental benefits than other forms of recovery such as energy from waste. At the base of the hierarchy, with few environmental benefits, is disposal by means that recover no energy.

Figure 1 – The European Union Waste Hierarchy



Source: Directive 2008/98/EC on waste (Waste Framework Directive)¹

¹ The first Waste Framework Directive [75/442/EEC] was amended in 1991 through Directive [91/692/EEC] and again in 2008 through the Waste Directive [2008/98/EC]. Separate to these Directives, the 'Landfill Directive' [1999/31/EC] regulates waste management of landfills in the European Union.

- 2 This report focuses on the provision of infrastructure for food waste recycling through anaerobic digestion and recovery through energy from waste. It forms one of a set of three related pieces of work on waste management in Wales that will be published by the Auditor General for Wales. The other two pieces of work have considered issues relating to waste prevention and municipal recycling.
- 3 The EU 'Landfill Directive'² places a statutory obligation on the UK to reduce the amount of biodegradable waste³ sent to landfill. Landfilling waste poses environmental risks, particularly to climate change and to water quality (Figure 2). As an EU member state, if the UK does not achieve targets for reducing the amount of waste sent to landfill it is at risk of incurring significant fines.
- 4 In 2002-03, the Welsh Government determined that the best way to encourage the diversion of waste from landfill was to set challenging recycling targets. In 2004, the Welsh Government took further steps by introducing legislation limiting the amount of biodegradable waste that could be sent to landfill⁴. In 2008, the National Assembly for Wales' Members Research Service reported that if the trends evident at that time continued, 15 local authorities in Wales would fail to meet the 2012-13 Landfill Directive targets, resulting in fines of nearly £27 million⁵. Some councils did increase the amount of waste sent to landfill in the period to 2012-13 but at a rate that did not incur fines.
- 5 In June 2010, the Welsh Government published its strategy for waste management, **Towards Zero Waste, One Wales One Planet** (the strategy). The strategy and its supporting documents set out a plan for the sustainable management of waste resources to 2050. In order to meet its aspirations set out in the strategy, the Welsh Government determined that councils could not continue the practice of landfilling most of their food and residual waste (often termed 'black bag' waste). However, this required a step-change in both service delivery and councils' approach to waste treatment and disposal.

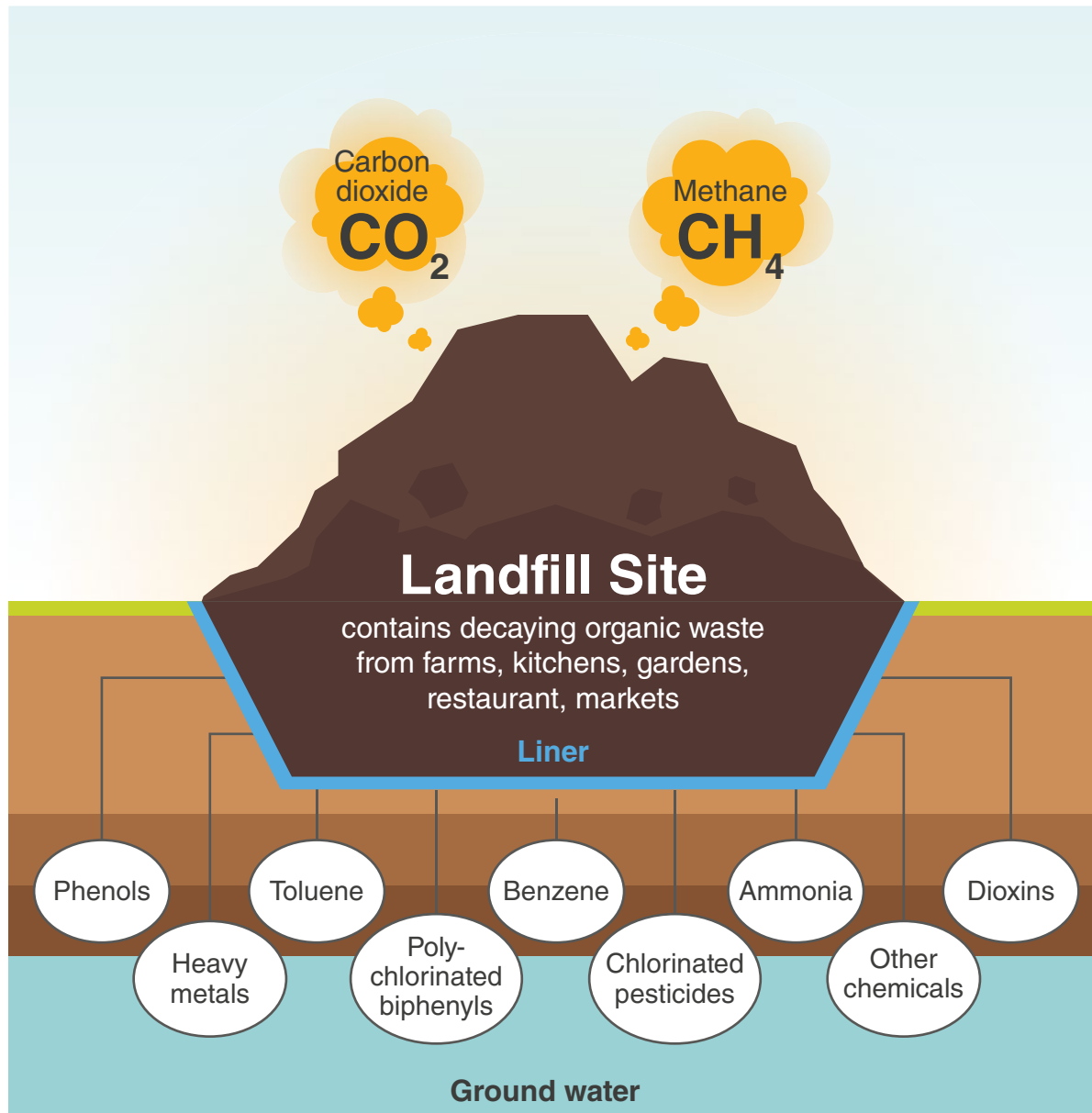
2 Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste.

3 Biodegradable waste includes any organic matter in waste which can be broken down into carbon dioxide, water, methane or simple organic molecules by micro-organisms and other living things using composting, aerobic digestion, anaerobic digestion or similar processes.

4 The Welsh Government introduced the Landfill Allowances Scheme (Wales) Regulations 2004 in response to the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste.

5 National Assembly for Wales, Members' Research Service: **Topic Brief – waste management**, September 2008.

Figure 2 – The effects of landfilling waste



- 6 **Towards Zero Waste** suggested that councils make the step-change by sending residual waste to high efficiency ‘energy from waste’ treatment plants and food waste to anaerobic digestion plants. The Welsh Government’s aspiration for residual waste is that by 2050, enhanced actions on waste prevention and sustainable consumption and production will phase out the need to dispose of residual waste, and that 100% of waste produced will be reused or recycled. The Welsh Government plans to review **Towards Zero Waste** in 2018. In advance of that review, it has commissioned an evaluation of the statutory waste plan for Wales⁶, including economic benefits, against the **Well-Being of Future Generations (Wales) Act 2015**.
- 7 The Welsh Government determined that councils would benefit from financial, technical and legal support to enable them to make these significant changes in waste management practice. In 2008, the Welsh Government initiated the Waste Infrastructure Procurement Programme (the Programme) to assist councils in the procurement of long-term capacity for the treatment of residual and food waste (**Box 1**).

6 A suite of documents comprise the statutory waste management plan for Wales. It includes a number of sector plans and the Waste Prevention Programme.

Box 1 – The Waste Infrastructure Procurement Programme

The Programme provided financial support for individual councils or partnerships to procure contracts for the long-term treatment of residual and food waste. There are ten projects within the Programme involving 19 councils. Three of the projects deal with residual waste and seven deal with food waste. The procurement phase of the programme concluded in March 2018 and projects have procured the necessary capacity for the treatment of their waste at facilities provided by the private sector. [Appendix 2](#) provides details of the individual projects, most of which involve more than one council.

The Welsh Government is providing on-going financial support to projects in the form of a fixed contribution towards gate fees throughout each project's operational phase. The Welsh Government's fixed contribution is based on 25% of the gate fees estimated in projects' final business cases, where it has not made a capital contribution (see below). Councils' contributions to the remainder of gate fees will depend ultimately on the amount of waste sent to a facility. Gate fees are payable from service commencement for a maximum period of 15 years for food waste projects and 25 years for residual waste projects.

Six of the ten projects were service contracts where the private sector provider built the facility at its own cost and risk. The remaining four projects (three food waste and one residual waste) included the construction of a facility, paid for in part by the local authority partners over the course of the contract as part of the gate fees. In those four cases the facility will revert to local authority ownership at the end of the contract. The Welsh Government provided capital contributions totalling £3.5 million for the three food waste projects.

For these four projects the Welsh Government has based its gate fee contribution on 15% of the total gate fees estimated in projects' final business cases for the three food waste projects and 25% for the North Wales residual waste project.

Nine of the contracts in the Programme are currently operating with waste being received by the relevant facilities. The facility to be used by the North Wales residual waste project is in construction and due to be fully operational in September/October 2019.

Early in the Programme, in 2010, there was a particular need to divert biodegradable municipal waste from landfill because several councils were near to exceeding their landfill allowances. As a result, the Welsh Government prioritised support for food waste projects over residual waste projects.

- 8 This report focuses on arrangements for procuring capacity for waste treatment through the Programme. It also describes arrangements made by councils outside the Programme, and the overall impact on the diversion of residual and food waste from landfill. The report does not consider the location and planning decisions on new waste management facilities. **Appendix 1** outlines our audit methods. We did not look in detail at the procurement of each project but focused on the overall management of the Programme.
- 9 **Overall, we found that the Welsh Government set up a well-managed programme to help councils procure capacity for food and residual waste treatment, but some risks remain. Several councils opted out of the Programme and have their own arrangements, but some still need to find alternatives to landfill for the longer term.**
- 10 The Welsh Government set out specific criteria that projects had to meet to secure funding support through the Programme, notably regarding the choice of technology. There was a clear and structured programme management approach and the Welsh Government made good use of specialist expertise. The Welsh Government encouraged partnerships between councils to improve value for money through economies of scale and attract more interest from the private sector, although there were difficulties in some cases. The Programme used a consistent and rigorous project management approach, which worked well generally despite some councils' limited experience of procuring waste infrastructure capacity.
- 11 The cost of the Programme is projected to be in the region of £1.4 billion to 2044-45. This is £850 million lower than suggested by initial estimates in projects' outline business cases but will depend on the amount of waste that needs treating. It is too early to judge the value-for-money of the contracts. The Welsh Government expects to contribute around £342 million to the projected £1.4 billion costs, making waste treatment capacity more affordable for councils. Risks remain for residual waste projects in particular and the projections used as the basis for these contracts do not align well with the Welsh Government's overall aspiration of zero residual waste by 2050⁷. Gate fee structures present certain financial risks for councils depending on the amount of residual waste treated. Projects have successfully transferred some other risks to the private sector, but these long-term contracts do not include break-clauses.

7 Projections for the three residual waste projects assume that councils will still need to treat significant volumes of residual waste beyond 2040.

- 12 Councils operating residual waste projects outside the programme are generally incurring higher costs, but median food waste treatment costs are similar to projects in the Programme. Although some councils are still reliant on landfill, the procurement of new waste treatment capacity has significantly reduced overall reliance on landfill across Wales in recent years.

Recommendations

- 13 The 15-year contracts for the food waste projects will start coming to an end in 2027. We have not made any formal recommendations about planning for contractual arrangements beyond the lifetime of the current contracts. The average time from the Welsh Government's approval of the outline business case to operation for the seven operational food waste projects was four years. We would not expect any new contractual arrangements to take this long to plan. Nevertheless, partnerships will need to ensure that they have sufficient lead-in time for project development and decision-making on successor projects, including reviewing the benefits realised from the current projects.

Recommendations

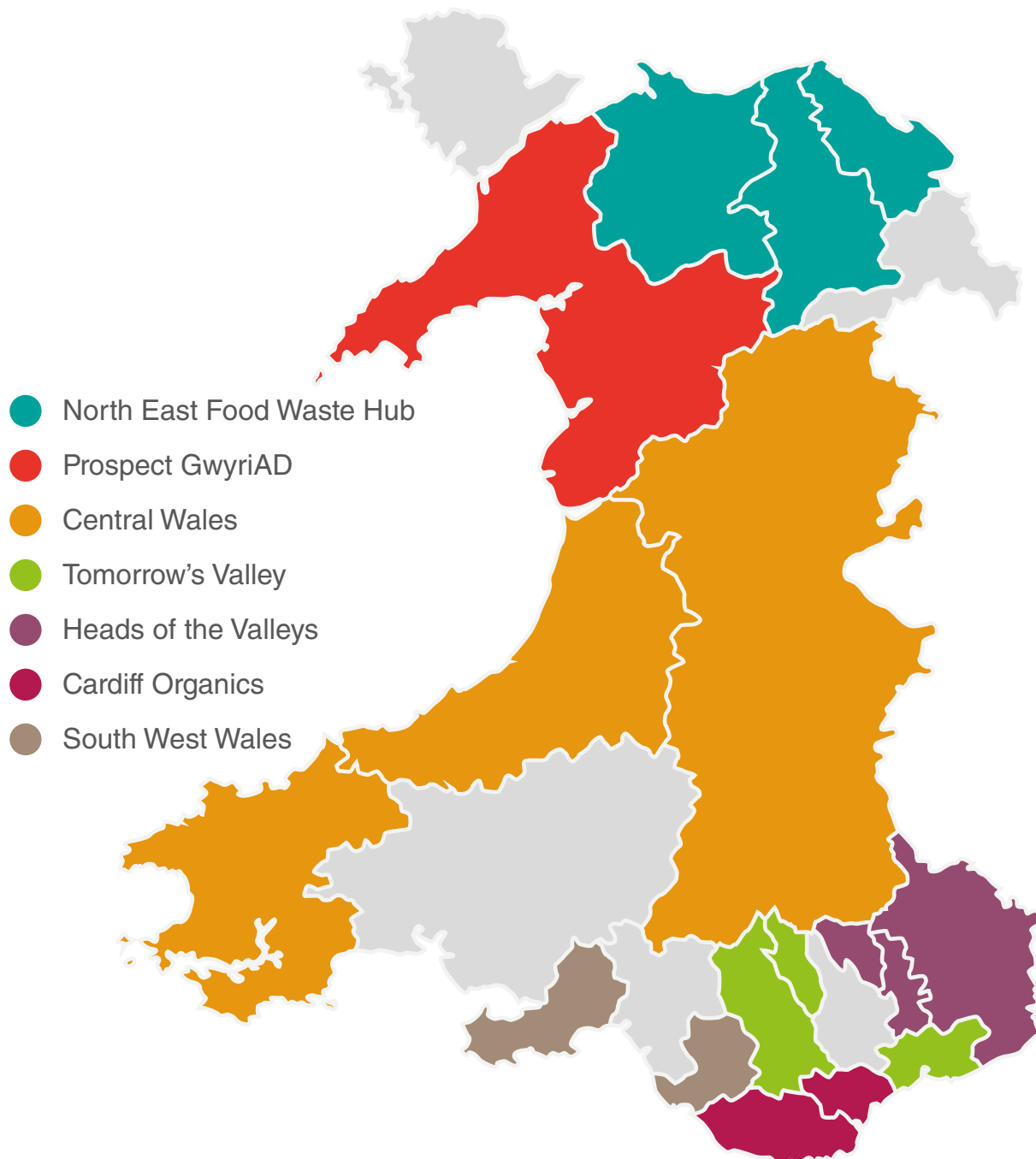
- R1 The projections for the three residual waste projects in the Programme assume that, across the 14 councils involved, the overall amount of residual waste will increase through the lifetime of the contracts. If these projections are accurate then something significant would have to occur beyond 2040 to reach zero waste across these council areas by 2050. If the projections are not accurate then there is the risk that councils will pay for capacity they do not need. **We recommend that the Welsh Government:**
- **in reviewing the Towards Zero Waste strategy, considers how its ambition of there being no residual waste by 2050 aligns with current projections for residual waste treatment; and**
 - **works with councils to consider the impact of changes in projections on the likely cost of residual waste projects and any mitigating action needed to manage these costs.**

Recommendations

R2 The Welsh Government's programme support to date has mainly focused on project development and procurement. Now that most of the projects are operational, the focus has shifted to contract management. **We recommend that the Welsh Government continue its oversight of projects during the operational phase by:**

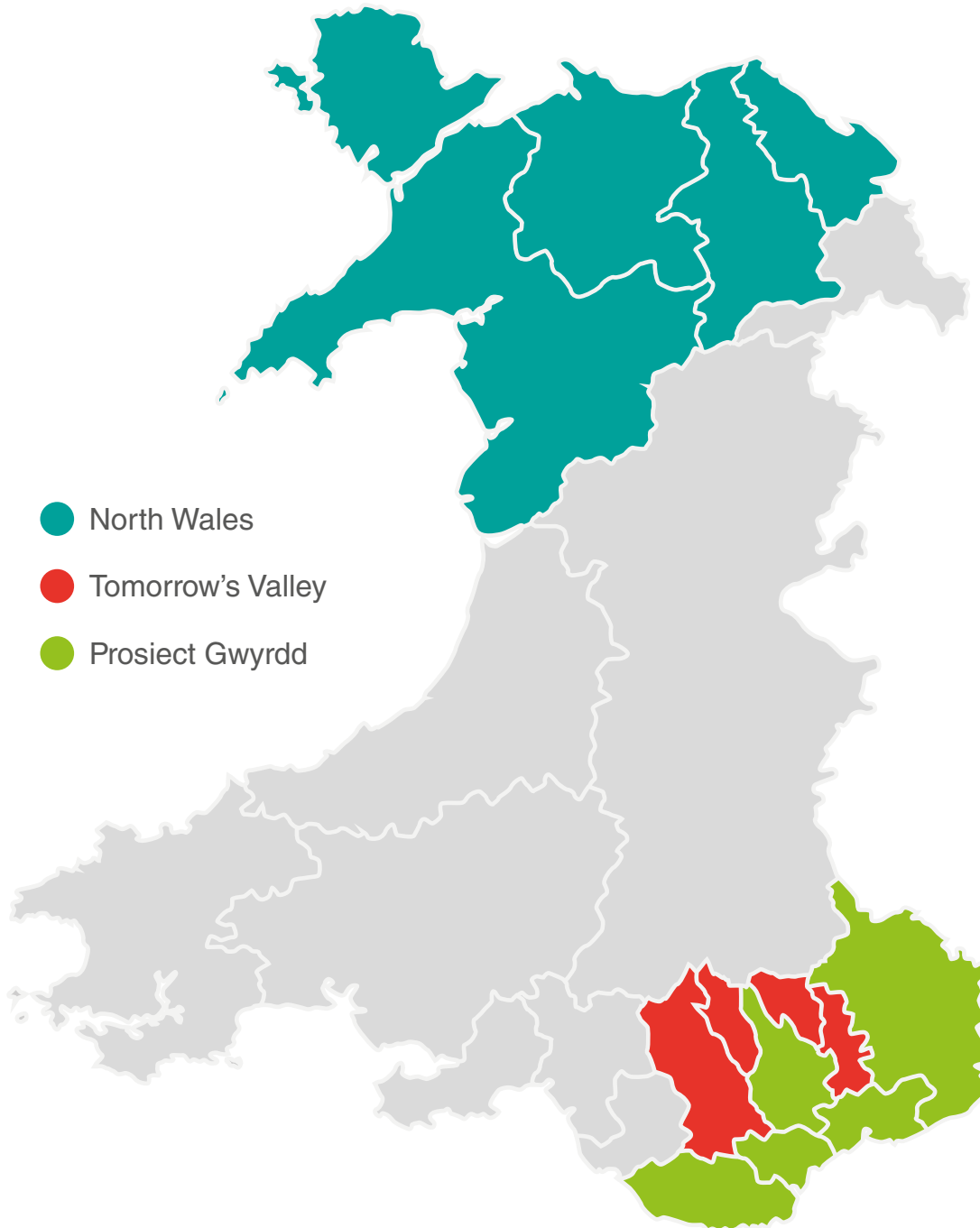
- **building on its existing model of providing experienced individuals to assist with project development and procurement and making sure input is available to assist with contract management if required;**
- **setting out its expectations of councils regarding contract management;**
- **ensuring partnerships revisit their waste projections and associated risks periodically, for example to reflect updated population projections or economic forecasts; and**
- **obtaining from partnerships basic management information on gate fees paid, amount of waste sent to facilities and quality of contractor service.**

Figure 3 – food waste treatment partnerships



Source: Welsh Government

Figure 4 – residual waste treatment partnerships



Source: Welsh Government

Part 1

The Welsh Government set up a well-managed programme to help councils procure capacity for food and residual waste treatment, but some risks remain



- 1.1 This part of the report examines how projects in the Programme were developed and procured. It also considers projects' estimated lifetime costs and some of the risks in procuring long-term contracts in the context of uncertain projections on the amount of waste generated.

To gain the Welsh Government's support, projects had to fulfil certain criteria including choice of technology

- 1.2 To gain Welsh Government support as part of the Programme, projects had to fulfil the following criteria:
- a the technical solution had to align with the Welsh Government's requirements for the treatment by processing of food or residual waste;
 - b to align with the Welsh Government's waste policy of maximising recycling;
 - c to demonstrate that project teams had the required capability and capacity to procure and manage the projects; and
 - d to develop a risk management strategy aiming to transfer risk to the party most suitable to manage it.
- 1.3 The choice of technology was particularly important. As outlined in **Towards Zero Waste**, the Welsh Government recommended that food waste projects utilise anaerobic digestion technology (Figure 5). For projects supported through the Programme, these anaerobic digestion plants must produce renewable energy/fuels and a high quality digestate⁸ to PAS110 standard⁹ that can be used as a soil improver or fertiliser.

⁸ Digestate is a nutrient-rich substance produced by anaerobic digestion that can be used as a fertiliser.

⁹ The British Standards Institute PAS100 standard is a specification against which producers can verify that digestates are of consistent quality and fit for purpose.

1.4 Residual waste projects are required to use high-energy-efficient technology classified to the EU's R1 standard (Figure 6). This means the facility must be classified as 'energy recovery' rather than 'waste disposal'. The Welsh Government's requirement for PAS110 and R1 status for waste infrastructure projects supported by direct government funding is unique among UK governments¹⁰. The three residual waste projects elected to use energy-from-waste technology. Energy-from-waste technology is more suited to achieving R1 status than alternatives such as mechanical biological treatment¹¹ which provides an incomplete solution, producing further residual waste which requires treatment.

10 If facilities lose the required PAS 110 or R1 status, the Welsh Government has the right to withdraw funding until issues are resolved. Contracts include process for rectification.

11 A mechanical biological treatment system is a type of waste processing facility that combines a sorting facility with a form of biological treatment such as composting or anaerobic digestion.

Figure 5 – how anaerobic digestion works

Anaerobic digestion is a series of biological processes in which microorganisms break down biodegradable material in the absence of oxygen. Although the process produces greenhouse gases, they are not released to the atmosphere. These gases are combusted to generate electricity and heat or processed into renewable natural gas and transportation fuels.

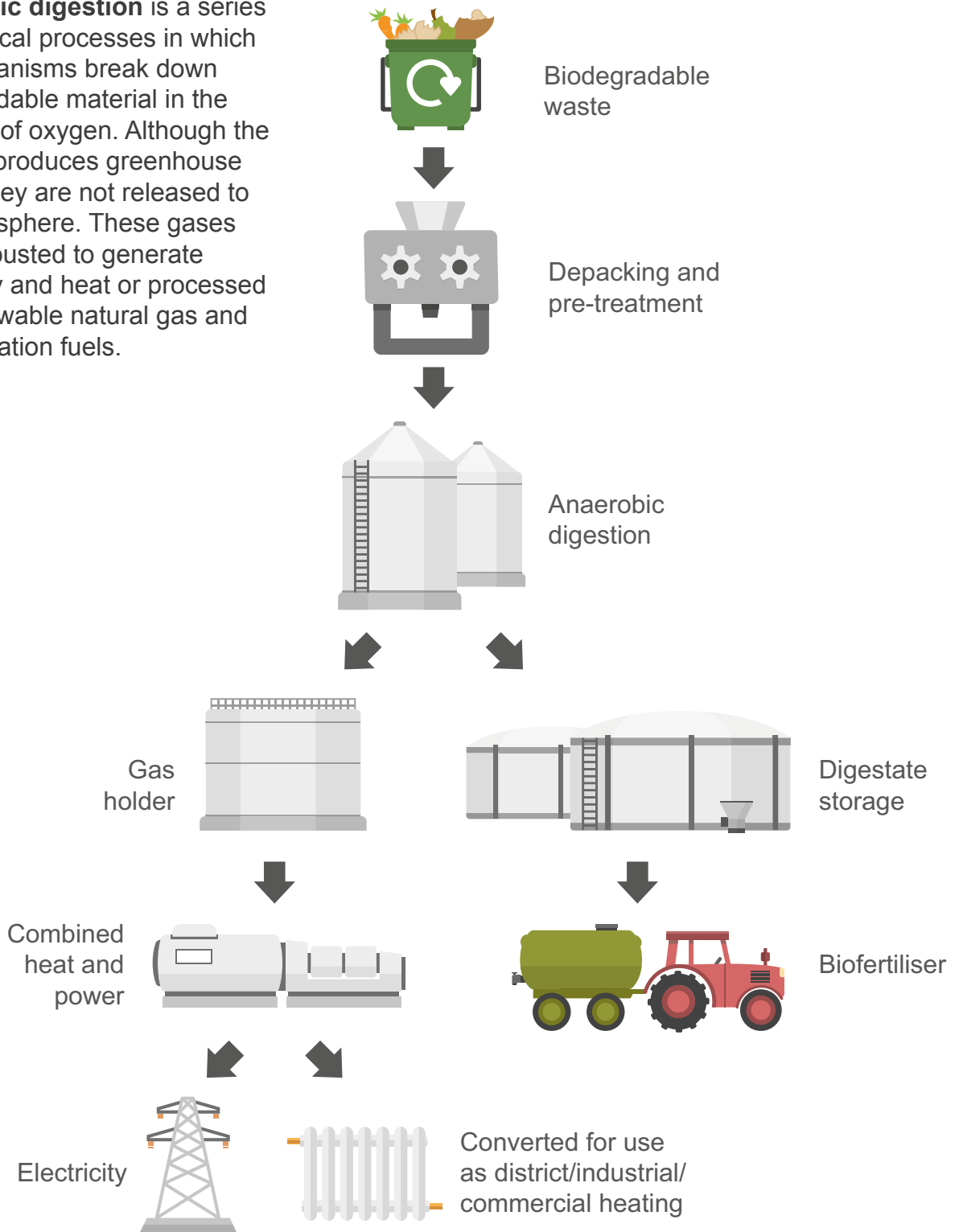
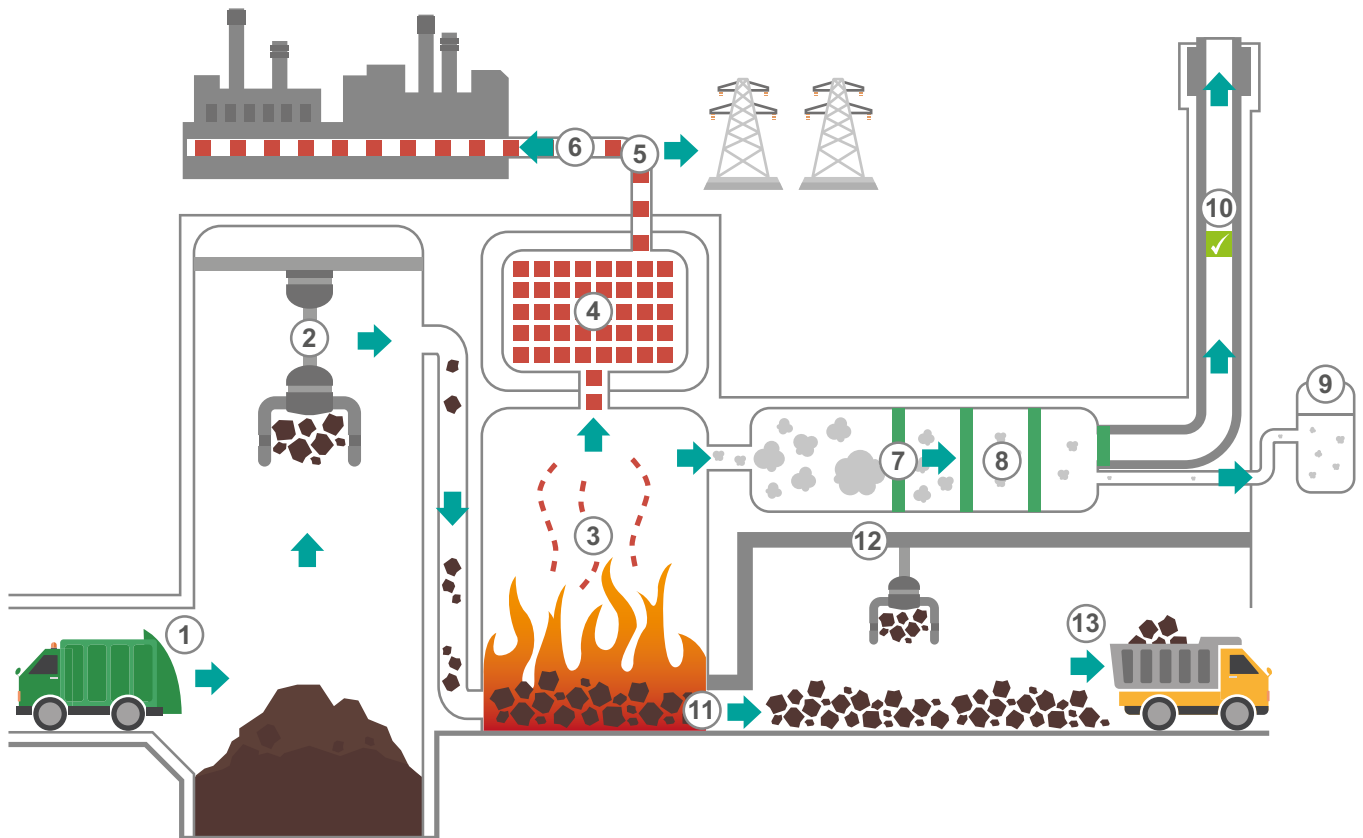


Figure 6 – how energy from waste works



- 1 Residual waste is left on the kerbside and collected and transported by councils to the energy from waste facility.
- 2 The waste is fed into the incinerator.
- 3 It burns at temperatures over 850°C.
- 4 Heat enters a boiler to produce steam.
- 5 Steam powers a turbine that generates electricity for homes and businesses.
- 6 Excess heat can be piped to neighbouring buildings for heating.
- 7 Harmful gases are removed.
- 8 Particles are filtered.
- 9 Material collected by the air clean up system is sent for treatment.
- 10 All emissions are monitored to meet strict environmental standards.
- 11 Ash is collected at the bottom of the incinerator.
- 12 Magnets remove any remaining metals for recycling.
- 13 Ash left over can be used in construction projects such as new roads

For an operator to classify its residual waste facility as meeting the EU's R1 standard, it has to ensure that its plant is an energy recovery facility rather than a waste disposal facility. Specifically:

- the combustion of waste must generate more energy than the consumption of energy by the process itself;
- the greater part of the waste must be consumed during the operation;
- the greater amount of the energy generated must be recovered and used (either as heat or electricity); and
- the waste must replace the use of a source of primary energy (such as coal or gas).

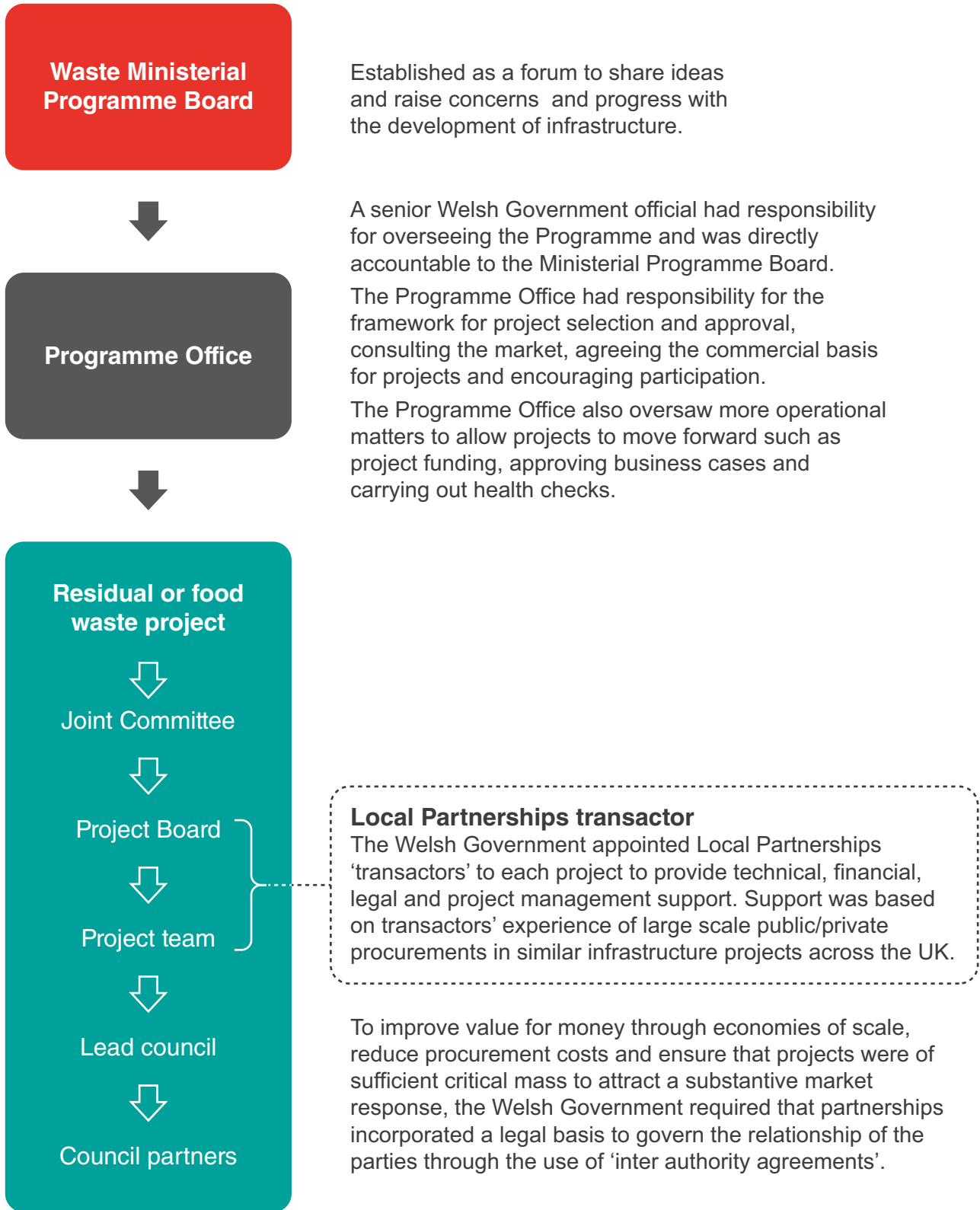
The Welsh Government managed the Programme well, with a clear emphasis on collaboration

There was a clear and structured programme management approach and the Welsh Government made good use of specialist expertise

- 1.5 To manage what was a large and complex Programme, the Welsh Government developed a clear structure and approach (Figure 7). The Welsh Government did not have the necessary technical, commercial, legal and financial skills and capabilities to manage the Programme by itself. It brought in Local Partnerships¹² secondees to set up and run a Programme Office. The Programme Office provided expert support to the Welsh Government and councils on topics such as planning, finance, contracting, programme management and commercial issues, while ensuring that projects were aligned with policy. Local Partnerships also had the remit to ensure that, as far as possible, the Welsh Government was investing wisely and that projects were deliverable.

12 Formed in 2009, Local Partnerships is now jointly owned by HM Treasury, the Local Government Association in England and the Welsh Government (the Welsh Government took a 5% stake in the company from January 2018). It works across numerous policy areas such as energy, waste, housing, assurance, health, finance and to help the public sector deliver at the local level supporting the delivery of investment in local infrastructure and local services.

Figure 7 – governance structure of the Waste Infrastructure Procurement Programme



- 1.6 Welsh Government officials consider that the programme and project-level support provided by Local Partnerships was essential in facilitating the overall management of the Programme and individual procurements. Participating councils also highly valued Local Partnership's project support. In the 10 years from April 2008 to March 2018 the cost of this support to the Welsh Government was £6.4 million.
- 1.7 The Welsh Government and councils particularly valued Local Partnerships' procurement advice and the resolution of complex technical and financial issues, using experience from other UK waste infrastructure projects. Local Partnerships also provided specific training sessions for council officers on procurement, negotiation skills, contract management and anaerobic digestion technology.
- 1.8 The procurement phase of Programme ended on 31 March 2018. Partner councils have indicated their wish for the Welsh Government to secure a call-off contract with Local Partnerships to help deal with any complex commercial or contractual issues that may arise during the operational phase of projects. In response to this call for continuing support, the Welsh Government has agreed a new package of work with Local Partnerships for ongoing commercial support for operational projects. The work started in April 2018 and contracts are on a yearly rolling basis. The Welsh Government budgeted £0.9 million for the work in 2018-19, but is expecting to spend considerably less. This work will include continued focus on achieving best value for money and council contract management support as well as developing projects for additional treatment infrastructure.

The Welsh Government emphasised that partnerships between councils would improve value for money through economies of scale and attract more interest from the private sector, although there were difficulties in some cases

- 1.9 The Welsh Government was more likely to provide support for both food and residual waste projects where councils came together to form partnerships. Overall, there are ten projects across the programme involving 19 councils. Nine of the projects are partnerships involving more than one council¹³. The only councils that have not taken any part in the Programme are Carmarthenshire, Neath Port Talbot and Wrexham.
- 1.10 There are currently seven food waste projects, all of which are operational and three residual waste projects, two of which are operational ([Appendix 2](#)). Two residual waste partnerships in South Wales, Prosiect Gwyrdd and Tomorrow's Valley, use the same facility at Trident Park, Cardiff. The other residual waste facility in North Wales is currently under construction. The only single council project is Prosiect GwryAD, a food waste project run by Gwynedd Council. Gwynedd Council decided that, taking into account transport costs, it would be better value for money to procure a local facility rather than join with the North-East Wales food waste project. The Welsh Government approved this decision.
- 1.11 The original South West Wales food waste project, which involved Bridgend, Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea councils, was stopped in 2013. The preferred bidder pulled out for 'commercial reasons' just days before it was expected to sign the contract. This resulted in abortive costs of around £3 million across the five councils involved, including costs incurred by the councils and the Welsh Government's contribution. Post project evaluation suggested there was nothing the Welsh Government or councils involved could have done to reverse the bidder's commercial decision.
- 1.12 The failed South West Wales procurement meant that some councils lost their appetite to reinstate the partnership. Swansea and Bridgend councils have since established a separate food waste partnership through the Programme. Pembrokeshire County Council joined the Central Wales food waste partnership established by Ceredigion and Powys councils.

¹³ Part 2 of this report describes arrangements that some councils have made for residual and/or food waste treatment outside of the Programme.

- 1.13 The same company involved in the failed South West Wales procurement also pulled out of the original Heads of the Valleys food waste project in early 2014, in the latter stages of the procurement process. The project resumed later in the year with the inclusion of Monmouthshire County Council who were not previously part of the project. However, Caerphilly County Borough Council withdrew from the project because it thought it could get better value for money by continuing to use a facility located in the county. Overall the Welsh Government contributed around £2 million to the procurement of the original project and its successor¹⁴.
- 1.14 The failed South West Wales food waste procurement was also the main reason why the same five councils suspended a South West Wales regional residual waste project in the very early stages. The councils have made their own interim arrangements until they can find a long-term solution. The terminated project resulted in procurement costs of around £0.5 million¹⁵. Councils rejected the residual waste project for the following reasons:
- a their perception that there was insufficient waste to attract market interest for a facility; and
 - b that existing residual waste treatment arrangements were not aligned with each other and that it would take several years for all of the councils in South West Wales to be in a position to look for a joint long-term solution.
- 1.15 However, in early 2018, Bridgend, Carmarthenshire, Ceredigion, Pembrokeshire, Powys and Swansea councils restarted a collaborative process to explore if there is now private sector interest to manage a residual waste facility serving the area¹⁶. The outcome could take the form of a new facility within the area or merchant capacity elsewhere. This would take several years to come to fruition, but the Welsh Government is jointly funding a project scoping exercise and will support the partnership with early market engagement. The councils have updated some of the early work on the previously suspended project to use on the current project.

14 We do not know the costs incurred by councils.

15 Some of the costs were incurred before the establishment of the Programme.

16 Earlier in the Programme, Powys and Ceredigion councils had explored options for a joint residual waste project but this did not proceed past the early stages of development.

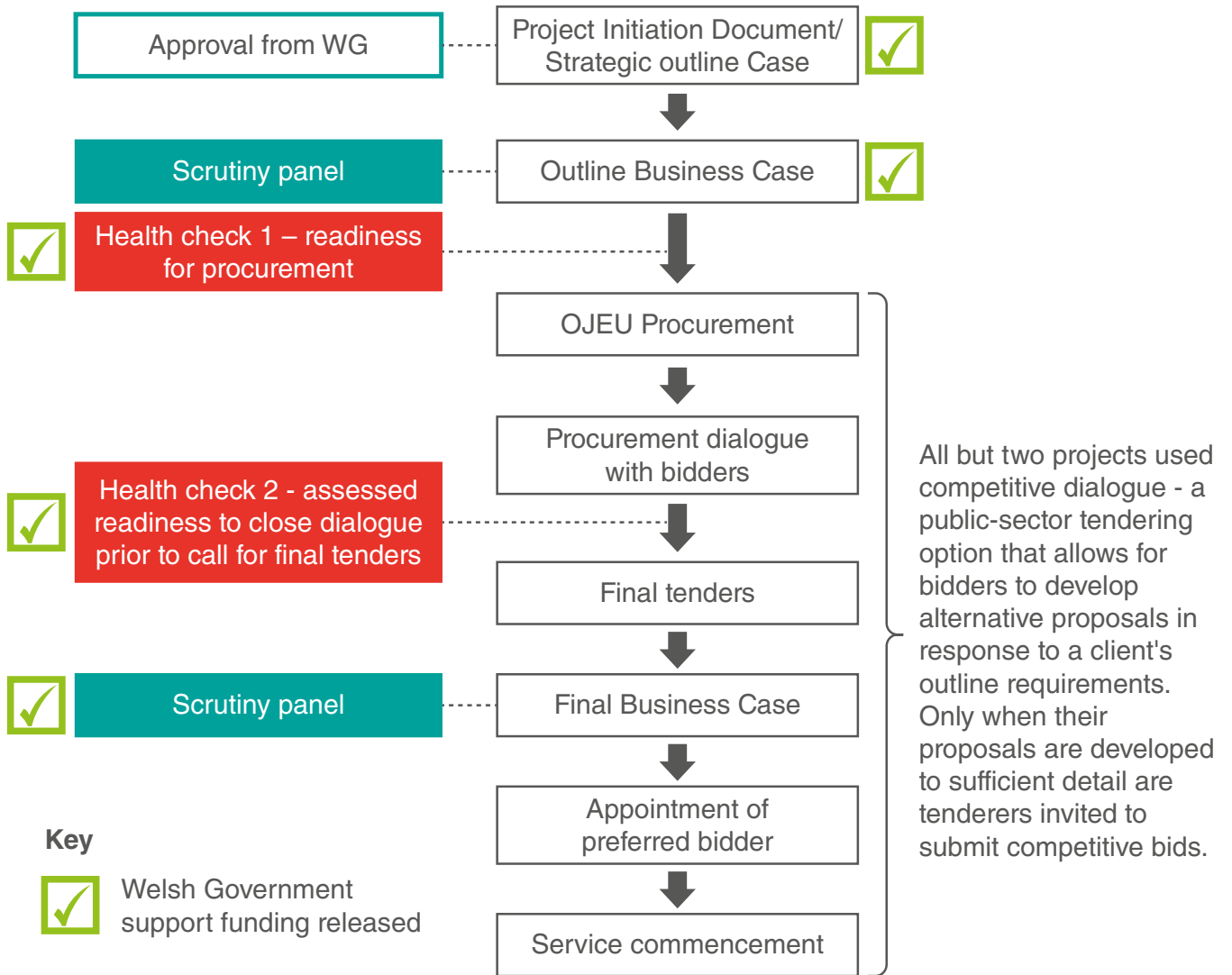
- 1.16 The Welsh Government required partnerships to enter into binding Inter Authority Agreements to establish councils' respective rights and obligations during initial project development. As part of the Full Business Case approval process, the Welsh Government also required a second binding Inter Authority Agreement to establish their respective rights and obligations during the contract lifetime. A 'lead authority' for each project took on the role of signatory for the contract with the private sector provider. The other councils in the partnership contracted with the lead council to use capacity at the facilities.
- 1.17 The Welsh Government's Programme Office considered that Inter Authority Agreements generally worked well. However, there were examples where individual councils failed to meet their obligations with each other. Examples included delays agreeing an equitable and fair distribution between partners of the costs of transporting waste to facilities. Some councils also failed to provide the level of staff resource anticipated by the Inter Authority Agreement. In these cases, the shortfalls in staff resources were covered by other partners. Nevertheless, this led to project delays while cover was arranged.
- 1.18 The partnerships' governance arrangements varied according to the organisational composition of the individual councils, the preferences of the lead authority and matters specific to a particular partnership. However, all projects had a project board with representatives from each partner council Local Partnerships and a joint committee made up of members from each partner council. The joint committee would usually determine issues not delegated to project boards. It was typically the key decision-making body, subject only to specific decisions delegated to each partner council.

The Programme used a consistent and rigorous project management approach, which worked well generally despite some councils' limited experience

- 1.19 The Welsh Government required that all residual and food waste projects under the Programme followed the same project development, procurement and quality assurance process. The Welsh Government based the project development process on the widely used Five Case Business Model¹⁷. The Welsh Government also specified that partnerships should procure projects using the competitive dialogue process (Figure 8).
- 1.20 The Welsh Government's decision to adopt the Five Case Model across all projects met with a mixed response from participating councils. Most councils found the process useful. However, for some it was a new experience, which meant a steep learning curve. Some councils felt that the amount of work needed to comply with the process for food waste projects was unwarranted given their size relative to the scale and cost of the residual waste projects. The Welsh Government's view was that councils were still entering into long-term (15 year) service contracts with many of the same types of risks associated with the residual waste contracts.
- 1.21 The Welsh Government aimed to adopt a flexible and proportionate approach. Some partnerships wanted to follow the Welsh Government's summary guidance for using the Five Case Model, which recommends that smaller, less complex proposals can be developed using a single business case rather than an iterative approach. The guidance allows this approach where 'firm' prices are available from a pre-competed arrangement, including framework contracts, but not for projects that are novel or contentious.

17 The Five Case Model provides a framework and tools to enable effective project development and decision making when scoping and planning spending proposals in a robust and thorough manner and can be used at the strategy level, the programme level and individual project level. Its use should always be proportionate to the level at which it is being applied as well as the cost and risk associated with the investment. The five cases are: strategic, economic, commercial, financial and management.

Figure 8 – project development, procurement and quality control process for the Waste Infrastructure Procurement Programme



Notes:

- 1 Health checks assess whether project s remain deliverable, affordable and in line with previously approved objectives.
- 2 Scrutiny panels made up of Welsh Government officials from a range of different departments approved the Outline Business Case and Final Business Case.
- 3 The final two projects, Heads of the Valleys and South West Wales food projects used the Competitive Procedure with Negotiation process. Competitive Dialogue with Negotiation allows for negotiations after tenderers have submitted formal bids. However, it requires that greater articulation of minimum requirements at the point of inviting tenders.

- 1.22 In practice, the Welsh Government viewed all projects in the Programme as novel and potentially contentious because of the use of new technology, long-term contracts and the use of energy from waste technology for residual waste. The Programme Office emphasised to us its view that using the full Five Case Model process was necessary to better manage risk and ensure robust project development.
- 1.23 The procurement process was largely successful, notwithstanding the issues that led to the termination of the original South West Wales projects ([paragraph 1.11](#)) and the initial plans for the Heads of the Valleys food waste project. Each procurement received a good initial market response with the number of bidders reducing as the process progressed, as is customary in a Competitive Procedure with Negotiation process. Some partnerships eliminated bidders because they did not meet criteria and others dropped out for commercial reasons. At the time for submitting final tenders, four projects had only one bidder remaining. In all four cases, to maintain a sense of competition, councils did not tell the remaining bidder that they were the only organisation left in the process.
- 1.24 There were no legal challenges from any unsuccessful bidders. However, Local Partnerships considers that the concern about the potential for a procurement challenge led in some cases, to partnerships being overly risk averse.
- 1.25 All facilities used by the partnerships under the Programme received planning consent for proposed food and residual waste treatment facilities without major issues. In contrast, a National Audit Office review¹⁸ of three major waste projects in England found that the three projects it examined all experienced significant delays resulting from a range of problems. In particular, the report noted difficulties in obtaining planning permission with opposition from local groups, complex commercial considerations and uncertainties over technology. Local Partnerships, the Welsh Government and councils were able to draw on lessons learnt from Defra sponsored projects.

18 National Audit Office, [Oversight of three PFI waste projects](#), June 2014.

- 1.26 However, the Welsh Government took the decision to include R1 status (paragraph 1.4 and Box 2) as a condition for supporting residual waste projects several months after it issued the standard form of contract. Because this accreditation is not a condition of funding for waste projects outside of Wales, bidders for the residual projects were unfamiliar with the condition imposed and had to become comfortable with the proposed management of this risk. Local Partnerships' view was that the positive relationships that had developed between the bidders and project teams helped negotiations. Nevertheless, the negotiations required additional procurement time and cost.
- 1.27 The average time from the Welsh Government's approval of the outline business case to operation for the seven operational food waste projects was just under four years¹⁹. The length of time of time taken was mainly due to:
- a the highly technical nature of the projects and the need for detailed negotiation with bidders to find the right solution;
 - b the councils and bidders using an unfamiliar procurement process;
 - c council officers being unavailable to make key decisions; and
 - d bidders needing to secure funding to enable construction of facilities.
- 1.28 For similar reasons to the food waste projects, the time taken from the Welsh Government's approval of the outline business case to operation for the three residual waste projects averaged more than four years. In the case of the North Wales Residual Waste Treatment Project, procurement took six years, for reasons including:
- a there were two original sites made available for bidders, one on Anglesey and a site in Deeside. The favoured site on Anglesey was withdrawn by the owners and the partnership had to allow bidders to move their bids to the other site;
 - b a change in ownership for one of the bidders resulted in changes to their proposed finance model;
 - c land use restriction issues;

¹⁹ Projects did not set target times. The longest project from the Welsh Government's approval of the outline business case to delivery was the Cardiff Organic project which took five years and four months. The shortest was Central Wales which took two years and five months.

- d the requirement to maintain dialogue with seven bidders during the early stages of procurement; and
- e withdrawal of one of the two bidders at the final procurement stage and managing the risks of continuing the process with one bidder.

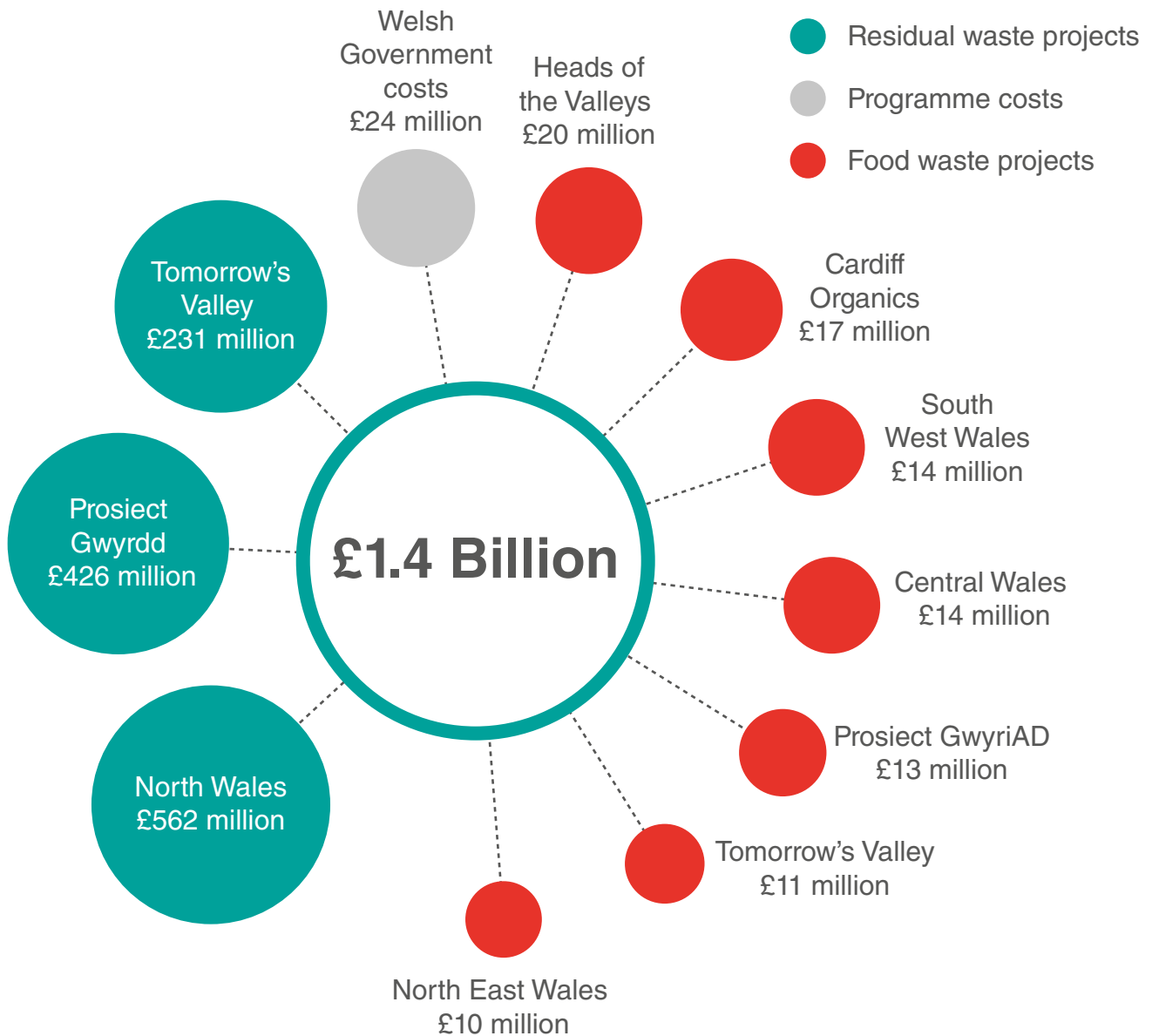
1.29 As part of the approval process, the Welsh Government reserves rights so that once projects are operational, councils inform them of any change to a contract or the risk profile. The Welsh Government also has the right to require regular meetings with councils to establish the progress of the project against projections. However, there is no current requirement for partnerships to provide any management information on the on-going total costs and the amount of waste going through facilities. The Welsh Government is working with Local Partnership transactors on an agreed method to obtain from partnerships annual information on cost, tonnages of waste and any operational issues.

The total cost of the Programme is projected to be in the region of £1.4 billion to 2044-45, which is lower than initial estimates but will depend on the amount of waste that needs treating

The Welsh Government expects to contribute around £342 million to the projected £1.4 billion cost, making waste treatment capacity more affordable for councils and with these costs lower than initial estimates

1.30 The estimated total cost of the Programme to the public sector until the end of the last remaining contract (in 2044-45), will be in the region of £1.4 billion (Figure 9). These estimates are based on waste volumes in final business cases for all projects. Based on these figures, the residual waste projects will account for 90% of the expenditure, food waste projects 8%, with the Welsh Government's programme costs totalling 2%.

Figure 9 – projected Waste Infrastructure Procurement Programme costs, to 2044-45



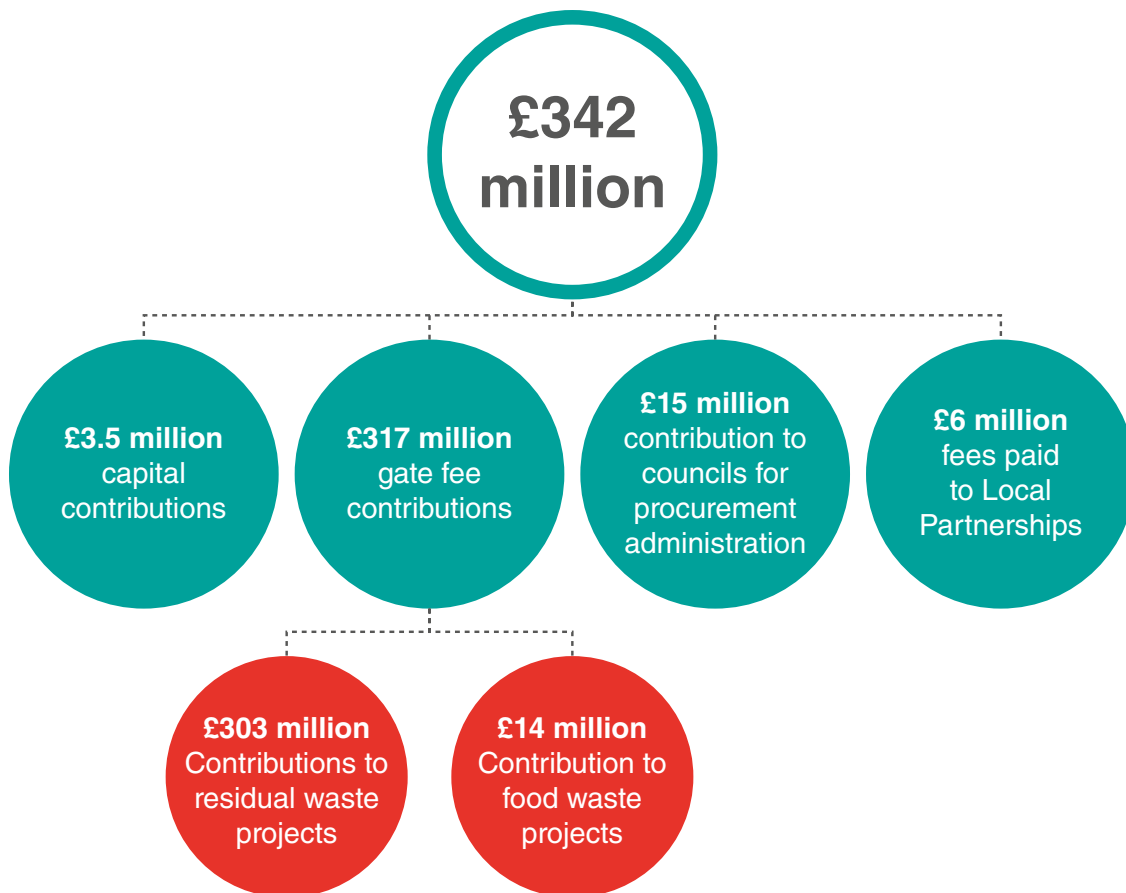
Notes:

- 1 Residual waste projects have a duration of 25 years, food waste projects 15 years. Contributions for gate fees started in 2013-14 and will continue until 2044-45. Welsh Government contributions to individual projects are included in the costs for each project. Welsh Government funding is broken down in **Figure 10**.
- 2 Project costs include revenue (gate fee contributions and procurement contributions) and capital contributions from the Welsh Government.

Source: Welsh Government (project business cases)

1.31 The Welsh Government is expecting to invest in the region of £342 million over the lifetime of the Programme, the majority of which (£317 million – 93%) is gate fee contributions for individual projects (Figure 10). The Welsh Government’s financial support is mainly in form of a fixed contribution towards gate fees. The Welsh Government’s fixed contribution is based in most cases on 25% of the overall gate fees estimated in projects’ final business cases, and 15% where the Welsh Government has made a capital contribution (Box 1). The Welsh Government contribution towards gate fees is spread evenly through the life of the contracts. These contributions will make projects more affordable for participating councils. The Welsh Government’s investment is significantly less than the £484 million over the lifetime of the programme estimated in projects’ outline business cases. Overall, the gate fees of the projects in the programme are estimated to cost councils and the Welsh Government £850 million less than early estimates made in outline business cases.

Figure 10 – the Welsh Government’s expected financial contribution to the Waste Infrastructure Procurement Programme, to 2044-45



Source: Welsh Government

1.32 Welsh Government funding for the residual waste projects will cease after 2044-45 when the North Wales project ends (Figure 11). Funding for the food waste projects will end in around 2032-33 at the end of the Heads of the Valleys project.

Figure 11 – the Welsh Government’s expected financial contributions to gate fees for residual waste projects



Note:

The figures on the graph are based on information from the Welsh Government provided in early 2018. The Welsh Government’s actual contribution to the North Wales project will depend on exactly when in 2019/20 the facility starts accepting waste (currently scheduled for April / May 2019). Similarly, the contribution in 2044-45 will depend on exactly when the contract ends.

Source: Welsh Government

- 1.33 The Welsh Government also contributed to projects' procurement costs. The average Welsh Government contribution across all projects was £1.2 million. The highest contribution was £2 million for the failed South West Wales food waste project (13% of all Welsh Government procurement contributions). The average Welsh Government contribution to procurement costs for the three residual waste projects was £1.5 million²⁰.
- 1.34 The Welsh Government also provided £3.5 million of capital funding across three food waste projects: Prosiect GwyriAD, North East Wales and Tomorrow's Valley. The funding was for facilities that would revert from private sector ownership to council ownership at the end of the contract. The facility under construction for the North Wales residual waste project will also revert to council ownership at the end of the 25-year contract, but did not receive capital funding from the Welsh Government. The Welsh Government is of the view that the existing food waste facilities will continue to operate after the end of the contracts, whereas technology for dealing with residual waste is more likely to evolve, potentially negating the need for these facilities in the future²¹.

The estimated cost of each project is based on a projection of the amount of waste that will require treatment, but this is inherently uncertain

- 1.35 The projects have determined the costs for both the residual and food waste contracts using a projection that models the amounts of waste that they consider will be produced in each year of the contracts. Projections take into account considerations such as predicted changes in population, economic growth, consumer behaviour, changes in retailer materials use, legislation, waste minimisation initiatives, recycling performance and changes in the commercial waste market.
- 1.36 We found that partnerships used the best available data for future waste projections when they developed their final business case. In addition, when independent Local Partnerships transactors assessed each project's final business case, they determined that each project had undertaken sufficiently detailed scrutiny of the modelling assumptions. However, as these contracts are either 15 years or 25 years in length, any projections are inherently uncertain.

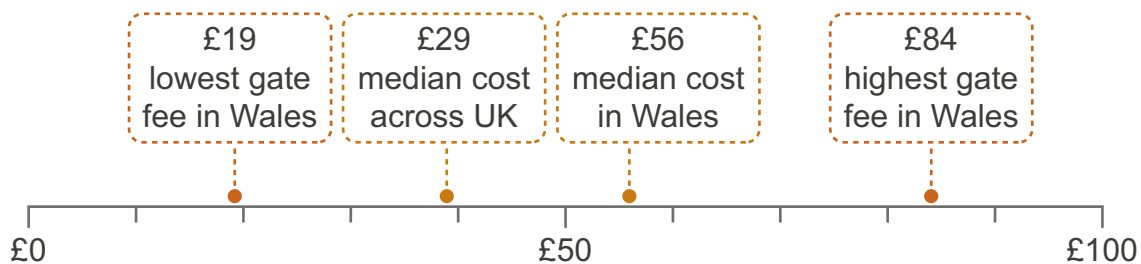
²⁰ The Welsh Government also contributed £0.5 million towards the procurement costs for the suspended South West residual project (paragraph 1.11) and £40,000 to a Central Wales residual project. The Central Wales residual project did not progress past the early stages of development because best value for money was proven to exist with a joint project with the South West Wales Residual Waste Partnership.

²¹ The Welsh Government's capital contribution to the three waste projects was part of the Strategic Capital Investment Framework (SCIF). The SCIF was a central framework for capital investment across all public services in Wales and operated over three years from 2008-09.

In general, gate fees per tonne for food waste projects are higher than the rest of the UK, although they are costing less than anticipated in early estimates

- 1.37 Gate fees for the food waste projects range from £19 per tonne to £84 per tonne (Figure 12). In their June 2017 analysis of gate fees for the calendar year 2016²², the Waste and Resources Action Programme (WRAP)²³ reported that the median cost for anaerobic digestion waste treatment across the UK over the calendar year 2016 was £29 per tonne.
- 1.38 The median cost for food waste projects in the Programme is £56 per tonne, which is the same for all projects including those outside the Programme. The higher cost in Wales compared to the rest of the UK is because at the start of the Programme, the projects and facilities were relatively small reflecting that there was little market at the time for anaerobic digestion projects in Wales. There are various other factors which determine the gate fee including, where relevant, transportation costs.

Figure 12 – cost per tonne of food waste treated in the Waste Infrastructure Procurement Programme projects in 2016



Source: WRAP, Welsh Government and individual projects

22 Waste and Resources Action Programme, **Gate Fees Report 2017: comparing the costs of waste treatment options**, July 2017.

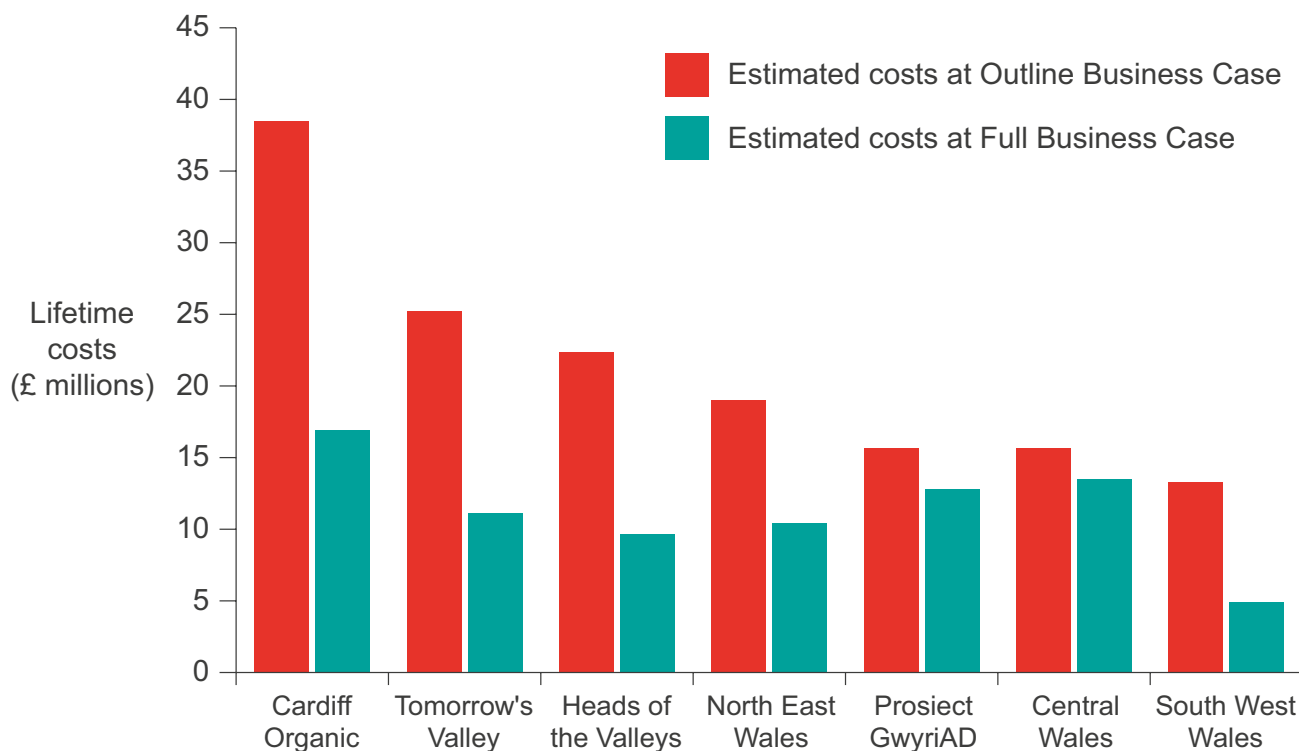
23 WRAP is a registered charity. It works with businesses, individuals and communities to achieve a circular economy through helping them reduce waste, develop sustainable products and use resources in an efficient way.

1.39 For all food waste projects, the estimated whole-life project costs at the final business case stage is less than estimated at the outline business case stage (Figure 13), based on the same waste projections. In three cases, the costs estimated at the final business case stage were significantly less. According to the Welsh Government, reasons for this include:

- a partnerships were able to maintain competitive tension between bidders and due to well-managed, effective dialogue and procurements.
- b economies of scale, through partnership working.
- c there were market changes between the time when most partnerships developed outline business cases and final business cases. For example, as developers built more food waste facilities, they needed enough food waste to ensure that they operated as efficiently and economically as possible. This meant that bidders were offering lower gate fees for the treatment of food waste than at the start of the Programme when there were fewer facilities and less competition.
- d early outline business cases were based on Design Build Finance Operate²⁴ solutions where the construction costs would be effectively paid off by councils over the contract term. However, six of the winning solutions were 'merchant' facilities meaning that the gate fees were lower. The reason for this was that the lifespan of these facilities were longer than the council's contract terms and so the development of facilities could be paid off over a longer period.
- e merchant facilities were built with capacities larger than those needed to only treat municipal waste. This benefitted councils with further economies of scale, as fixed costs could be apportioned over greater tonnages processed (unit cost per tonne was lower).

24 The private sector party assumes the entire responsibility for the design, construction, finance, and operate the project for the period of concession.

Figure 13 – the estimated costs of the Waste Infrastructure Procurement Programme food waste projects at outline business case and full business case



Source: Project business cases

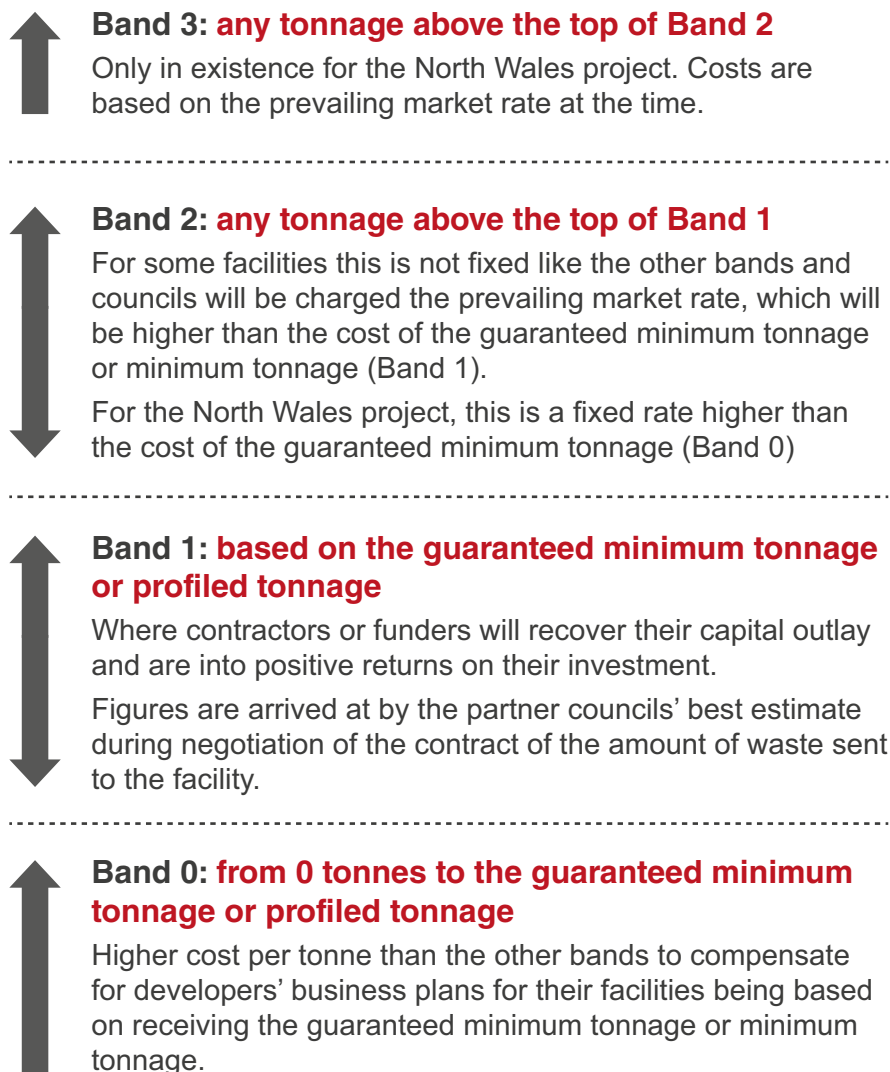
Gate fees per tonne for two of the three residual waste projects compare favourably with similar projects across the UK, and are significantly less than anticipated in early estimates

1.40 The treatment costs for the North Wales and Prosiect Gwyrdd residual waste projects are determined by the use of gate fee ‘bands’²⁵. These bands are based on the amount of waste sent to facilities (Figure 14). The starting point is the minimum amount of waste councils are obliged to deliver or pay for, based on councils’ best estimates of what they will be sending to the facility²⁶. The gate fee structure for the Tomorrow’s Valley project is a fixed rate per tonne with no bandings and no defined minimum tonnage levels.

25 Blended gate fee is the single averaged gate fee figure of all bands that is worked out based on the tonnage input.

26 Where this report refers to ‘gate fees’ for the Prosiect Gwyrdd and North Wales residual waste projects it refers to the blended gate fee. Given that there potentially four different gate fees dependent on tonnage throughput through a facility, decision makers use the ‘blended gate fee’ to simplify gate fees into one averaged figure.

Figure 14 – cost bands for the North Wales and Prosiect Gwyrdd residual waste projects



Note:

The wording of the Prosiect Gwyrdd contract guarantees a minimum payment rather than a guaranteed minimum tonnage although the principle is the same.

- 1.41 WRAP's June 2017 analysis of gate fees across the UK (paragraph 1.37) reported a median cost for post-2000 energy from waste facilities as £91 per tonne. Two of the Welsh residual waste projects fall below the median, with one significantly above because it is a smaller project²⁷.
- 1.42 Local Partnerships provided us with a separate analysis comparing gate fees for the three Welsh residual waste projects with 22 similar Defra-sponsored projects in England²⁸. The analysis showed that:
- a the three Welsh projects are within the range of the Defra projects, with two towards the lower end of this range of gate fees;
 - b one of the Welsh projects is the fourth lowest cost in England and Wales, and another is the seventh lowest cost;
 - c the other Welsh project is the ninth highest cost project in England and Wales and the third highest cost of all energy from waste projects compared²⁹; and
 - d on average and when landfill taxation is included, the cost of residual waste disposal through the three Welsh projects is less than the cost would be if the same waste was disposed to landfill³⁰.
- 1.43 The overall estimated lifetime costs of the residual waste projects is on average 41% less than estimated at the outline business case stage (Figure 15). As was the case with the food waste projects, the Welsh Government is of the view that residual waste projects are benefitting from better economies of scale than expected at the outline business case. The facilities are also predicting higher than expected income both from treating more waste than anticipated from third parties and electricity generation. This helped partnerships negotiate lower gate fees.

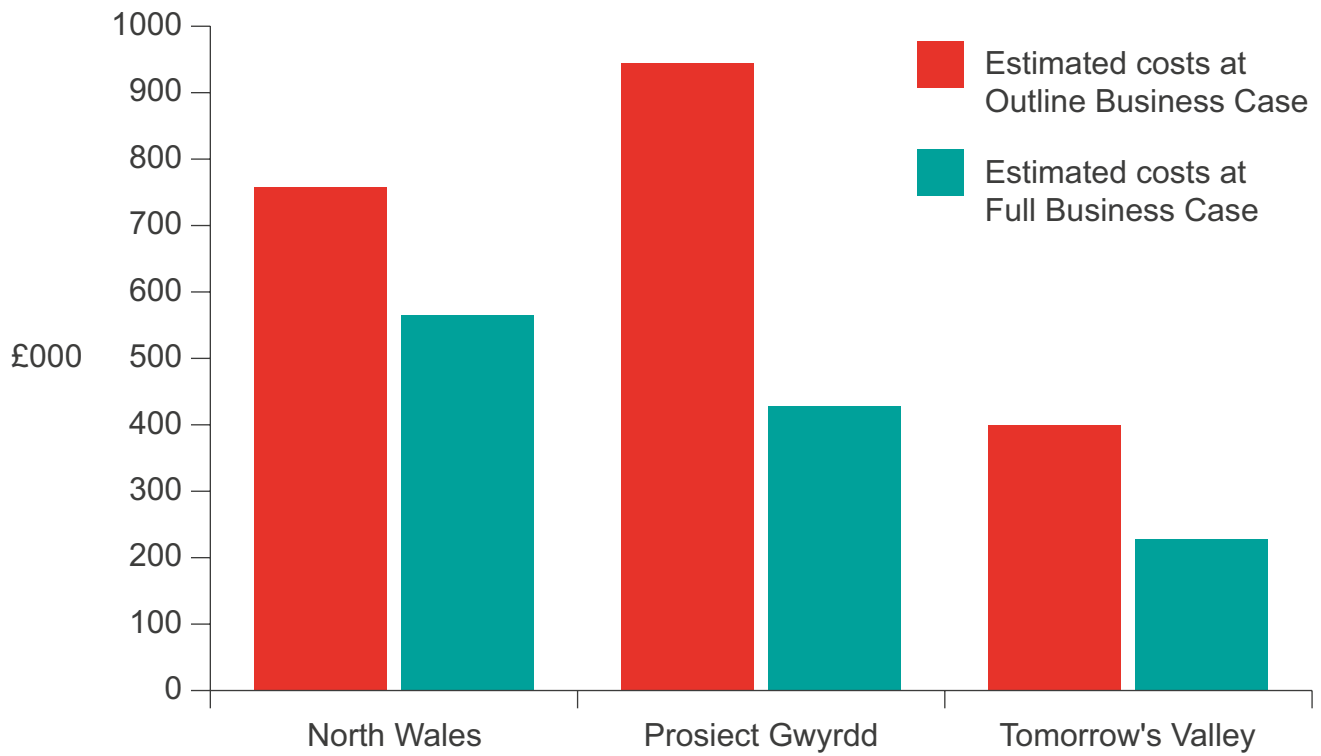
27 We have not provided the same level of analysis for the residual waste projects as food waste projects because there are only three projects which are easily identifiable and gate fees are commercially confidential.

28 Local Partnerships were not able to carry out the same analysis for food waste projects.

29 Six of the nine higher cost projects use Mechanical Biological Treatment (MBT) rather than energy from waste. Mechanical Biological Treatment is a residual waste treatment process that involves both mechanical and biological treatment. MBT can be configured to achieve several different aims including pre-treatment of waste going to landfill; diversion of non-biodegradable and biodegradable municipal solid waste going to landfill through the mechanical sorting into materials for recycling, and/or energy recovery as refuse derived fuel (RDF).

30 Landfill tax is currently £88.95 per tonne for non-inert wastes, which is applied in addition to landfill gate fees, which for most councils vary between about £15 and £30 per tonne.

Figure 15 – the estimated costs of the Waste Infrastructure Procurement Programme residual waste projects at outline business case and at full business case



Source: Project business cases

Risks remain for residual waste projects in particular and the projections used as the basis for these contracts do not align well with the Welsh Government's overall aspiration of zero residual waste by 2050

- 1.44 Although most councils have found medium to long-term solutions for the treatment of their waste, risks remain. We identified particular risks around the treatment of residual waste based on two possible scenarios:
- a that councils collect and take for treatment a consistent and static amount of residual waste for the duration of their contracts, and the targets for waste reduction in Towards Zero Waste are not met; or
 - b the amount of residual waste that councils collect and take for treatment reduces by more than was envisaged when the contract was set up, leaving councils to pay for capacity that they are not using.

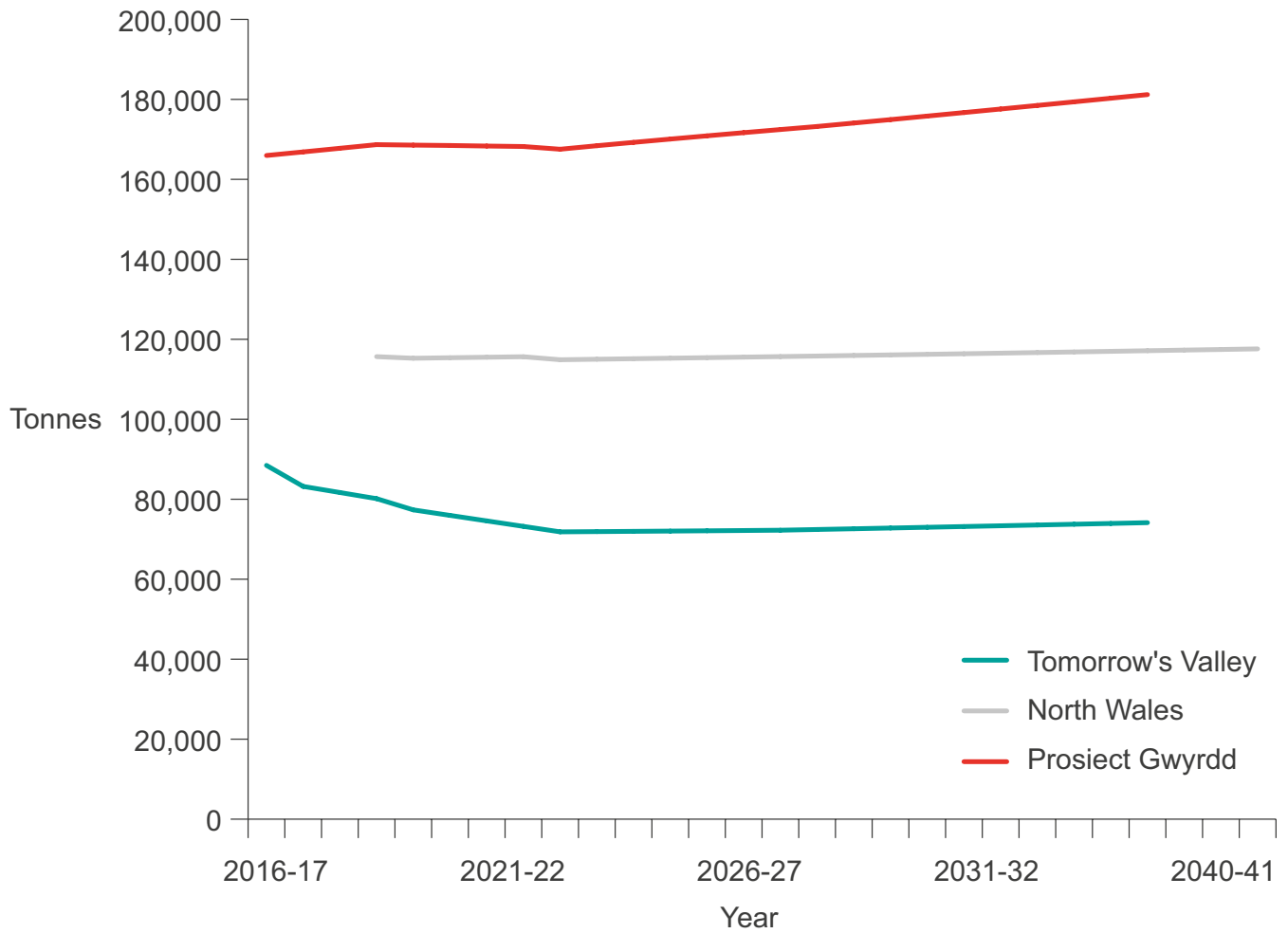
The Welsh Government aspires for there to be no residual waste by 2050 but projections for the three residual waste projects assume that councils will still need to treat significant volumes of residual waste beyond 2040

- 1.45 One of the aims of **Towards Zero Waste** is that there will be 'no residual waste' and 'no energy from waste' by 2050. The contracts for the three residual waste projects are due to end in 2040-41 (Prosiect Gwyrdd and Tomorrow's Valley³¹) and 2044-45 (North Wales).
- 1.46 If councils are to achieve zero residual waste, we would expect to see a gradual decline over the period to 2050. However, the final business cases estimate that the overall amount of residual waste across the three projects will increase through the lifetime of the contracts (**Figure 16**)³². Together these three projects cover 14 councils. The business cases assume that these councils will still need to treat some 372,000 tonnes of residual waste in 2040-41 (the final year of when all three contracts will still be live). This represents an increase of 8,000 tonnes from the first year that all three residual projects will be live in 2019-20. The projections for the North Wales facility do not anticipate any reduction in the amount of residual waste that will need treating right through to 2044-45.

31 Prosiect Gwyrdd and Tomorrow's Valley contract with the same private sector provider at Trident Park, Cardiff.

32 Waste per head may decrease, but councils are projecting increasing populations.

Figure 16 – projections of waste arising from residual waste partnerships



Source: Project business cases

1.47 There are many factors such as economic activity that influence the amount of waste arising. Consequently, it is not possible to predict with certainty the amount of residual waste that councils will generate, particularly towards the later stages of the waste treatment projects. Nevertheless, if these projections are accurate then something significant would have to occur beyond 2040 to reach zero waste across these council areas by 2050. There is therefore a clear and obvious disconnect between the aspirations of the Welsh Government's long-term waste strategy and the projections that provide the basis for the residual waste contracts.

Gate fee structures present certain financial risks for councils depending on the amount of residual waste they take for treatment

- 1.48 If there was a gradual reduction in residual waste arising over the duration of the contracts, the structure of project gate fees could result in councils paying higher gate fees per tonne. Prosiect Gwyrdd and the North Wales residual project have more complex contractual arrangements than the flat rate paid by the Tomorrow's Valley partnership. For the Prosiect Gwyrdd and the North Wales partnerships, if the amount of waste falls below the profiled tonnage or guaranteed minimum tonnage (Figure 14), councils will pay a higher gate fee per tonne. As noted in Figure 14, this minimum income to the contractor is to ensure that they recover their capital outlay.
- 1.49 To offset the risk of paying higher gate fees, both the Prosiect Gwyrdd and North Wales contracts, require the operators to use reasonable endeavours to secure alternative waste from elsewhere, for example from business, at the highest achievable price to make up the shortfall (known as 'substitute waste'). The gate fee the contractors secure for this waste aims to offset the shortfall in waste from the councils. If the substitute waste does not make up the shortfall, monthly reconciliation against projected waste will result in councils paying the higher gate fee (Band 0, as shown in Figure 14).
- 1.50 As noted in Box 1, the Welsh Government's contribution to gate fees has been fixed at either 25% or 15% of the overall fees estimated in projects' final business cases. This means that if a partnership sends more waste than they projected to their facility, they will receive a lower amount of Welsh Government funding per tonne sent for treatment.

Partnerships have successfully transferred some other risks to the private sector, but these long-term contracts do not include break-clauses

- 1.51 One of the key aims of the Programme when negotiating contracts was to transfer risk to the party most suitable to manage it. Examples of successful risk transfer in the operational projects include:
- a most of the projects negotiated gate fees that provide councils with a good degree of protection from increases in inflation. Across the seven projects that we know include protection from inflation, on average 66% of the gate fee is not subject to inflation. This level of protection from inflation may have been reflected in the overall fees negotiated but provides a degree of cost certainty. The remainder of the gate fee is either subject to changes in the retail price index only, or changes in a range of indices such as average weekly earnings. The Tomorrow's Valley residual waste project is the only project where the entire gate fee is subject to inflation. However, the council partners and the Welsh Government are confident that the contract is 'highly affordable' because of a reasonable gate fee and the Welsh Government's grant contribution.
 - b all of the operational projects have protection from potential decreases in electricity prices. All of the food and residual waste plants will generate electricity from their processes (Figures 5 and 6). The plant operator will either sell the electricity to the grid or to local businesses. Factored in to each partnership's gate fee structure is the cost of electricity sales. Fixing this value means that if electricity prices reduce, the private sector operator rather than the councils will bear the risk. However, if the contractor sells the electricity generated for a higher price, both the partnership and the operator share the financial benefit.
 - c as there no direct capital investment in the facilities by partnerships (Box 1), private sector operators have carried the risk of construction cost increases. Although most of the facilities are operational, the North Wales residual facility is still under construction placing the councils in the partnership at risk from time over-runs. Any delays in construction will lead to the councils in the North Wales partnership having to continue with their current arrangements for disposing residual waste for longer. Contractors also hold the risks associated with plant maintenance and wear and tear. If there were serious issues which resulted in reduced capacity this would have no effect on the partnership and the contractor would have to identify alternative temporary arrangements. The North Wales partnership considers this scenario highly unlikely as there are clear commercial incentives for the contractor to ensure the plant is running to its capacity.

- d council waste has priority over third party waste for all the projects. This means that unless there is a significant increase in waste arising, there should be sufficient capacity to treat waste at the contracted facilities.

1.52 Although contracts have made provision to transfer risk to the private sector, none include a break-clause³³. The Welsh Government has advised us that this is consistent with the majority of waste contracts across the UK. However, there are change clauses that would be invoked if the law changes. If a council or the contractor brings about a different change agreed by both parties, there would be a re-pricing.

1.53 The absence of break-clauses means that should new technologies become available, particularly in the case of residual waste, partnerships will not be able to take advantage of potentially more sustainable or better value-for-money solutions without significant financial penalties. Should private sector operators wish to upgrade their facilities they will bear the costs and potential risks.

1.54 Payment for waste treatment services starts on full contract commencement. In contrast, for three projects in England examined by the National Audit Office, the funding agreements required grant payments to start as soon as the private sector contractors began to provide services under the contracts, irrespective of whether all of the planned infrastructure had been delivered. This made it difficult for Defra to withdraw or amend its financial support for these contracts even when significant infrastructure had not been delivered as planned.

33 A break clause is a provision in a contract which enables either the contractor or the contracting body (or both) to end the contract early. It may arise on one or more specified dates or be exercisable during any time during the term (often after a specified period of time has elapsed).

Part 2

Several councils opted out of the Programme and have their own arrangements, but some still need to find alternatives to landfill for the longer term



- 2.1 The Programme was voluntary and several councils opted out. These councils are not receiving a contribution to their gate fees from the Welsh Government for the treatment of residual or food waste. This part of the report explores why councils opted out of the Programme and describes the alternative arrangements that these councils have for the disposal or treatment of their residual and food waste. We have not audited the detail of these alternative arrangements as part of this review. As noted in [paragraph 1.15](#), six of the councils mentioned below have restarted a collaborative process to explore if there is now private sector interest to manage a residual waste facility serving South West Wales.

Councils operating outside the Programme are generally incurring higher residual waste treatment costs and some are still reliant on landfill

- 2.2 **Wrexham County Borough Council** was well advanced in developing its own solution before the start of the Programme. In 2013, the Council signed a 25-year Private Finance Initiative waste management contract, which included a Mechanical Biological Treatment facility for residual waste with a capacity of 55,000 tonnes per year. The facility started to operate and to take the Council's waste in July 2015, and the contract will expire in March 2038. The gate fees for Wrexham's residual waste treatment facility are more than double the median cost of the residual projects under the Programme.
- 2.3 In March 2015, **Pembrokeshire and Ceredigion** councils signed a £48 million, 15-year framework contract with a private sector company to export their residual waste to overseas energy from waste facilities. Pembrokeshire was the lead council. The company processed the waste at Pembroke Dock and Lampeter to remove recyclable materials. The waste was then shredded, baled and wrapped at Pembroke Dock to create a Refuse Derived Fuel³⁴ and shipped to Scandinavia where it was used in high efficiency power stations to produce both electricity and heat for local households. The contract, which has since been cancelled ([paragraph 2.5](#)), was costing Ceredigion and Pembrokeshire less than disposing of the waste through landfill. However, it was higher than the median cost of the partnerships using energy from waste facilities under the Programme ([paragraph 1.41](#)). The councils believe they were paying higher costs due to the lack of economies of scale.

34 Fuel produced from various types of wastes such as municipal solid wastes, industrial wastes or commercial wastes.

- 2.4 In May 2017, Natural Resources Wales suspended the permit of the company Pembrokeshire and Ceredigion councils were using to export their residual waste from Pembroke Dock. At the same time, gate fees increased in Europe, partly due to currency exchange rates. Although the company whose permit was suspended could have transferred the waste from the two councils to an alternative port with a permitted storage facility, the additional haulage costs and increased gate fees meant that Pembrokeshire County Council viewed this option as financially unviable. Ceredigion County Council had favoured retaining the contingency arrangements until the permit could be reinstated as they believed this would be more cost-effective.
- 2.5 The contractor therefore put in place alternative contingency arrangements until the exporting arrangements satisfied Natural Resources Wales' permitting requirements. As this was not forthcoming, on 31 July 2018, Pembrokeshire County Council terminated the contract for exporting residual waste. Ceredigion County Council is currently sending its residual waste to landfill. Pembrokeshire County Council is sending its residual waste to landfill and to two UK energy from waste facilities.
- 2.6 **Carmarthenshire County Council** contracts with CWM Environmental, a council-owned company, to dispose of its residual waste. Until late autumn 2017, CWM Environmental transported some of Carmarthenshire's residual waste to the same company described above for exporting through Pembroke Dock, but under a separate contract. Following the suspension of that company's environmental permit, Carmarthenshire's residual waste is being sent to various energy from waste facilities around the UK, including a limited amount to Trident Park, Cardiff. Carmarthenshire County Council, through CWM Environmental, is currently discussing options for longer-term use of capacity at the Trident Park site.
- 2.7 Between April 2015 and May 2017, **Powys County Council** also diverted residual waste from its transfer station in Brecon for export through Pembroke Dock with the same private company described above but under a separate contract. The Council is currently disposing its residual waste at the Bryn Posteg Landfill Site in Llanidloes.

- 2.8 The process of exporting residual waste overseas did not comply with the European Union's requirements under the proximity principle. The proximity principle underpins the Welsh Government's approach to sustainable waste management. It means that waste should be disposed of or treated as close to the point of its generation as possible in order to reduce the environmental impact of transporting it and to ensure that those producing the waste take responsibility as far as possible for dealing with it. However, a study by consultants Eunomia for Pembrokeshire County Council found that the contract for exporting residual waste overseas had a lower carbon footprint and retained more money in the Welsh economy and created more jobs per £1 million spent than for some of the projects in the Programme.
- 2.9 Pembrokeshire County Council and Ceredigion County Council were two of the councils in south-west Wales facing issues with finding an alternative viable local solution (paragraph 1.14). Prior to awarding the contract for exporting residual waste overseas, Pembrokeshire County Council undertook an open procurement process on behalf of itself and Ceredigion County Council, but only received two bids from UK-based solutions, with the remaining five bids all being export based. The Council considers that this outcome reflected its geographical isolation and the very high road haulage costs compared with shipping costs to a port-based solution abroad. The tender had a strong emphasis on environmental benefits and the Council considered that the best environmental outcome was the export solution.
- 2.10 **The City and County of Swansea Council** currently sends its residual waste to Tir John Landfill, a site that it owns in Port Tennant, Swansea. The Council told us that it would seek a long-term solution for the disposal of residual waste after 2022, when it expects to send all residual waste to an alternative form of treatment. The Council says that to be able to close and to restore the Tir John landfill site, it needs to fill the remaining void capacity to create a suitable profile for the control of surface water. The view of the Council is that it should fill the void with residual waste, because in this way it will spend less than filling the remaining capacity with inert wastes and soils, as well as the additional costs of disposing or treating residual waste elsewhere. The Council considers that it can achieve this aim without exceeding its landfill allowance allocations to 2022.

- 2.11 **Bridgend** and **Neath Port Talbot** councils share the use of the Materials Recovery and Energy Centre at Crymlyn Burrows, Neath Port Talbot. Neath Port Talbot is the appointed 'Waste Disposal Authority' for Bridgend and the current appointment has nearly 11 years remaining. Neath Port Talbot County Borough Council owns the Crymlyn Burrows site, which is run by council-owned Neath Port Talbot (NPT) Recycling Ltd, a subsidiary of Neath Port Talbot Waste Management. The Council is currently in the process of winding-up the company and bringing the facility in-house to operate as a transfer station/depot only. Alongside this, a contract for the incineration of residual waste deposited at the Crymlyn Burrows site will be let at the earliest opportunity. Current gate fees are more than the median of the residual waste projects under the Programme.
- 2.12 The reason for the Programme was the need for councils to divert waste from landfill. However, some of the councils named above have reverted to using landfill as the primary method of disposing residual waste and with few plans yet to change. A few of these councils face a real risk of financial penalties if they fail to meet landfill allowance targets.

There are five councils with food waste projects outside the Programme, but with similar median costs

- 2.13 There are currently five councils currently running food waste projects outside the Programme. At £55 per tonne, the median cost for these five projects is slightly less than those in Programme ([paragraph 1.38](#)). Most of these projects are using facilities with similar technology to the projects in the Programme:
- **Isle of Anglesey County Council** is using the same facility used by Gwynedd Council for Prosiect GwyriAD. However, the Council is using the facility through a 'working arrangement' rather than a formal contract. Conwy County Borough Council has also made some use of the facility³⁵.
 - food waste in **Wrexham** is treated at the Wrexham Recycling Park through in-vessel composting³⁶ as part of Wrexham's PFI waste management contract.

35 Conwy County Borough Council is also part of the North East Wales partnership for food waste.

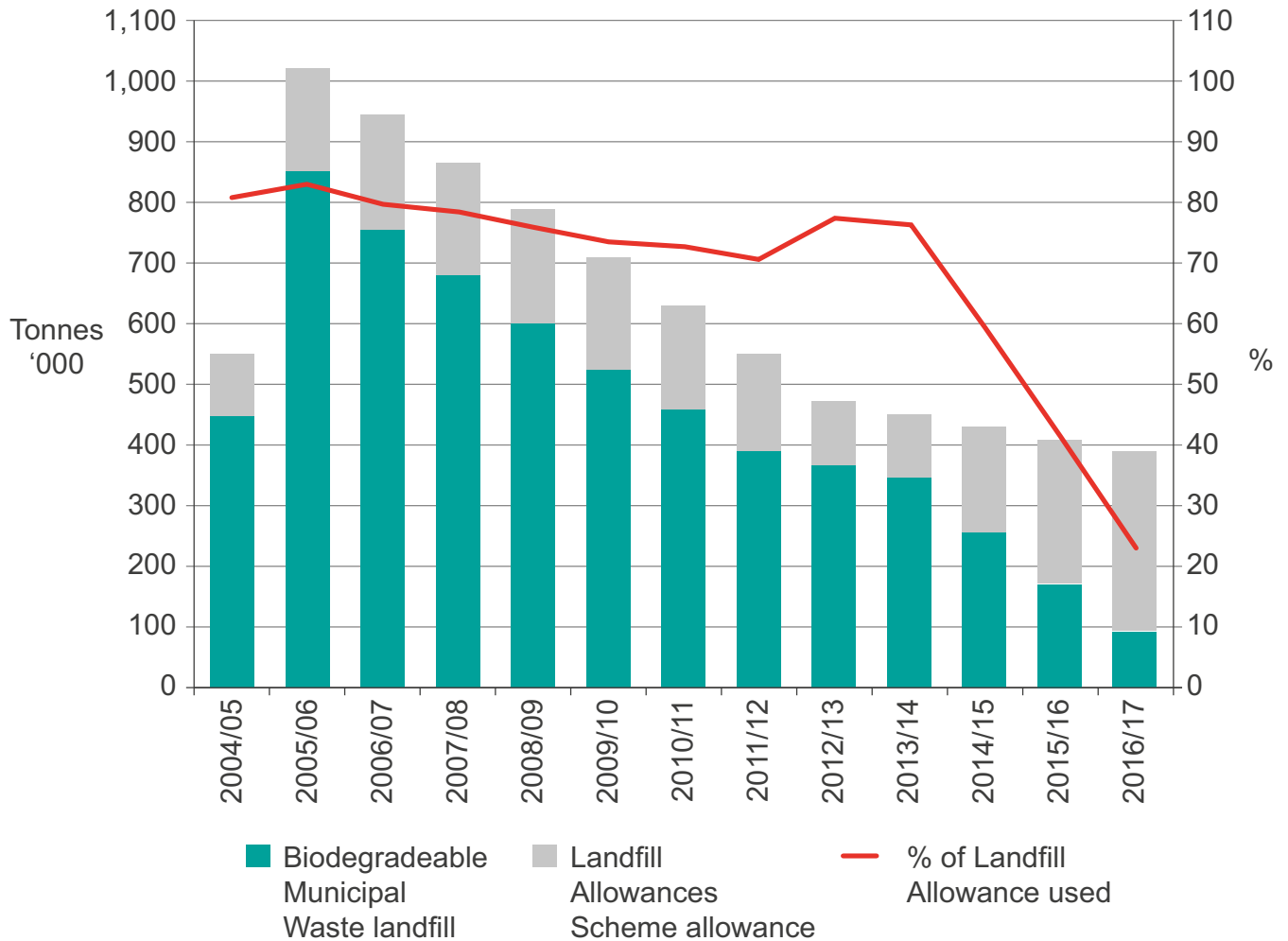
36 An industrial form of composting biodegradable waste that occurs in an enclosed aerobic bio-reactor in which airflow and temperature can be controlled.

- since May 2018, **Neath Port Talbot County Borough Council** transports its food waste to private sector anaerobic digestion facilities in Denbighshire and Rhondda Cynon Taf . The council was previously transporting food waste to a facility in Bristol.
- **Caerphilly County Borough Council** pulled out of the Heads of the Valleys project and disposes of its food waste in a private sector owned facility in the county.
- **Carmarthenshire County Council** uses a council-owned company to transport and dispose its food waste at an in-vessel composting facility in Nantycaws.

The procurement of new waste treatment capacity has significantly reduced the reliance on landfill in recent years

2.14 Since 2005, the use of landfill in Wales has reduced by more than 50% (Figure 17). This is due to increasing levels of recycling, the development of energy from waste and food waste disposal facilities and the export of residual waste to other countries. This has meant that all councils in Wales are currently operating within landfill allowance scheme limits.

Figure 17 – disposal of biodegradable waste in landfill by Welsh councils from 2004-05 to 2016-17 shown against the percentage of Landfill Allowance used

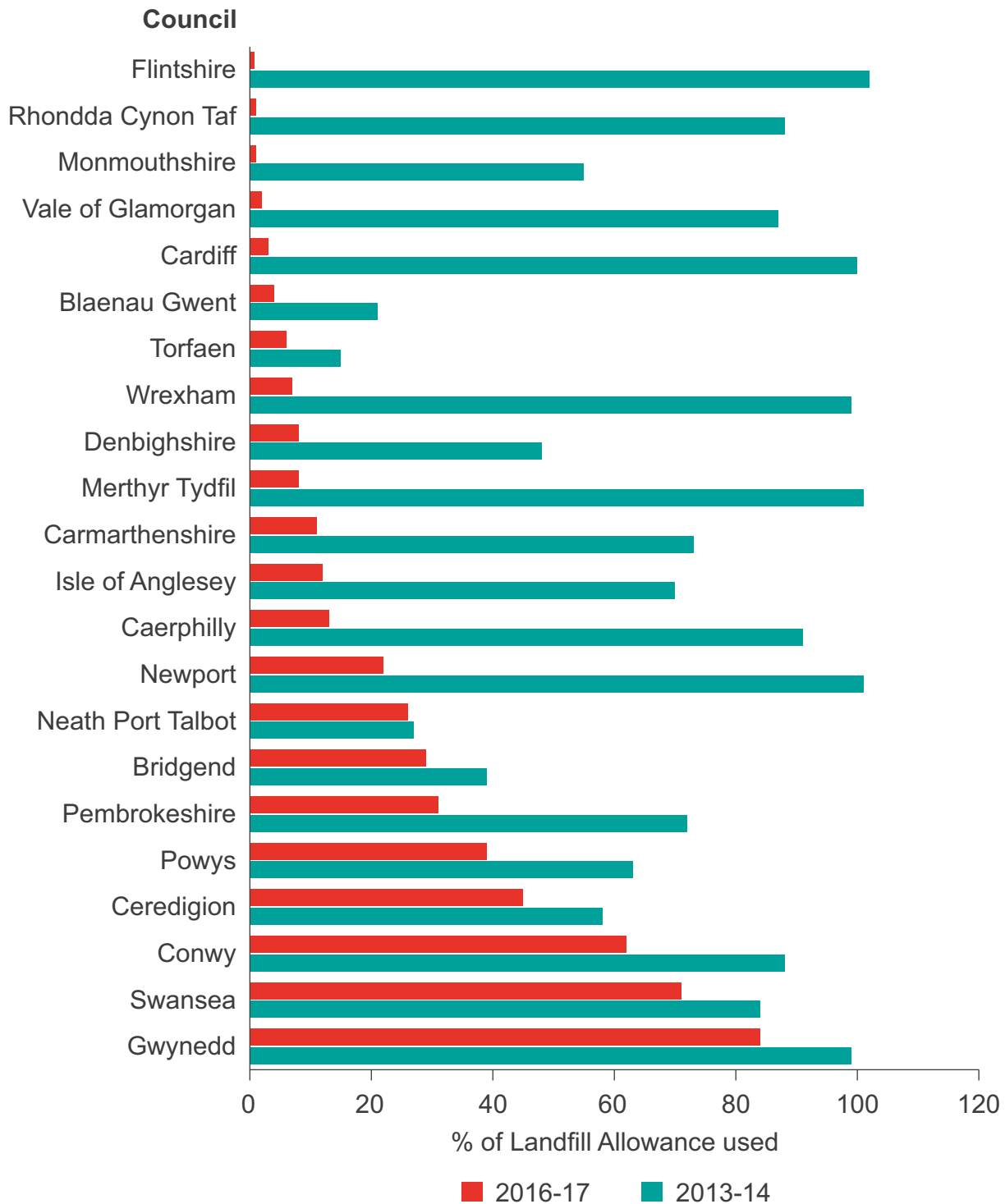


Source: Natural Resources Wales, **Report on the Landfill Allowances Scheme (LAS) Wales 2016/17**, October 2017

- 2.15 In 2016-17, Gwynedd used 84% of its landfill allowance and Swansea used 71% (Figure 17). The landfill allowance reduces each year. Gwynedd will soon start using the new residual waste facility in North Wales, which will see its reliance on landfill reduce, placing Swansea as the council most at risk from breaching its landfill allowance and incurring financial penalties. Natural Resources Wales, which monitors the landfill allowance scheme in Wales, stated that 'meeting the future targets up to 2020 will be particularly challenging for those local authorities that were close to exceeding their 2016-17 individual allowances'.
- 2.16 Natural Resources Wales recently reported to the European Commission that in 2016, there was approximately 23.5 million cubic metres of landfill capacity remaining in Wales. Natural Resources Wales calculates that this is enough for 11 more years based on current levels of input for all wastes including biodegradable, inert and hazardous waste³⁷ that cannot be treated or disposed by alternative methods. With the North Wales residual waste treatment facility due to become operational in 2019, the remaining capacity is likely to extend further.
- 2.17 Overall, across Wales there has been a significant reduction in the use of landfill allowance since 2013-14 (Figure 18), which was before any of the residual waste treatment facilities used under the Programme began operating. There has been a particularly marked decrease in councils' use of their landfill allowance in the Prosiect Gwyrdd and Tomorrow's Valley partnerships where there has been an average reduction of 64%, compared to 39% for councils not taking part in the Programme at the time.

37 Inert waste is waste that does not undergo biological, chemical, physical, or radiological transformation. Inert waste includes building (demolition) waste, gravel, sand, and stone but not any biodegradable, hazardous, or green (botanical) material. Inert waste typically requires lower disposal fees than biodegradable or hazardous waste.

Figure 18 – comparison of the percentage use of the landfill allowance for biodegradable wastes by councils in 2013-14 and 2016-17



Note:
2013-14 was chosen as a starting point because there was no energy from waste at this time.

Source: Natural Resources Wales, **Landfill Allowance Scheme (LAS) Wales report 2016/17**, October 2017

Appendices

Appendix 1 – Audit methods

Appendix 2 – Waste Infrastructure
Procurement Programme
projects



Appendix 1 – Audit methods

This report forms one of a set of three related pieces of work on waste management in Wales that will be published by the Auditor General for Wales. The other two pieces of work have considered issues relating to support for waste prevention and municipal recycling.

We reviewed the following documentation:

- Final Business Cases
- Business Case Reviews
- Welsh Government programme papers

We sought the views of:

- Welsh Government officials (including Local Partnerships officials seconded to the Welsh Government's Programme Office);
- Local Partnerships transactors (see [paragraph 1.5](#));
- Council representatives from all projects within the programme;
- Council representatives from all projects outside the programme; and
- Natural Resources Wales.

We obtained data from verified sources such as Statistics Wales Bulletins issued by the Welsh Government, and from Natural Resources Wales. We built in part on initial enquiries undertaken in response to correspondence received by the Auditor General for Wales in 2014 and 2015.

In addition, we researched papers published by the Waste and Resources Action Programme.

Appendix 2 – Waste Infrastructure Procurement Programme projects

The programme consists of ten projects – seven food waste projects (15-year projects) and three residual waste projects (25-year projects). The projects were set up to procure capacity at waste treatment facilities run by the private sector. We have described projects as ‘reverting’ or ‘merchant’ facilities. At the end of the contract, the facility will either revert to the ownership of the lead local authority or remain under the ownership of the private sector operator. The facility capacity relates to the full capacity of the facility, which will not necessarily be all used exclusively by the councils involved in the project.

Three projects did not proceed beyond the initial early stages ([paragraphs 1.11 to 1.12](#)):

- a Central Wales residual project which was cancelled in the early stages of procurement due to lack of market interest;
- an initial South West Wales food waste project which was stopped in 2013 after the preferred bidder withdrew prior to signing the contract; and
- a South West Wales residual project which was cancelled during the early stages of the procurement due to lack of interest from the participating councils.

The tables below summarise the main information about each project.

Food waste projects

Project name	Central Wales Waste Partnership
Council partners	Ceredigion Powys Pembrokeshire (from late 2016)
Facility and location	Agrivert facility Cassington, Oxfordshire (from May 2012 to late 2016). Reverted to Agrivert facility at Stormy Down, Bridgend which opened late 2016.
Reverting or merchant facility	Merchant
Commencement of service	01 November 2012
Facility capacity	48,000 tonnes per year
Heat and power capability	The gas turbine engines can generate over 3MW electricity, enough to power 5,900 homes. Biofertiliser is produced.
Additional comments	Pembrokeshire joined the contract after Ceredigion and Powys had procured their capacity and following the failure of the South West food waste project (paragraph 1.11).

Project name	Cardiff Organic
Council partners	Cardiff Vale of Glamorgan
Facility and location	Dwr Cymru (Cardiff) operate the facility on the waste water treatment works, adjacent to the Tremorfa Industrial Estate, Cardiff.
Reverting or merchant facility	Merchant
Commencement of service	31 March 2017
Facility capacity	35,000 tonnes per year
Heat and power capability	The facility will generate around 1.5MW of electricity, which is sufficient to power more than 1,500 households.
Additional comments	The facility is also designed to generate sufficient power to support Dwr Cymru's adjoining sewage treatment operations and/or a low-carbon fuel district heating system in Cardiff. This has reduced the gate fee paid by the partnership.

Project name	North East Food Waste Hub
Council partners	Conwy Denbighshire Flintshire
Facility and location	Biogen Greenfinch Anaerobic Digestion Food Waste treatment facility, Rhuallt, St. Asaph
Reverting or merchant facility	Reverting
Commencement of service	1 November 2012
Facility capacity	22,500 tonnes per year
Heat and power capability	The electricity production at full output is 1060kW.

Project name	Project GwyrAD
Council partners	Gwynedd
Facility and location	Biogen plant at Llwyn Isaf.
Reverting or merchant facility	Reverting
Commencement of service	21 October 2013
Facility capacity	11,000 tonnes per year
Heat and power capability	The electricity production at full output is 499kW.

Project name	Tomorrow's Valley (food)
Council partners	Merthyr Newport Rhondda Cynon Taf
Facility and location	Biogen plant at Bryn Pica, Rhondda Cynon Taf.
Reverting or merchant facility	Reverting
Commencement of service	21 July 2015
Facility capacity	22,500 tonnes per year
Heat and power capability	The CHP will provide 1,100kW Plans to use heat for a eco-park on same site

Project name	South West Wales
Council partners	Swansea Bridgend
Facility and location	Agrivert facility at Stormy Down, Bridgend
Reverting or merchant facility	Merchant
Commencement of service	August 2017
Facility capacity	50,000 tonnes per year
Heat and power capability	3 MW of electricity
Additional comments	The project followed a failed procurement involving three more South West Wales councils in 2013 (paragraph 1.11).

Project name	Heads of the Valleys
Council partners	Blaenau Gwent Monmouthshire Torfaen
Facility and location	Agrivert facility at Stormy Down, Bridgend
Reverting or merchant facility	Merchant
Commencement of service	April 2018
Facility capacity	50,000 tonnes per year
Heat and power capability	3 MW of electricity

Residual waste projects

Project name	Prosiect Gwyrdd
Council partners	Cardiff Caerphilly Monmouthshire Newport Vale of Glamorgan
Facility and location	Viridor energy recovery facility at Trident Park, Cardiff.
Reverting or merchant facility	Merchant – ownership will not revert to the Partnership (or any of the councils) on contract expiry.
Commencement of service	1 April 2016
Facility capacity	425,000 tonnes per year
Heat and power capability	The plant will generate 35MW and export 30MW of electricity, enough to power 50,000 homes. Early stage investigations are underway to explore the potential for a district heating system using the heat generated from the facility.
Additional comments	Prosiect Gwyrdd is the primary client and therefore guaranteed to pay the lowest gate fees of any local authority partnership using the facility as part of a long-term agreement. The full business case review concluded that the project was 'well managed and demonstrates significant cost savings for the Partners when compared with current and projected costs' and that it provides 'value for money for the public sector while complying with Welsh Government strategy in relation to waste management'.

Project name	North Wales Residual Waste Treatment Project
Council partners	Conwy Denbighshire Flintshire Gwynedd Isle of Anglesey
Facility and location	Parc Adfer, on a former steelworks site at the Deeside Industrial Park in Flintshire, operated by Wheelabrator.
Reverting or merchant facility	Reverting - Flintshire County Council will retain ownership of the site at the end of the contract.
Duration of procurement	Six years
Commencement of service	Commissioning of services estimated for April / May 2019 with the facility forecast to be fully operational by September / October 2019
Facility capacity	200,000 tonnes per year
Heat and power capability	The plant will generate 17MW of electricity, enough to power 30,000 homes. The facility will also produce steam which could be used to provide heat for adjacent homes and businesses.
Additional comments	The North Wales facility is the only residual waste facility that is a reverting asset. At the end of the 25-year agreement, ownership and responsibility for the facility will revert to Flintshire County Council which is the lead authority for the partnership. Provisions in the Inter Authority Agreement allow for the Partnership to decide what to do at the end of the contract.

Project name	Tomorrow's Valley (residual)
Council partners	Blaenau Gwent Merthyr Tydfil Rhondda Cynon Taf Torfaen
Facility and location	Viridor energy recovery facility at Trident Park, Cardiff
Reverting or merchant facility	Merchant
Commencement of service	Three years
Facility capacity	1 April 16
Heat and power capability	425,000 tonnes per year
Additional comments	<p>The partnership originally comprised of only RCT and Merthyr. Torfaen and Blaenau Gwent were attracted to the partnership and joined the contract because of lower than expected gate fees.</p> <p>Tomorrow's Valley partner councils are paying higher gate fee more than for Prosiect Gwyrdd because they are third party users and not the primary client.</p>

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October 2018

Procuring Residual and Food Waste Treatment Capacity

Thank you for the recommendations included in your report *Procuring Residual and Food Waste Treatment Capacity* published on 11 October 2018. Please see the Welsh Government's response to your recommendations below.

R1 *The projections for the three residual waste projects in the Programme assume that, across the 14 councils involved, the overall amount of residual waste will increase through the lifetime of the contracts. If these projections are accurate then something significant would have to occur beyond 2040 to reach zero waste across these council areas by 2050. If the projections are not accurate then there is the risk that councils will pay for capacity they do not need. We recommend that the Welsh Government:*

- *in reviewing the Towards Zero Waste strategy, considers how its ambition of there being no residual waste by 2050 aligns with current projections for residual waste treatment; and*
- *works with councils to consider the impact of changes in projections on the likely cost of residual waste projects and any mitigating action needed to manage these costs.*

The Welsh Government will consider the technical, environmental, economical and practical solutions with managing current and future residual waste treatment demand, in accordance with the Welsh Government's ambition of zero waste by 2050.

The Welsh Government will keep under review future residual waste projections, and ongoing work to minimise residual waste, and work with local authorities to efficiently manage their residual waste contracts.

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



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R2 *The Welsh Government's programme support to date has mainly focused on project development and procurement. Now that most of the projects are operational, the focus has shifted to contract management. We recommend that the Welsh Government continue its oversight of projects during the operational phase by:*

- *building on its existing model of providing experienced individuals to assist with project development and procurement and making sure input is available to assist with contract management if required;*
- *setting out its expectations of councils regarding contract management;*
- *ensuring partnerships revisit their waste projections and associated risks periodically, for example to reflect updated population projections or economic forecasts; and*
- *obtaining from partnerships basic management information on gate fees paid, amount of waste sent to facilities and quality of contractor service.*

The Welsh Government is continuing its oversight of projects during the operational phase, building on our existing model as recommended, through provision of experienced individuals to assist with contract management and operational performance.

Our support to the partnerships includes:

- Providing ongoing assistance with the proactive management of the contract
- Providing contract management training and carrying out contract management reviews re-enforcing expectations of councils regarding good contract management
- Providing the first port of call on contractual or commercial matters arising, obtaining and reviewing contract management information including gate fees paid, amount of waste processed and service quality and performance information.

As part of good contract management, the Welsh Government expects that partnerships will periodically consider their waste projections, as well as other contract risks. The Welsh Government will continue to assist partnerships in undertaking these considerations, as part of the ongoing support provided.

JASPER ROBERTS

Deputy Director, Waste and Resource Efficiency Division

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Waste Management in Wales: Municipal Recycling



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006.

The Wales Audit Office study team comprised Sian Davies, Jeremy Morgan and Andy Phillips under the direction of Matthew Mortlock.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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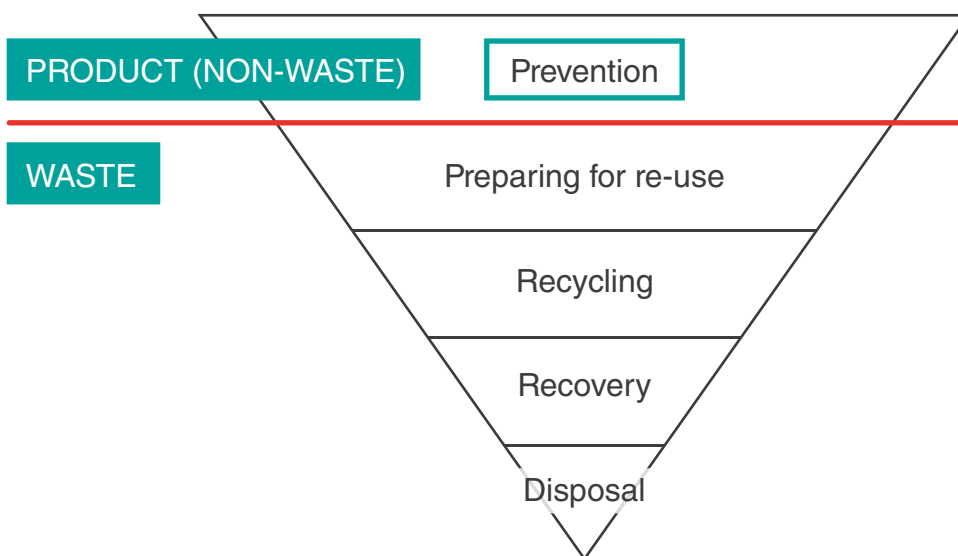
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Summary report

Summary

- 1 Waste management is an important and complex issue that covers a range of different but related approaches. The European Union Waste Hierarchy (Figure 1) shows that preventing the production of waste, or preparing waste for re-use, has much greater environmental benefit than recycling, which in turn has greater environmental benefits than other forms of recovery such as energy from waste. At the base of the hierarchy, with few environmental benefits is disposal by means that recovers no energy.

Figure 1 – The European Union Waste Hierarchy



Source: Directive 2008/98/EC on waste (Waste Framework Directive)¹

¹ The first Waste Framework Directive [75/442/EEC] was amended in 1991 through Directive [91/692/EEC] and again in 2008 through the Waste Directive [2008/98/EC]. Separate to these Directives, the 'Landfill Directive' [1999/31/EC] regulates waste management of landfills in the European Union.

- 2 This report, which focuses on municipal recycling, forms one of a set of three related pieces of work on waste management in Wales that will be published by the Auditor General for Wales. The other two pieces of work have considered issues relating to support for waste prevention and the procurement of residual and food waste treatment capacity.
- 3 In 2016-17, councils recycled 1.01 million tonnes of waste, disposed of 0.15 million tonnes of waste to landfill and sent 0.39 million tonnes to energy from waste facilities². Councils spent £242.5 million on their waste services in 2016-17, net of income³.
- 4 Recycling is important because it is one way to reduce the use of valuable raw resources and it has less adverse environmental impact than disposing of waste and making new replacement products. Recycling also provides the public with a visible and easy way to make a worthwhile environmental contribution.
- 5 The size of Wales' ecological footprint and levels of greenhouse gas emissions are now indicators under the **Well-Being of Future Generations (Wales) Act 2015. The Climate Change Strategy for Wales**⁴ also sets a target to reduce carbon emissions from the waste sector. In addition, the **Environment (Wales) Act 2016** includes targets to further limit greenhouse gas emissions and introduces five-yearly carbon budgets across Welsh Government departments. However, municipal waste makes up only about 5% of Wales' ecological footprint. Municipal waste recycling, even at the highest level possible, can only reduce Wales' ecological footprint by just over 1% when also taking into account the footprint of recycling activity itself. Although the overall contribution that waste management can make to reduce the ecological footprint is beneficial, it is very small in comparison with the potential for reduction from the energy, business, agriculture and transport sectors⁵.

2 Welsh Government, **StatsWales website**, accessed October 2018. The website shows 1.59 million tonnes of municipal waste was collected/generated in total in 2016-17. That figure decreased to 1.55 million tonnes in 2017-18, within which the amount recycled decreased to 0.97 million tonnes.

3 Welsh Local Government Association, **Waste Finance Data Report 2016-17**, March 2018.

4 Welsh Government, **Climate Change Strategy for Wales**, October 2010. The target is to reduce emissions from the waste sector to between 0.64 and 0.95 MtCO₂e (meaning the equivalent climate damaging impact of all emissions but expressed as mega-tonnes of carbon dioxide emissions) by 2020.

5 The Welsh Government does not have full devolved responsibility in these areas, and waste management (including municipal waste) makes up 24% of the plans that the Welsh Government has to reduce emissions within the areas of devolved responsibility. Welsh Government, **Climate Change Strategy for Wales – delivery plan for emission reduction**, October 2010.

- 6 The Welsh Government supports a ‘circular economy’⁶, based on a principle that better resource efficiency could contribute to significant financial and other benefits. The Welsh Government considers that the circular economy aligns with the well-being goals set out under the **Well-being of Future Generations (Wales) Act 2015** and with its **Towards Zero Waste** strategy (Figure 2). The Welsh Government plans to review **Towards Zero Waste** in 2018. In advance of that review, it has commissioned an evaluation of the statutory waste plan for Wales⁷, including economic benefits, against the **Well-Being of Future Generations (Wales) Act 2015**.
- 7 **Towards Zero Waste** seeks to reduce the generation of waste and set targets to improve progressively the rate of municipal waste that is prepared for reuse or recycling or for composting (known as the ‘recycling target’). The strategy charts a path towards an ambition of zero residual waste production by 2050. Residual waste is the waste that remains after recycling or composting material has been removed from the waste stream.
- 8 Through the **Waste (Wales) Measure 2010**, the Welsh Government made the recycling targets statutory for 2012-13 and beyond, giving itself the option to levy financial penalties against councils that fail to achieve them. The statutory recycling target is weight-based and has increased gradually over time. The target has been 58% since the start of 2015-16, but steps up to 64% in 2019-20, and to 70% in 2024-25.
- 9 The Welsh Government is considering increasing the recycling target to 80% in 2034-35, subject to consultation. European Union legislation already required member states to recycle 50% of household wastes by 2020⁸. Recent amendments to that legislation introduced progressive targets to recycle 55% of municipal waste by 2025, 60% by 2030 and 65% by 2035. As reflected in the main body of this report and our recommendations, simply applying ever increasing weight-based targets may not be the best way to measure recycling performance.

6 In a circular economy resources are kept in use for as long as possible, maximum value is extracted from them whilst in use, then at the end of their life materials are recovered and regenerated.

7 A suite of documents comprise the statutory waste management plan for Wales. They includes a number of sector plans and the Waste Prevention Programme.

8 Directive 2008/98/EC on waste (Waste Framework Directive) contains this target.

Figure 2 – the goals and outcomes sought from Towards Zero Waste

Goal	Outcome
A Sustainable Environment	A Sustainable Environment, where the impact of waste in Wales is reduced to within our environmental limits by 2050. This means we will take action on reducing the ecological footprint of waste in Wales to ‘one Wales: one planet’ levels through waste prevention and recycling, so that we contribute to using only our fair share of the earth’s resources.
A Prosperous Society	A Prosperous Society, with a sustainable, resource efficient economy. More ‘green jobs’ across a range of skill levels will be provided within the waste and resource management industry in Wales, and increased profit for businesses will be achieved through resource efficient practices, which are ‘future proofed’ against increasing competition for resources.
A Fair and Just Society	A Fair and Just Society, in which all citizens can achieve their full human potential and contribute to the wellbeing of Wales through actions on waste prevention, reuse and recycling.

Source: Welsh Government, **Towards Zero Waste, One Wales One Planet**, June 2010.

- 10 All councils collect recyclable resources at the kerbside. Since 2015, and as confirmed in a judicial review of the Waste (England and Wales) (Amendment) Regulations 2012, councils are required to collect paper, metal, plastic and glass separately. The Welsh Government sees this change as helping councils to collect cleaner and better sorted recyclables, meaning that more of the value of the recyclable resources can be retained when reprocessed.
- 11 However, councils can potentially claim a derogation (meaning an exemption) from the legislation for the separate kerbside collection of recyclables. A derogation may be possible if councils can demonstrate that they still meet the criteria required to produce high quality recyclables and that it is not technically, environmentally or economically practicable to change their collection methods to collect the relevant recyclables separately.
- 12 This report considers whether the Welsh Government is making good progress to promote municipal waste recycling and the efficient and effective collection of municipal waste. [Appendix 1](#) outlines our audit methods.
- 13 As part of this work we have considered the extent of action taken by the Welsh Government in response to recommendations in our February 2012 report on **Public Participation in Waste Recycling**⁹. We have also considered the action taken in response to recommendations made by the National Assembly's Environment and Sustainability Committee in its December 2014 report **Inquiry into recycling in Wales**¹⁰. [Appendix 2](#) shows that:
 - of the eight recommendations we made in **Public Participation in Waste Recycling**, two recommendations have been implemented, five have been implemented in part, with one not implemented; and
 - of the seven recommendations made by the Environment and Sustainability Committee in its report on **Recycling in Wales**, five recommendations have been implemented and two have not been implemented.

⁹ Our 2012 report detailed the various methods that councils used to collect their wastes and noted that the focus of municipal waste management was changing from the collection and disposal of household wastes to recycling. We concluded that the Welsh Government and councils were working to increase participation in recycling but that more work was needed to implement the national strategy and to persuade people to use these services.

¹⁰ The Environment and Sustainability Committee's report and recommendations covered similar themes to those in our 2012 report.

- 14 **Overall, we have concluded that more collaboration between the Welsh Government and councils has helped make recycling methods more consistent and encouraged participation, although waste management service costs show surprising variation. Weight-based statutory targets have driven a much improved recycling rate over time – to as high as 63.8% across Wales in 2016-17 – but could better reflect wider sustainability considerations. The recycling rate decreased to 62.7% in 2017-18 due in part to better quality reporting.**
- 15 The Welsh Government believes it has largely overcome a legacy of tensions and mistrust about its recommended approach to municipal recycling – the ‘Collections Blueprint’¹¹ – although some concerns remain. Since 2012, the ‘Collaborative Change Programme’ has promoted closer working between the Welsh Government and councils, although take-up of the support on offer has varied.
- 16 The number of councils adopting collection methods that the Welsh Government considers conform to its Collections Blueprint increased from three in 2011-12 to 11 in 2016-17. The Welsh Government is expecting more councils to adopt the Collections Blueprint over the next few years, but some councils are still reluctant to change their kerbside collection method for recyclables. The Welsh Government’s view is that the approach recommended by the Collections Blueprint should ensure compliance with the separate collections legislation. However, the UK government is promoting a choice of three different methods for councils in England.

11 The Collections Blueprint sets out the Welsh Government’s recommended service profile for the collection of waste from households. The Blueprint relies on the collection of recyclable resources that are presented part-segregated by residents. Those resources are then further sorted by operatives as they are collected. The Collections Blueprint provides councils with one way of complying with the legislation on kerbside collection. Welsh Government. **Municipal Sector Plan Part 1 Collections Blueprint**. March 2011.

- 17 The Welsh Government has also made progress to encourage public participation in recycling through sharing good practice. The Welsh Government has not, as yet, encouraged any additional financial incentives or penalties to encourage participation. However, it intends to reconsider the need for incentives as part of the planned refresh of the national strategy in 2018. The Welsh Government is also keen to focus more recycling effort on materials that are valuable and scarce. The Welsh Government also intends that a new behaviour change campaign will, among other things, support councils to use existing powers to sanction those who put recyclable materials in residual waste containers or contaminate containers intended for recyclable materials. Compositional analysis of residual waste shows that much recyclable material remains in waste that is destined for disposal.
- 18 Collection systems continue to evolve but benchmarking has found that the cost of certain waste management services, including the collection of various recyclables, show surprising variation. However, there are a wide range of factors that influence these costs.
- 19 The Welsh Government believes that if applied optimally, its Collections Blueprint offers the most cost-effective overall means of collecting waste from households. The Welsh Government is planning further analysis to understand better the differences in councils' reported waste collection costs and the impact where councils have adopted the Collections Blueprint. These costs have fluctuated over time and as councils have changed collection methods. In 2016-17, the median cost per household for collection of dry recyclables for councils using the Collections Blueprint compared favourably with that reported for twin-stream collections. The median cost was broadly similar to that reported for councils using the co-mingled method. The method used to collect dry recyclables might also affect costs in other service areas.
- 20 Weight-based targets for councils have driven a much-improved recycling rate, increasing from 48.5% in 2011-12 to 63.8% in 2016-17, and helped a little by a change in the way recycling is measured. Recycling in Wales exceeds the rate recorded in England, Northern Ireland and Scotland and compares favourably with countries in the European Union and estimated recycling rates elsewhere in the world. The recycling rate decreased to 62.7% in 2017-18 due in part to better quality reporting in respect of wood recycling, with 17 of the 22 councils reporting a decrease.

- 21 The recycling rate of individual councils still varies widely, although not to the same extent as other parts of the UK and 20 of the 22 Welsh councils achieved the 58% target for 2017-18 ([Appendix 3](#)). The Welsh Government continues to apply the same recycling target to all councils. Not all of the rural councils have had higher individual recycling rates than urban and valleys councils. However, until 2017-18 the combined recycling rate across rural areas had been consistently higher than for valleys areas and urban areas.
- 22 Reflecting the wider concerns about climate-changing emissions, there has been an increasing focus on carbon impacts as a means of measuring the sustainability of recycling alongside simple weight-based measurement. Recycling rubble, garden waste and wood makes a relatively small contribution to saving carbon emissions per tonne collected but, being dense and relatively easy to collect, they are mainstays of municipal waste recycling.
- 23 The Welsh Government recognises that its weight-based recycling targets have limitations, and has committed itself to review its approach. In addition to reflecting carbon impacts, a different approach could also encourage councils to recover, more efficiently, valuable and scarce materials.
- 24 The management of many recyclable resources can give rise to green jobs, economic activity and other sustainability benefits. Recent research in Wales has already highlighted these wider impacts. Nevertheless, the planned review of **Towards Zero Waste** provides an opportunity for the Welsh Government to reflect on the role of the private sector and the overall value for money of the considerable public investment in support of recycling.

Recommendations

25 As noted in [paragraph 13](#) and in [Appendix 2](#), the Welsh Government has not yet implemented in full all of the recommendations from our 2012 report or those in the Environment and Sustainability Committee's 2014 report. We consider that these recommendations remain relevant. In addition, we make the following recommendations.

Recommendations

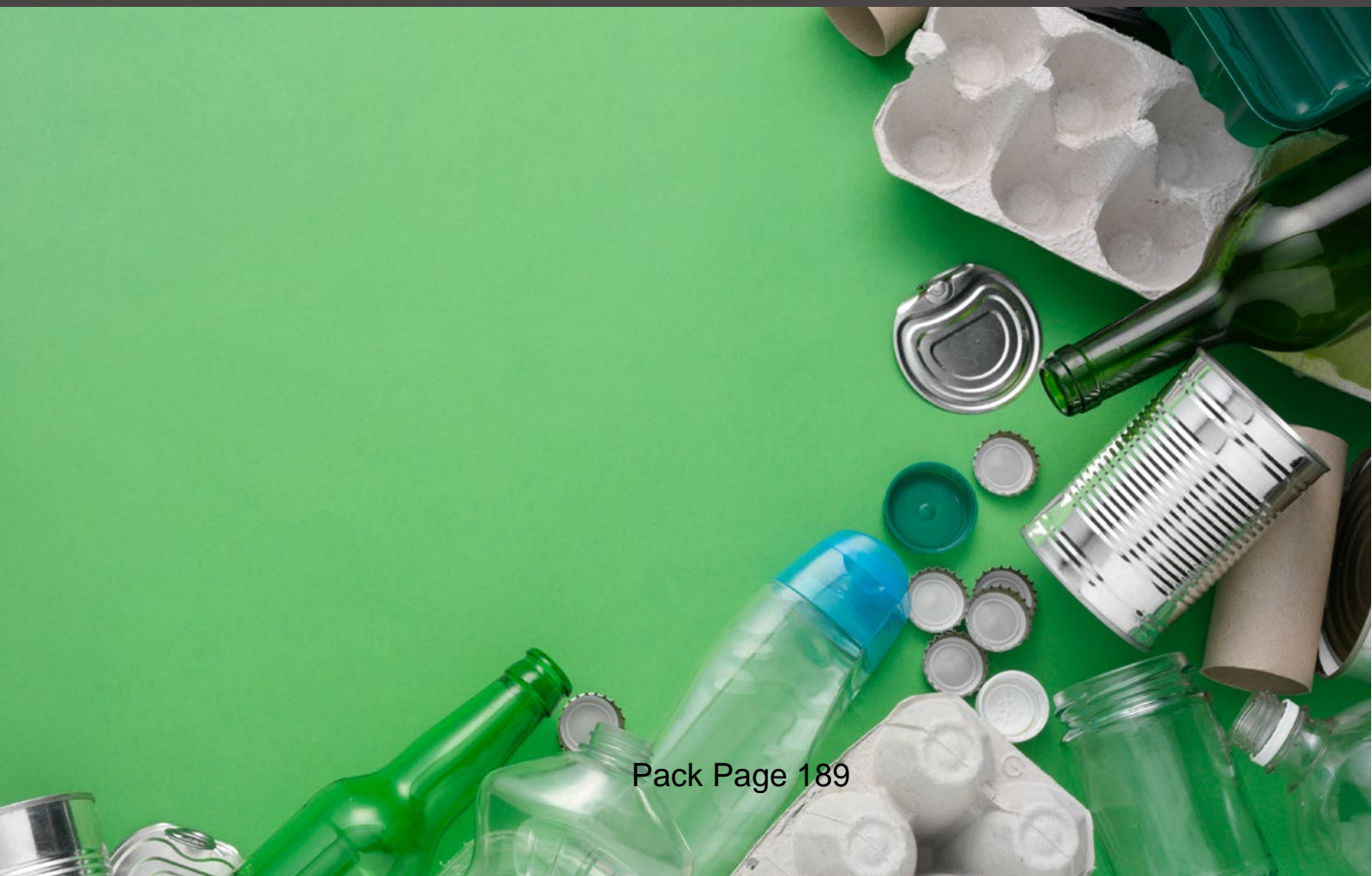
- R1 Benchmarking work has found that the cost of certain waste management services show surprising variation ([paragraphs 1.31-1.39](#)). **The Welsh Government should work with councils to understand better the basis of the variation in spending on waste management services that are fundamentally the same and ensure that waste management costs are accounted for in a consistent way.**
- R2 The Welsh Government believes that, if applied optimally, its Collections Blueprint offers the most cost-effective overall means of collecting recyclable resources but is planning further analysis ([paragraphs 1.40-1.51](#)). **When undertaking its further analysis to understand better the reasons for differences in councils' reported costs, and the impact on costs where councils have adopted the Collections Blueprint, we recommend that the Welsh Government:**
- **explores how the cost of collecting dry recyclables may affect the overall cost of providing kerbside waste management services to households; and**
 - **compares the actual costs with the costs modelled previously as part of the Welsh Government-commissioned review of the Collections Blueprint for councils that now operate the Collections Blueprint.**

Recommendations

- R3 The Welsh Government has undertaken to consider alternatives to the current weight-based recycling targets which can better demonstrate the delivery of its ecological footprint and carbon reduction goals (paragraphs 2.38-2.45). **We recommend that the Welsh Government replace or complement the current target to recycle, compost and reuse wastes with performance measures to refocus recycling on the waste resources that have the largest impact on carbon reduction, and/or are scarce. We recognise that the Welsh Government may need to consider the affordability of data collection for any alternative means of measurement.**
- R4 In refreshing Towards Zero Waste, the Welsh Government needs to show that wider sustainability benefits sought through municipal recycling offer value and cannot be more readily attained in other ways and at lower cost including, but not necessarily limited to, other waste management interventions (paragraphs 2.52-2.53). **The Welsh Government should demonstrate in the revised waste strategy that not only is it possible to recycle a greater proportion of municipal waste, but how doing so maximises its contribution to achieving its sustainable development objectives.**

Part 1

More collaboration has helped make recycling methods more consistent and encouraged participation, although waste management service costs show surprising variation



- 1.1 This part of the report considers how the Welsh Government has worked with councils to improve relationships, implement the national waste strategy and to promote greater consistency in recycling methods. It also considers the extent of variation in the cost of waste management services, including different recycling methods.

The Welsh Government believes it has largely overcome a legacy of tensions and mistrust about its recommended approach to municipal recycling, although some concerns remain

In 2012, we reported that there were tensions and mistrust between the Welsh Government and councils about the Welsh Government's 'Collections Blueprint'

- 1.2 The Welsh Government's Collections Blueprint¹² sets out how, in the Welsh Government's opinion and if adopted by councils across Wales, high rates of high-quality recycling, significant cost savings and improved sustainable development outcomes would result. The Collections Blueprint relies on the collection of recyclable resources that are presented part-segregated by residents. Those resources are then further sorted by operatives as they are collected (Box 1).

¹² Welsh Government, **Municipal Sector Plan Part 1, Collections Blueprint**, March 2011.

Box 1 – the Welsh Government’s Collections Blueprint

The Collections Blueprint covers all aspects of a council’s waste collection service and not just the collection of dry recyclable resources. It highlights the interdependence of the various collection systems, such as kerbside dry recycling, but also the collection of food, garden, bulky, trade and residual wastes.

The Collections Blueprint relies on the collection of recyclable resources that are presented part-segregated by residents. Those resources are then further sorted by operatives as they are collected. The Welsh Government says that the Collections Blueprint should include a kerbside sort system of weekly collection of dry recyclables mixed together in a box, alongside other changes to waste collection systems, and they believe that this collection method leads to cleaner and therefore higher quality recyclables that will have a higher value. The Welsh Government has highlighted that three Welsh councils that had taken up the Blueprint – Conwy, Merthyr Tydfil and Newport – won ‘quality recognition’ awards from the UK Resource Association¹³ in 2017. It also believes that the collection of high quality recyclables is attracting businesses in the recycling industry to locate in Wales.

If taken up by more councils, the Collections Blueprint could begin to bring some consistency to waste collection methods across Wales. The Welsh Government has been keen to improve consistency because feedback from residents and from politicians is that the wide range of different collection methods operated by councils is confusing and possibly deters some residents from engaging more fully in recycling. Greater consistency could also bring opportunity for efficiencies through national branding and campaigns and collaborative procurement of receptacles, equipment, vehicles and services.

¹³ The Resource Association is a new professional advocacy body for the reprocessing and recycling industries.

1.3 At the time of our 2012 report, there were tensions between the Welsh Government and councils over the choice of collection system for recyclables. For many councils, the systems that they had invested in previously were proving successful and helping them meet recycling targets and deliver the national strategy. There were also doubts about the evidence base for the Collections Blueprint and a concern that the Welsh Government was prescribing how local services should be delivered. These issues were still evident at the time of the Environment and Sustainability Committee's inquiry into recycling in 2014. Some councils considered that the funding on which their waste services were dependent would be more secure if they changed to the Collections Blueprint, particularly given the Welsh Government's re-prioritisation of its grant funding for waste services and infrastructure. The clarification of legislation on separate collections was also a factor in some councils changing their approach.

Since 2012, the Collaborative Change Programme has promoted closer working between the Welsh Government and councils, although take-up of the support on offer has varied

1.4 In our 2012 report, we set out our view that closer and more consensual working between the Welsh Government and councils was the best way to make positive progress. Many of the recommendations that we, and subsequently the Environment and Sustainability Committee, made required the Welsh Government to work collaboratively with local government. In particular, we recommended collaborative working to design and implement an independent performance assessment of the methods used for the kerbside collection of recyclable wastes for each council. We also recommended that if a collection system did not meet the standards of this assessment, the Welsh Government and the council should agree a measured plan to achieve the performance assessment standards.

- 1.5 The Welsh Government decided that instead of agreeing with each council an assessment of its collection method, it would offer such an assessment alongside other support through its Collaborative Change Programme. Councils could then decide if they would take up this offer, and the support that they wanted from the Programme. The Programme is operated on the Welsh Government's behalf by the Waste and Resources Action Programme. To promote greater openness and collaboration between those delivering and receiving support, the Collaborative Change Programme is advised by a steering group¹⁴. The Welsh Government's recent and planned funding for the Collaborative Change Programme is £2.3 million for 2016-17, £2.5 million in 2017-18 and £2.7 million in 2018-19.
- 1.6 To date, all 22 Welsh councils have had some degree of technical support from the Collaborative Change Programme. This support ranges from very specific assistance with small areas of waste services such as participation monitoring, to the Programme's full 'business planning' package of support which models the performance of the various collection methods. Taking up the full business planning package of support on offer would deliver an outcome equivalent to that intended by our previous recommendations.
- 1.7 Despite the funding provided, Welsh Government officials have recognised that resources for the Collaborative Change Programme are limited. Councils need to undertake additional work to participate in the full business planning package and with fewer resources, some have found this increasingly difficult. Although many councils have clearly benefitted from the Programme, some criticised it as not meeting their needs and focusing too much on rolling out the Collections Blueprint. Some councils decided instead to commission their own reviews.
- 1.8 Blaenau Gwent County Borough Council and Merthyr Tydfil County Borough Council were the first two councils to complete the business-planning package of support. The councils saw mixed results after changing collection methods (**Boxes 2 and 3**).

¹⁴ The steering group for the Collaborative Change Programme includes the Welsh Government, Welsh Local Government Association, Waste and Resources Action Programme, and in the past year, the Chair of the County Surveyor's Society Waste Sub-Group.

Box 2 – waste services at Blaenau Gwent County Borough Council

Blaenau Gwent County Borough Council has struggled to consistently meet the Welsh Government's statutory national target for recycling. In 2014-15, the Council received £2 million of support under the Welsh Government's Collaborative Change Programme. In addition, the Council also allocated £3 million of funding. This support recommended a range of changes to put in place the Collections Blueprint.

However, the Council did not develop this support into a long-term, well-thought-through business plan for the improvement of its waste services. The Council implemented some changes, but it did not manage this effectively and did not undertake pilots or introduce the changes in phases. Members were also concerned that there was disquiet among some residents, and that they had not received timely and relevant performance monitoring reports. Under pressure, the Council reversed some of its changes, including reintroducing back lane collections and in some localities stopping using some new collection receptacles for recyclables.

Overlapping with the initial period of transition, the Council's recycling performance for 2015-16 declined to 48.7% – from 50.3% in 2014-15 – and compared with the statutory target of 58%. In 2016-17, the Council's recycling rate increased to 56.8%, but still short of the statutory target of 58% (Appendix 3). However, the Council has noted that it was ranked 11th in Wales in 2016-17 for kerbside dry recycling having seen improvements since moving from a co-mingled service¹.

Note:

- 1 The dry recycling rate includes all dry recycling, not just materials collected at the kerbside and some councils differ in how they classify dry – non-composted – materials as recycled or as having been prepared for re-use. Taking all dry recycling and dry re-use together, the Council was ranked 14th in Wales in 2016-17.

Source: Wales Audit Office, **Review of Waste Services – Blaenau Gwent County Borough Council**, June 2017.

Box 3 – waste services at Merthyr Tydfil County Borough Council

In January 2015, the Council replaced every household's residual waste bin with a smaller 140-litre model so that residents would be persuaded to make better use of the recycling service. In June 2015, the method of collecting recycling was also changed from a co-mingled service to the Welsh Government's recommended Collections Blueprint that includes a kerbside sort system where residents separate paper, glass and cardboard, plastic and aluminium and food waste into separate containers. The Council made these changes with the help of £2 million from the Welsh Government's Collaborative Change Programme. This funding also enabled the Council to purchase new single-pass collection vehicles, containers, a depot and new equipment.

The Council recycled, reused or composted 61.6% of its municipal waste in 2015-16, 11 percentage points more than in the previous year. In 2016-17, the Council's recycling rate had risen to 65.2% ([Appendix 3](#)).

Where it has been able to compare, the Council has identified around a £227,000 reduction in net expenditure between 2014-15 and 2016-17 from changes that it attributes to its participation in the Collaborative Change Programme, although this is due to around £383,000 of income generation not reflected in the 2014-15 figures. The Council has noted that it is also now providing food bags free of charge, at a cost of £37,453 in 2016-17. However, it has also noted that lower fleet costs in 2016-17 were assisted by the purchase of vehicles funded through the Collaborative Change Programme grant.

Source: Resource Magazine, 24 August 2016 and Wales Audit Office

The number of councils adopting what the Welsh Government classifies as its Collections Blueprint method increased from three in 2011-12 to 11 in 2016-17, and with more councils expected to follow but some still reluctant to change

- 1.9 In 2011-12, only three councils had adopted the Collections Blueprint. This number increased to 11 in 2016-17, due in part to four councils moving from other kerbside sorting methods that were not fully in line with the Blueprint (Figure 3). In addition, there are now four councils operating collection systems that only require residents to separate key elements of the waste they put for collection, and six councils have a co-mingled collection system (Appendix 3). For some councils, tensions with some residents remain as they try to change their waste collection arrangements to follow more closely the method of collection that the Welsh Government recommends.
- 1.10 Pembrokeshire and the Vale of Glamorgan councils have now announced their intentions to procure the assets and develop the infrastructure necessary to adopt the Blueprint within the next couple of years. The Welsh Government is expecting more councils to follow following preparation of their business plans.
- 1.11 Overall, the Welsh Government considers that much of the adversarial debate over collection methods has been consigned to the past, with priorities now shifting to the development of new infrastructure and markets for materials. As evidence of an improving relationship, the Welsh Government has also highlighted the way in which it has been working with councils to consider the transfer of some funding for recycling into the Revenue Support Grant (paragraph 2.51). The Welsh Government has also been working with councils to implement a new behaviour change campaign (paragraph 1.26).
- 1.12 The Welsh Government has produced statutory guidance¹⁵ on the separate collection of waste paper, metal, plastic and glass. The Waste and Resources Action Programme has indicated to us that several councils appear to have decided that they need not change their methods to comply with derogations given in the legislation on separate collections. The Welsh Government's view is that the approach recommended by the Collections Blueprint should ensure compliance with the separate collections legislation.

¹⁵ Welsh Government, **Statutory guidance on the separate collection of waste paper, metal, plastic and glass**, December 2014.

Figure 3 – comparison of the methods that councils used to collect recyclable resources, 2011-12 and 2016-17

Collection method ¹	Number of councils using method in 2011-12	Number of councils using method in 2016-17
Collections Blueprint ²	3	11
Kerbside sorted (but not fully Collections Blueprint in other areas of service) ³	5	1
Twin-stream	5	3
Multi-stream	2	1
Co-mingled	7	6

Notes:

- 1 Data is for the system predominantly used by each council during the year.
- 2 In practice, not all councils categorised as 'blueprint' operated all aspects set out in the Welsh Government's service configuration for the Collections Blueprint. For example, on collection crew level, charging for garden waste collection, free provision of food caddy liners or promotion of home composting.
- 3 The Council still shown as kerbside sorted but not fully Collections Blueprint is Torfaen County Borough Council. The Council began to move towards the Collections Blueprint in 2015-16 but has yet to change its recycling collection vehicles to those preferred in the Blueprint. The Welsh Government considers that the Council should not yet be regarded as having adopted the Blueprint for the purpose of comparison.

Source: Welsh Local Government Association.

- 1.13 In 2016, a survey by the Environment Agency¹⁶ found that most English waste collection authorities had undertaken, or had scheduled, an assessment of the need to separately collect recyclables. The Environment Agency concluded that ‘co-mingled collections... are the main collection method in England and are likely to remain so’.
- 1.14 The UK government is now seeking more consistency in kerbside recycling collections methods in England through a voluntary framework¹⁷. A choice of three methods is being promoted, as long as councils can demonstrate compliance with the separate collections legislation. Each method requires the separate collection of food. The promoted methods are multi-stream (approximating to the Welsh Government’s Collections Blueprint), twin-stream and co-mingled.
- 1.15 Natural Resources Wales is responsible for regulating the separate collections legislation across councils, private sector waste collection contractors and producers of commercial waste in Wales. However, Natural Resources Wales has not yet used its powers to require any council to submit an independent assessment of their methods for collecting recyclables¹⁸, nor has it challenged any private contractors. For councils, Natural Resources Wales considers that existing initiatives, such as recycling targets and the Collaborative Change Programme, are sufficient to secure the quality and quantity of recyclable resources. Natural Resources Wales has decided to focus its limited resources on risks in respect of waste crime and on compliance with environmental permits¹⁹.

¹⁶ Environment Agency, **Waste collection authority separate collection arrangements: survey results, Version 1**, January 2016.

¹⁷ Waste and Resources Action Programme, **A Framework for Greater Consistency in Household Recycling in England**, September 2016.

¹⁸ This is the assessment of the compliance of methods for collecting recyclables under the ‘TEEP’ assessment provisions of the Waste (England and Wales) (Amendment) Regulations 2012.

¹⁹ Separate collections is one of a number of waste regimes for which Natural Resources Wales is the regulating authority but where it may not necessarily proactively require information from operators. The responsibility to comply lies with the operator and Natural Resources Wales will intervene where it has evidence that indicates a problem.

1.16 The Scottish Government, with the backing of the Confederation of Scottish Local Authorities and Zero Waste Scotland, has developed a different approach to maximise the capture, and to promote the consistent collection, of high quality recyclable resources (Box 4). Unlike the Welsh Government's Collections Blueprint, the recycling charter does not prescribe from the outset specific details regarding vehicles and equipment. Nor does it set out the specific method by which kerbside collection is to be undertaken. Instead, the charter sets common performance aims and says that 'over time, we will establish common collection systems, as appropriate, for paper, card, glass, plastics, metals, food and other commonly recycled materials deemed feasible'. The charter also promises that 'we will eradicate discrepancies on what can and cannot be recycled in different localities'.

Box 4 – the Scottish Household Recycling Charter

In Scotland, collaborative working by the Scottish Government, the Confederation of Scottish Local Authorities and Zero Waste Scotland has resulted in the Scottish Household Recycling Charter which was launched in November 2015. Councils are invited to sign up for this voluntary charter which has been set up to promote more consistent recycling across the country. The charter recommends the adoption of recycling methods where glass and paper are collected in separate streams, and metals and plastics are co-collected in a third stream. Food waste may be collected separately, or co-mingled with garden waste depending on the onward treatment method, while residual waste is collected separately.

Councils signing up to the charter can apply for funding from the Scottish Government to help carry out service changes to align with the charter. By May 2017, 25 of the 32 Scottish councils had the approval of their elected members to sign the charter.

The Welsh Government has made progress to encourage public participation in recycling through sharing good practice and has not, as yet, encouraged any additional financial incentives or penalties

- 1.17 We noted in our 2012 report that increasing public participation, so that more effective use is made of existing services and infrastructure rather than developing more facilities, was a route to increased recycling and higher efficiency. In our view, this conclusion remains pertinent, as pressures on capital funding increase and councils rationalise their waste recycling facilities.
- 1.18 In signposting councils towards good practice on encouraging public participation, the Welsh Government relies heavily upon published information from the Waste and Resources Action Programme²⁰. This guidance is widely used. However, despite the potential benefits, there is often an additional cost for councils if they apply the guidance correctly. In looking to cut the cost of monitoring public participation in recycling, some councils simply measure domestic refuse bin 'set-out' rate rather than participation²¹ or do not measure participation over a sufficiently long period for the results to be valid in support of their wider decision making.
- 1.19 The Welsh Government has not established specific performance indicators for participation as we recommended previously, and use of the method of measuring participation in the guidance is voluntary. We agree with the Welsh Government that a single council-wide measure of participation would only be of limited use. Guidance²² is right to suggest that understanding the level of activity within council wards, districts or collection rounds allows more targeted interventions. However, establishing greater consistency of approach would provide a better basis for comparison between council areas and to support improvement.

20 This information includes guidance on household food waste collections, household waste prevention, improving the quality of dry recyclables and on partnership working.

21 'Set-out rate' is the proportion of households that put out recycling or food waste on one collection opportunity. 'Participation rate', as defined in Waste and Resources Action Programme guidance, is an observed measure of the proportion of households that take part in recycling at least once in the defined period. Participation rate is calculated over three collection opportunities because many households do not put out their container each time, normally because it is not full or they forget.

22 The Waste and Resources Action Programme has produced a range of guidance for councils on increasing participation, including for deprived areas, transient populations, immigrant communities and different types of accommodation, for example, on developing performance indicators for recycling participation in flats.

- 1.20 In 2016, the Welsh Government decided to allocate the resources for the Waste Awareness Wales function, previously delivered by the Welsh Local Government Association, to the Waste and Resources Action Programme. The Waste and Resources Action Programme now has the role to deliver communication and behaviour change projects on behalf of the Welsh Government. The Welsh Local Government Association's Waste Awareness Wales good practice portal previously provided a site for councils to exchange good practice and their experiences. The Waste and Resources Action Programme has set up a widely accessible hub for the exchange of good practice together with a website containing useful waste management guidance notes for councils.
- 1.21 On behalf of the Welsh Government, the Waste and Resources Action Programme has also supported councils in the sale of some recycled resources to re-processors. This is a useful initiative that can support councils to realise the value of recyclable resources in a difficult and often fluctuating market. In July 2017, the Waste and Resources Action Programme reported that it had supported nine Welsh councils with material marketing with a net benefit of £1.4 million²³. The Waste and Resources Action Programme acknowledged that most of this benefit was from two councils that previously had no income from their recyclables. They also recognised that support for brokerage of recyclables is an area needing further development at a national level.
- 1.22 The Waste and Resources Action Programme has also developed national campaigns for recycling and waste reduction (**Box 5**). However, the Welsh Government has not yet acted on the National Assembly Environment and Sustainability Committee's recommendation to commission research on the relationship between waste reduction, income and ability of councils to meet the recycling targets in 2019-20 and 2024-25. Although the Welsh Government initially accepted this recommendation, it noted that there would be costs associated and officials have now questioned the general feasibility of the research that the Committee was suggesting. The Welsh Government has pointed to the progress that has already been made in respect of the 64% target for 2019-20 and the positive trajectory towards the 70% target for 2024-25 (**Appendix 3**). It has funded research on the costs and benefits of setting a new statutory target of 80% (**paragraph 9**) but we consider that the scope of that research may still fall short of meeting the Committee's intentions.

²³ As reported to the Welsh Government's Ministerial Programme Board,
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Box 5 – Love Food; Hate Waste campaign and Recycle for Wales

Love Food Hate Waste is a campaign delivered across the UK by the Waste and Resources Action Programme. The campaign aims to raise awareness of the need to reduce food waste by doing some easy practical everyday things in the home. Preventing food waste saves money and benefits the environment.

Recycle for Wales is the national recycling campaign for Wales. Supported and funded by the Welsh Government, and adopted locally by councils and other partners, the campaign aims to encourage consumers to recycle more things more often from all around the home. Recycle for Wales' website provides links to recycling information at all councils.

- 1.23 We also recommended previously that the Welsh Government create contingency plans in readiness to apply financial incentives or penalties on the public if they do not reduce the waste they produce, reuse, recycle or compost their wastes sufficiently in response to persuasion and education. The Welsh Government considers that it has not needed to take this action because of the good progress councils have made to date to increase recycling. So far, the Welsh Government has preferred instead to rely on influencing public participation through awareness campaigns and the services offered to households.
- 1.24 We recognised that incentives or penalties should only be introduced in the event that other measures have failed to deliver the necessary improvement in recycling performance. In 2017, the Welsh Government consulted on new powers²⁴ to use fixed penalty notices, and extended producer responsibility, to increase recycling. In particular, councils need to meet the 70% recycling target by 2024-25, and the Welsh Government is considering increasing this target to 80% in 2034-35, with an aspiration in **Towards Zero Waste** that in 2049-50, the recycling target will be 100%.

²⁴ Welsh Government (consultation document), **Taking Forward Wales' Sustainable Management of Natural Resources**, June 2017.

- 1.25 The Welsh Government is reconsidering the need for incentives as part of the planned refresh of the national strategy in 2018. However, the Welsh Government will not be legislating for any additional enforcement provisions on the public in the medium-term. It considers that existing legislation is sufficient to achieve its objectives.
- 1.26 The Welsh Government is working with councils to develop a new behaviour change campaign. The campaign has three key parts: national and local level communications; ensuring councils all provide services that can take advantage of increased recycling, especially at the kerbside; and supporting councils to use existing powers in section 46 of the Environmental Protection Act 1990 to sanction those who put recyclable materials in residual waste containers or contaminate containers intended for recyclable materials. The use of these powers for this purpose has not yet been tested in the courts.
- 1.27 Compositional analysis from 2015 has shown that 48.9% of kerbside collected residual waste was widely recyclable and 59.4% was biodegradable. Food waste was the biggest contributor, but this analysis by the Waste and Resources Action Programme also highlighted the amount of other potentially recyclable wastes in the residual waste stream (Figure 4). It noted that there were particular opportunities for improved capture rates for textiles, non-ferrous metals and dense plastic.

Figure 4 – the composition of kerbside collected residual waste for the main recyclable resources (2015 analysis)

Type of recyclable material	% of kerbside residual waste
Food waste	24.8
Dense plastic	7.5
Textiles	5.6
Recyclable paper	4.3
Recyclable card	3.5
Garden waste	2.7
Glass	2.6
Ferrous metal	1.9
Non-ferrous metal	1.3
Waste electrical and electronic equipment	1.3

Note: not all of the total material of these types will actually have been recyclable.

Source: Waste and Resources Action Programme, **National Municipal Waste Compositional Analysis in Wales**, June 2016.

- 1.28 The Welsh Government is keen to focus more recycling effort on textiles, non-ferrous metals and plastic. This is because these materials, in addition to waste electrical and electronic equipment, are valuable and in some cases scarce. They also have a significant effect on the carbon footprint of waste. In addition to capturing more of these recyclables, the use of incentives for high recycling communities and possibly fixed financial penalties for households where recyclables are not adequately separated for collection, might be a way of improving the quality and therefore value of recyclable resources. However, quality will also depend on the collection method. Preventing contamination by non-recyclable wastes or from recyclable materials placed in the wrong collection stream helps to give cleaner and better separated recyclable resources and the highest possible income for councils.
- 1.29 The Welsh Government and councils are currently prioritising food waste recycling because residual waste still contains much food waste. In addition, food waste left in residual waste can cause amenity problems for householders, particularly as councils seek to reduce further the frequency of residual waste collections.
- 1.30 In accordance with a recommendation of the Environment and Sustainability Committee, the Welsh Government has commissioned a report²⁵ on the amount of waste collected for recycling but subsequently rejected due to contamination together with the destination of recyclable resources from all collection methods. The Waste and Resources Action Programme has also developed a website that shows the public the destination of recyclable resources (myrecyclingwales.org.uk). This information may help to dispel some perceptions that recyclable wastes are discarded rather than used as a resource.

Collection systems continue to evolve but benchmarking has found that the cost of certain waste management services show surprising variation

- 1.31 Our 2012 report noted that councils' recycling performance typically improved in steps as they rolled out new initiatives. Any comparison of performance and costs was difficult because improvements happened at different times due to local needs and many other factors. In some cases where councils have adopted the Collections Blueprint since 2012 – notably in Merthyr Tydfil and Blaenau Gwent (**Boxes 2 and 3**) – service changes have been introduced in a short time period.
- 1.32 Improvements to, and changes in, collection systems have continued since 2012 amid increased financial pressures. Nevertheless, the majority of councils are now at a similar point in the development of their kerbside waste collection services to allow for some meaningful comparison of costs and performance. With the success of diverting wastes to recycling there is less residual waste for councils to collect, and all councils have moved to fortnightly or three-weekly collections. Conwy County Borough Council has moved to a four-weekly collection following a pilot. Councils' costs for residual waste collection, as reported by the Welsh Local Government Association, have reduced from £99.1 million in 2012-13 to £84.7 million in 2016-17.
- 1.33 Torfaen and Cardiff are examples where the local councils have issued smaller capacity residual waste bins. Trials across the UK have demonstrated that these 'skinny bins' can prompt residents to separate more of their household wastes for recycling, with recycling rates increasing by perhaps four percentage points. Reducing the frequency of collection and size of residual waste bins saves money once systems normalise and capital replacement costs are covered, potentially allowing more funds to be used for recycling. The Welsh Government's Collections Blueprint suggests both of these changes for councils, giving specific suggestions for bin sizes, collection frequency and a range of other service changes. Both initiatives also appear to heighten awareness of waste issues and can promote waste prevention, although such changes can also irritate some residents and lead to a perception of a reduced service.

- 1.34 In addition, councils provide household waste recycling centres and arrangements to collect trade wastes, only differing in whether they also provide some specific collection services like healthcare collections and nappy recycling. Household waste recycling centres provide councils with cost-efficient waste collection and a ready means of diverting waste from landfill disposal into recycling. They also provide residents with an alternative to kerbside recycling, particularly with more restrictions on the type and quantity of waste that can be collected at the kerbside. Waste collected at household waste recycling centres accounts for around one third of Wales' recycling rate.
- 1.35 In the past few years, councils have also reduced the number of these sites, closing sites that were unable to divert at least 70% of waste received into recycling or reuse. A potential problem that results from the accessibility of household waste recycling centres is that residents cross county boundaries to use the nearest site, which distorts the amount of waste apparently arising within a council area and can affect their recycling performance. Some councils are asking for proof of residence before allowing use of their sites. Misuse of these sites by traders seeking free disposal of their wastes is also a problem. Approaches vary but, increasingly, councils are seeking opportunities to raise income through customer charges such as charging traders to deposit rubble.
- 1.36 The Welsh Government's Collections Blueprint specifies that cost information on councils using the Collections Blueprint will be published each year to 'allow the public to gauge if they are getting value for money'. The Welsh Local Government Association summarises waste service cost data in an annual Waste Finance Data Report. However, these reports do not offer a view on value for money and are not in a format that helps the public to assess value for money.
- 1.37 Over recent years, we have facilitated benchmarking work on behalf of the County Surveyor's Society that has looked at different aspects of councils' waste management services. That benchmarking, alongside other figures reported by the Welsh Local Government Association, has highlighted some surprising variation in costs. For example:

- **Food waste:**

- the cost per household ranged from £13.02 to £39.87 in 2013-14 and with a median cost of £23.51. By 2014-15, the median cost had reduced to £22.09 per household but wide variation remained.
- councils were typically collecting between 1kg and 2kg of food waste per household per week in 2013-14 and 2014-15.

- **Garden waste:**

- in 2015-16, reported costs for kerbside collection ranged from £3 to £42 per household.

- **Household waste recycling centres:**

- in 2015-16, councils' costs for household waste recycling centres ranged from £8 to £53 per household and £34 to £243 per tonne of waste received.
- the proportion of the total waste arising in a council area that was handled through these centres ranged from 14% to 43% in 2015-16.
- diversion to recycling of the waste collected at these centres ranged from 57% to 87% per council in 2015-16.

1.38 The reasons for variations in costs have not always been clear. A wide range of factors including service efficiency, demographics and income generation²⁶ will also influence net service costs and benchmarking has not sought to adjust for these factors. There may also be other factors, such as commitments to long-term waste management contracts and access to waste treatment infrastructure, that impact on the costs reported.

1.39 **Paragraphs 1.43-1.51** consider councils' reported costs in more detail for 2016-17. We focus in that section on kerbside dry recycling and the overall cost of household waste services. The Welsh Local Government Association's annual waste finance reports provide further analysis on the breakdown in councils' costs.

²⁶ The Auditor General's November 2016 report on **Charging for services and generating income by local authorities** included an analysis of council's approach to charging and income from waste services. We also held a seminar in 2016 featuring the experiences of Wirral, Denbighshire and Monmouthshire councils in charging for garden waste collection. A common trend was a significant dip in recycling performance when charges were introduced, but some recovery in the following years.

The Welsh Government believes that, if applied optimally, its Collections Blueprint offers the most cost-effective overall means of collecting waste from households

A previous Welsh Government commissioned review concluded that the Collections Blueprint can provide a lower cost solution than other collection systems, but leads to a similar recycling rate

- 1.40 The Welsh Government has implemented the Environment and Sustainability Committee's recommendation for an independent review²⁷ of the Collections Blueprint ([Appendix 2](#)). The Committee had noted that 'the Welsh Government is convinced that its Collections Blueprint offers the best pathway to delivering higher recycling rates, better quality recyclables and greater efficiency'. However, it also noted that 'this conviction was not shared by many local authorities', adding that 'at present, no single method of collecting recyclable resources from householders offers a clear lead in performance, cost or efficiency'. To support the review, the Welsh Government established a Technical Advisory Group, consisting of representatives from the Welsh Government, councils and the Welsh Local Government Association. Methods used for the review were also overseen by an external peer reviewer.
- 1.41 The peer reviewer noted the limitations of the evidence available, and particularly that there were very few literature sources to draw from that considered the relative performance of the Collections Blueprint. However, the review presented some evidence to show that the Collections Blueprint could provide lower overall service costs and a similar recycling performance when compared with other collection methods. The review drew on reported cost data for the collection of dry recyclables up until 2013-14 when only five councils operated to the Collections Blueprint. The cost data for the collection of other recyclables was based on modelling and the work also sought to take account of other factors that could influence local costs to compare on a like-for-like basis. The peer reviewer commented that 'dry recycling costs alone have been used to evaluate overall value for money'.

27 Eunomia, [Review of the Welsh Government Collections Blueprint](#), March 2016.

1.42 While there are different opinions, some council waste managers have been critical of the review, highlighting the limited amount of empirical evidence used and that the modelling is highly sensitive to the assumptions applied. We have not sought to form our own view on the evidence base for the review's findings, but such concerns remain a factor in persuading some councils of the merits of the Collections Blueprint approach. The Welsh Local Government Association has also highlighted that the review did not take account of the potential negative impact on public participation in recycling from changing collecting methods, if only in the short-term. In the experience of Blaenau Gwent County Borough Council since the review was carried out (Box 2), this impact could also have been mitigated by better change management arrangements.

The Welsh Government is planning further analysis to understand better the differences in councils' reported waste collection costs and the impact where councils have adopted the Collections Blueprint

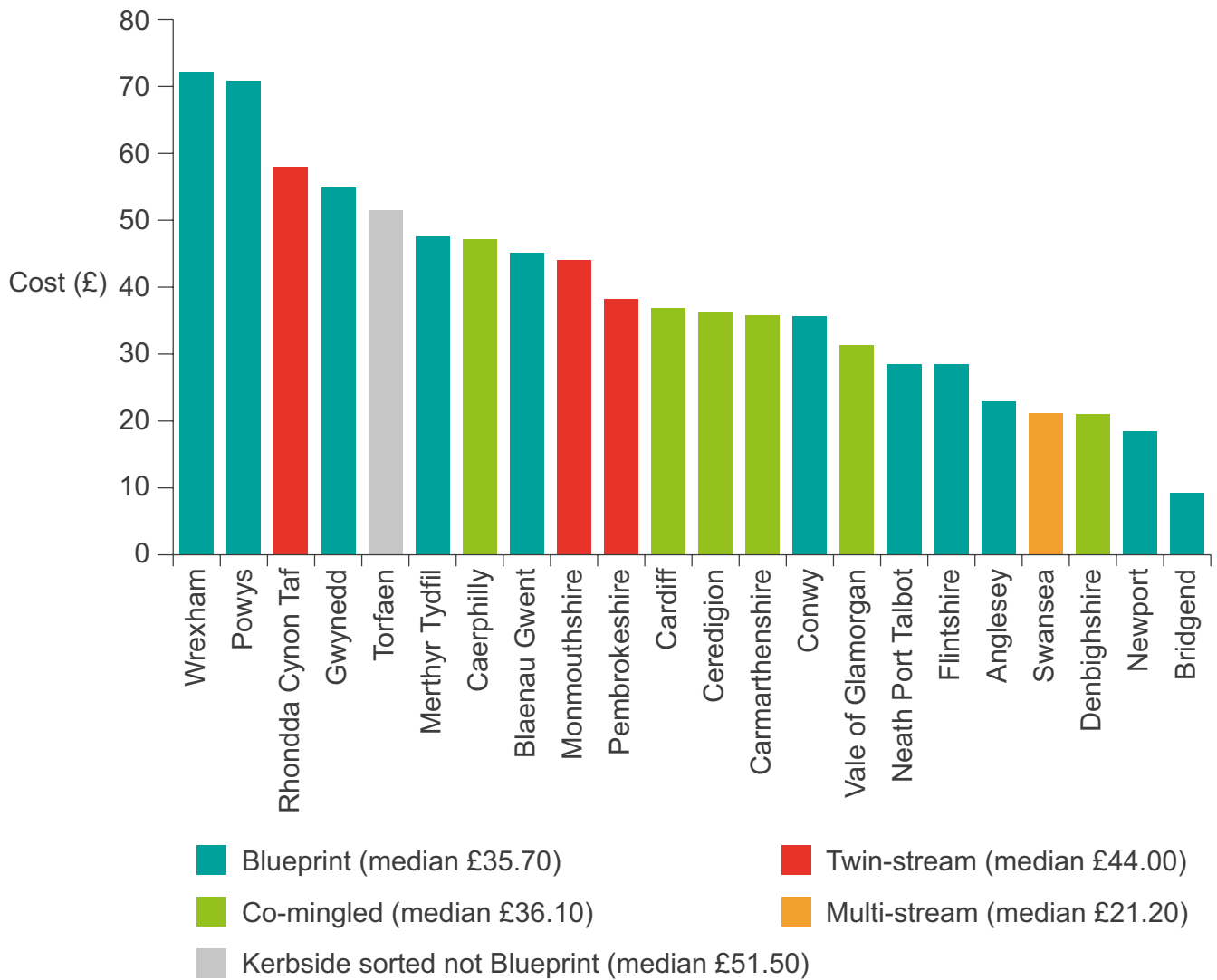
1.43 The Welsh Government is working with the Waste and Resources Action Programme through the Collaborative Change Programme to monitor the impacts of recent service changes. Through this work, the Welsh Government has indicated to us that it now intends to report an analysis of the financial, and other, changes that councils have seen since the adoption of the Collections Blueprint. It will consider operational factors influencing costs and income from selling materials. The Welsh Government intends that this work will inform a revision of the Collections Blueprint. We highlighted the need for such analysis during our discussions with Welsh Government officials in the preparation of this report.

1.44 We compared councils' actual reported costs for the kerbside collection of dry recyclables in 2016-17, focusing on the median cost for each of five collection methods used. The data includes the costs of collection, transfer and treatment and income from the sale of recyclables. The limited sample size for some categories of collection system means that the findings of this analysis are indicative only. The Welsh Local Government Association's annual waste finance reports provide further analysis of these costs and we have not sought to take account of the factors that the Welsh Government intends to consider in the work it is undertaking.

- 1.45 **Figure 5** shows that the median cost per household for the Collections Blueprint councils compared favourably with that reported for twin-stream collections. The median cost was broadly similar to that reported for councils using the co-mingled method. The range for the Collections Blueprint councils saw Wrexham report costs nearly eight times higher than Bridgend. For councils using co-mingled collections the range of costs was just over two-fold, and less again for the three councils using a twin-stream collection method.
- 1.46 The reasons for the range in costs for councils using the Collections Blueprint merit further consideration. For example, there is no obvious relationship between the reported costs and whether councils are classified as rural, valleys or urban. However, it is clear that some councils that already reported relatively low costs before moving onto the Collections Blueprint, continued to do so afterwards. Similarly, as some higher cost councils have adopted the Blueprint more recently, they have maintained relatively high reported costs thereafter. This is part of the reason why the median cost of collection for Collections Blueprint councils increased in cash terms from £12.85 per household in 2010-11 (two councils) to £42.66 in 2015-16 (11 councils), before then dropping back to the £35.70 reported for 2016-17²⁸.
- 1.47 While we looked back at the trend in median costs over recent years, the changes in councils' collection methods complicate the picture. These changes have not generally occurred in single stages of implementation at the turn of a financial year, meaning that the annual costs can, in practice, cover more than one method and there may also be additional one-off costs associated with transition.

²⁸ Bridgend County Borough Council and Newport City Council were the first councils to begin to operate the Collections Blueprint from 2010-11. They were joined in 2011-12 by Conwy County Borough Council, and by Powys County Council and Isle of Anglesey County Council in 2012-13 and 2013-14 respectively. Six more councils have since changed methods and were classified by the Welsh Government as Collections Blueprint in 2015-16 and 2016-17 (Figure 3).

Figure 5 – cost per household for dry recycling kerbside collection for councils in 2016-17, and the median cost per collection method^{1, 2, 3}



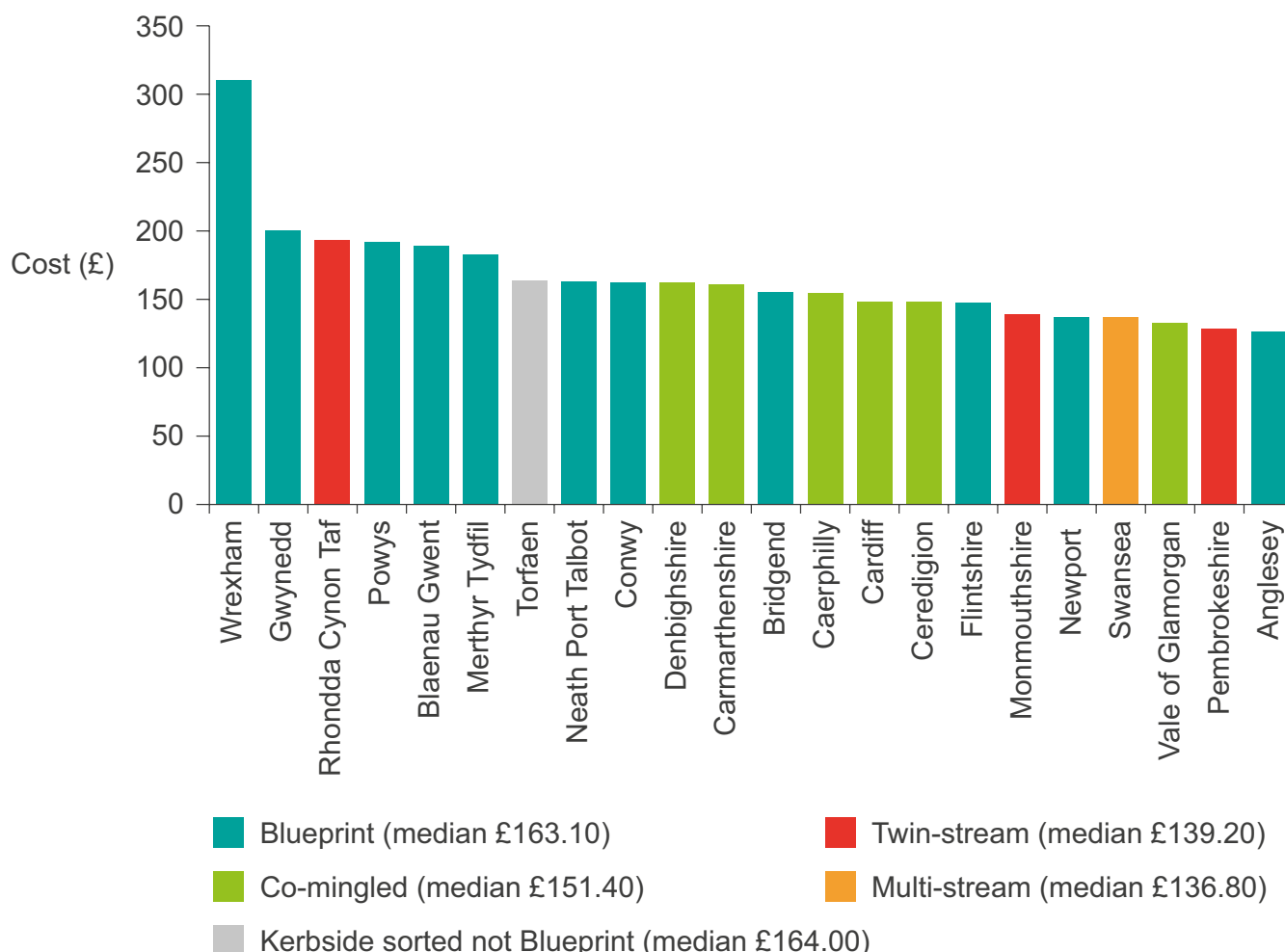
Notes:

- 1 There can be variation within each method of collection. For example, with councils operating the Collections Blueprint where there are differences such as in collection crew size and in customer charges.
- 2 Other factors may have more influence over the cost of delivering household waste services than the choice of collection method, including any one-off costs. An example is the Private Finance Initiative used to deliver waste services in Wrexham County Borough Council and the fact that the Council changed its recycling fleet in 2016-17.
- 3 The median value lies at the midpoint of a frequency distribution of observed values, such that there is an equal probability of a value falling above or below it. Using the median value is a good way to analyse data with a small sample size and high variability.

Source: Welsh Local Government Association, **Waste Finance Data Report 2016-17**, March 2018.

- 1.48 While there is a lack of conclusive evidence, it is also possible that the choice of method used to collect dry recyclables at the kerbside has some impact on the cost of other services. In particular, arrangements for recycling collection rounds may affect the cost of food and garden wastes collections, and kerbside recycling is also likely to affect the use of household waste recycling centres. Restricting the frequency and the capacity of residual waste collection, under the Collections Blueprint or otherwise, is known to often lead to less residual waste and more recyclables.
- 1.49 The Welsh Local Government Association defines household waste service cost as the 'aggregated total of cost associated with kerbside dry recycling, kerbside food waste, kerbside green waste, household waste recycling centres, bring sites and residual waste'. Each element includes costs of collection, transfer, treatment and disposal of waste. Costs associated with trade waste, trade recycling, and clinical waste, bulky waste, procurement of waste treatment, other municipal solid waste and awareness raising costs are not included. Income is included to better reflect the net costs of services.
- 1.50 **Figure 6** shows that seven of the 11 councils with the highest cost to provide waste services to each household in 2016-17 were all using the Collections Blueprint. Of the 11 councils with the lowest costs only four were on the Collections Blueprint. Four of the six councils changing to Collections Blueprint in 2015-16 reported a reduction in costs in 2016-17, while other councils that have used this method for some years noted increased costs in 2016-17. The costs for councils using other methods of collection either reduced, or were relatively stable.
- 1.51 Further analysis is required to consider the impact of transitional costs and other factors, including the costs prior to transition or the impact of contract prices for waste services. Many councils have, or will shortly, transition from landfill disposal of their residual wastes to treatment at energy from waste facilities. As these changes play-out and landfill taxation is no longer paid and the Welsh Government's subsidies are applied, the cost of residual waste treatment for many councils will be slightly less expensive than at present.

Figure 6 – cost per household for councils’ household waste services in 2016-17 and the median cost per household collection method^{1, 2, 3}



Notes:

- 1 There can be variation within each method of collection. For example, with councils operating the Collections Blueprint where there are differences such as in collection crew size and in customer charges.
- 2 Other factors may have more influence over the cost of delivering household waste services than the choice of collection method, including any one-off costs. An example is the Private Finance Initiative used to deliver waste services in Wrexham County Borough Council and the fact that the Council changed its recycling fleet in 2016-17.
- 3 The median value lies at the midpoint of a frequency distribution of observed values, such that there is an equal probability of a value falling above or below it. Using the median value is a good way to analyse data with a small sample size and high variability.

Source: Welsh Local Government Association, **Waste Finance Data Report 2016-17**, March 2018.

Part 2

Weight-based statutory targets have driven a much improved recycling rate over time, but could better reflect wider sustainability considerations



- 2.1 This part of the report considers the overall trends in recycling performance. However, it also explores the limitations of using a weight-based target for municipal waste that is prepared for reuse, recycling or composting (the 'recycling target'), and how carbon measurement is becoming an increasingly important measure of sustainable waste management. The final sections consider issues arising for the Welsh Government in its planned review of the national waste strategy **Towards Zero Waste**.

Weight-based statutory targets have driven a much improved recycling rate over time – to as high as 63.8% across Wales in 2016-17 – although there has been a slight decrease for 2017-18

The recycling rate increased steadily to 63.8% in 2016-17, helped a little by a change in measurement from 2012-13, but decreased to 62.7% in 2017-18 due in part to better quality reporting

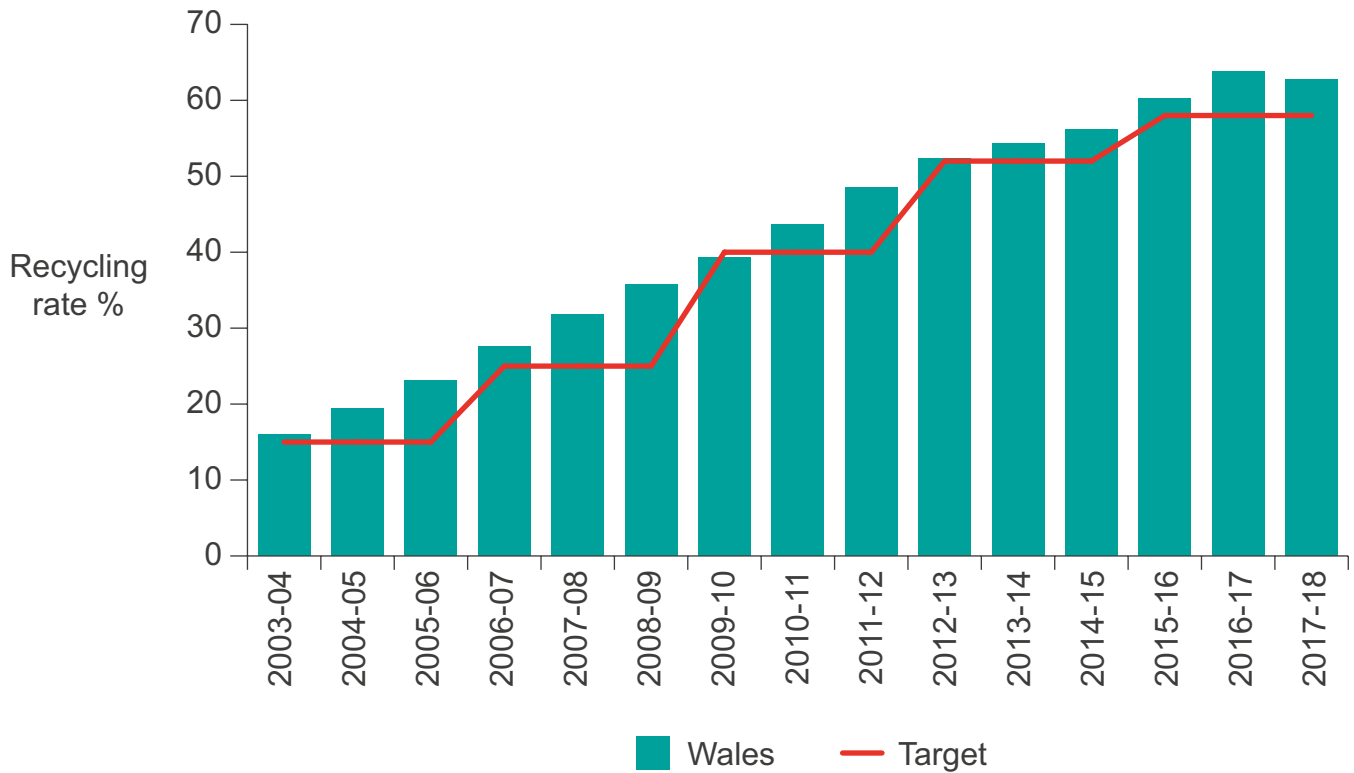
- 2.2 The recycling rate is a weight-based measure that sets the weight of recycled wastes against the overall weight of council collected municipal wastes, and it became a statutory target in Wales from 2012-13. This simple means of assessing progress has allowed both the measurement of municipal recycling in Wales and reporting against European Union requirements in the Waste Framework Directive. A weight-based recycling target is shared by all countries in the European Union, and more widely, and has helped to drive increased recycling rates. However, a weight-based target provides no direct measure of sustainability and does not specifically prioritise the recycling of wastes that have the most effect in reducing Wales' carbon footprint. In addition, a weight-based recycling target does not prioritise recycling of resources that are valuable because they are particularly scarce, and these targets can even have the opposite effect.

- 2.3 In 2011-12, Wales' recycling rate was 48.5% and, for the first time, the amount of waste sent for reuse, recycling or composting exceeded the amount disposed to landfill. Councils had achieved increased recycling through the provision of new services such as kerbside recycling collections and the separate collection of food waste. Councils also improved waste collection infrastructure, such as through upgrading civic amenity waste sites to become household waste recycling centres.
- 2.4 From 2012-13, the Welsh Government changed the way that it calculates the recycling target to include rubble, incinerator residues, plasterboard and waste from beach cleaning. However, the new definition meant that recyclables collected but subsequently stockpiled and not actually sent for processing, did not count in the recycling rate until they were processed. The net effect of the new definition was to increase the recycling rate for Wales in 2012-13 from 50.4%, under the old definition, to 52.3%. Twenty councils saw an increase of up to 4.8 percentage points but the recycling rate decreased for two councils, by up to 1.9 percentage points.
- 2.5 Wales recycles a high percentage of municipal waste, with 63.8% of municipal waste reused, recycled or composted in 2016-17 (Figure 7). Recycling in Wales exceeds the rate recorded in England, Northern Ireland and Scotland²⁹ and compares favourably with countries in the European Union and estimated recycling rates elsewhere in the world³⁰. Benchmarking work has shown that recycling of commercial wastes collected by councils has also improved from just under 16% in 2011-12, to 45.3% in 2016-17.

²⁹ In England, Northern Ireland and Scotland recycling is measured using the household waste recycling rate, a measure that excludes some of the components that are included in the municipal waste recycling rate in Wales. Data for 2016 is the most recent available and shows the household waste recycling rates to be: England (44.9%); Northern Ireland (43%); Scotland (42.8%); Wales (57.3%).

³⁰ In December 2017, the consultants Eunomia estimated that Wales is currently ranked fourth in the world for the weight of municipal waste recycled. When they compared on a 'like-for-like' basis with other countries the recycling rate for Wales was reduced by 12 percentage points to 52.2% (to exclude rubble and incinerator bottom ash and adjusting for contamination during collection). Eunomia also adjusted the recycling rates for other countries. Eunomia, **Recycling; who really leads the world? Identifying the world's best municipal waste recyclers**, March 2017 report updated with 2016-17 data in late 2017.

Figure 7 – municipal waste recycling rates from 2003-04 to 2017-18



Note: changes to the definition of municipal waste meant that from 2012-13, rubble, incinerator residues, plasterboard and waste from beach cleaning were included. In addition, data for years prior to 2012-13 are based on waste collected for disposal/treatment. Data for 2012-13 onwards are based on waste sent for disposal/treatment.

Source: Based on data reported in the Welsh Government’s, **Statistical First Release, Local Authority Municipal Waste Management, 2017-18**, October 2018.

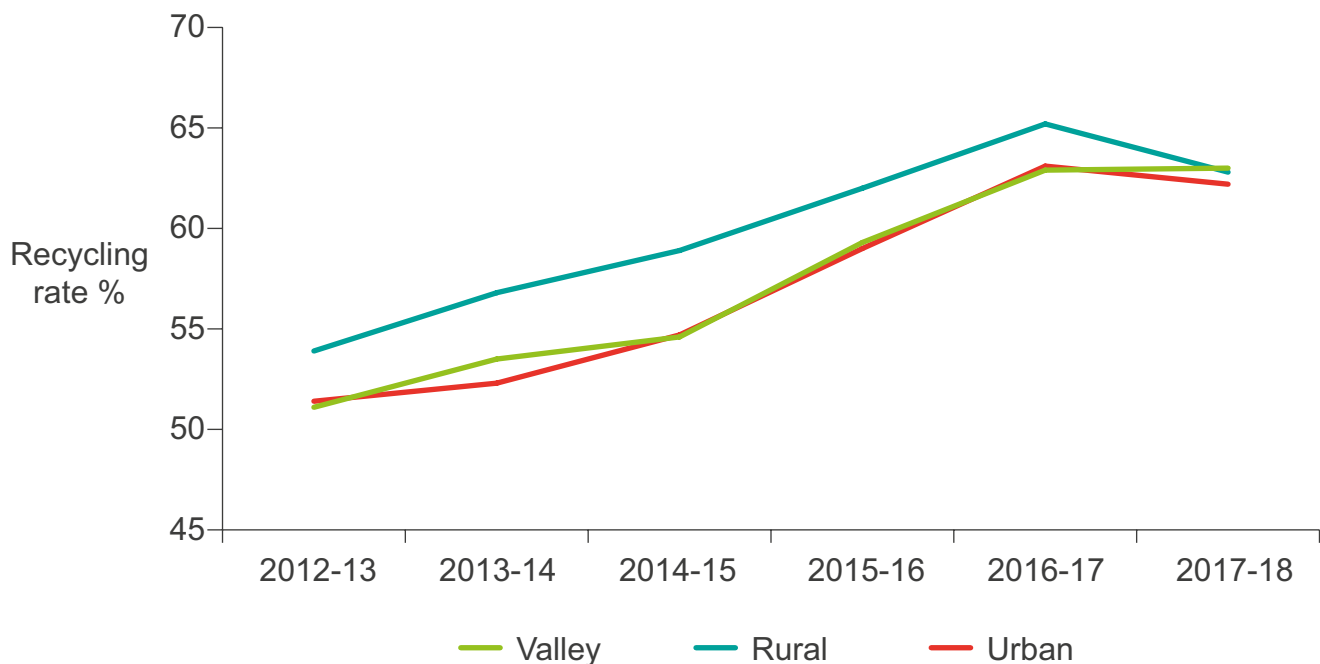
- 2.6 In October 2018, the Welsh Government published the latest recycling data for 2017-18. It shows that for the first time over the past two decades, there was a small year-on-year decrease to 62.7%. The decrease has been attributed to a combination of complex factors but including the improved accuracy of reporting in respect of wood recycling.
- 2.7 Overall, 20 of the 22 Welsh councils met or exceeded the statutory recycling target of 58% for 2017-18. The recycling rates varied from 56.0% in Blaenau Gwent to 72.2% in the Isle of Anglesey ([Appendix 3](#)). By contrast, nine councils failed to meet the 52% recycling target in 2012-13, the first year that this target became statutory. Councils' recycling rates in other parts of the UK vary to a greater extent than in Wales.
- 2.8 Of the 22 councils, 17 reported a decrease in their recycling rate for 2017-18. Pembrokeshire and Ceredigion councils saw the largest decreases. Ceredigion had previously recorded the highest rate of all councils in 2016-17 (70.1%) but saw this reduce to 63.7% in 2017-18, still above the statutory target and the Wales average. The recycling rate in Pembrokeshire fell from 65.3% to 57.0%. Bridgend County Borough Council reported the largest increase, from 57.9% to 68.6%. The increase has been attributed to changes in the Council's kerbside collection scheme.
- 2.9 Progress in improving the recycling rate at individual councils can fluctuate, even for those with generally good recycling rates. A recycling rate that is marginally less than the previous year may not necessarily indicate a performance problem. Performance changes could be due, for example, to service changes, seasonal issues, and the reprioritisation of resources. However, Blaenau Gwent County Borough Council has not achieved the recycling target in five of the six years since the target became statutory. The Council also failed to meet the target six times between 2003-04 and 2012-13.
- 2.10 The Welsh Government has the option to levy financial penalties on councils that fail to meet the target. There had been 20 instances where councils had failed to meet recycling targets between 2012-13 and 2016-17. In practice, levying a financial penalty may simply impact on councils' available resources to support improvement. For the first time, the Welsh Government levied a £77,800 fine on Blaenau Gwent County Borough Council for its failure to meet the 2016-17 target.

The Welsh Government continues to apply the same recycling target to all councils, but until 2017-18 the combined recycling rate across rural areas had been consistently higher than for valleys areas and urban areas

- 2.11 Our 2012 report considered that national plans for recycling did not take sufficient account of local geographical, compositional and socio-economic differences. Rural councils achieved a combined recycling rate that was consistently higher than valleys councils, by as much as seven percentage points in 2009-10, and a few points higher than urban councils.
- 2.12 Many physical, social and economic factors can act as barriers to recycling. The Waste and Resources Action Programme has undertaken some work that pointed towards a link between higher deprivation in urban areas and the likelihood of lower recycling rates. Whether residents have gardens and can produce a large quantity of organic garden wastes for recycling may also be part of the reason for the higher recycling rates observed historically by rural councils, and particularly over valleys councils.
- 2.13 We recommended previously that the Welsh Government analyse the recycling rates for councils to determine if there is a significant difference in the performance of predominately urban, valleys and rural local councils. We also recommended that the Welsh Government use this analysis together with socio-economic differences when setting future recycling targets and redirect and target support for any councils shown by the analysis to be disadvantaged.
- 2.14 In responding to these recommendations, the Welsh Government considered provisional recycling data for the 2015 calendar year only. That data showed rural recycling to be 60%, urban recycling 58% and valleys recycling 57%. The Welsh Government's conclusion was that a range of three percentage points was not a significant difference between these recycling rates. The Welsh Government has also noted not all of the rural councils have higher individual recycling rates than urban and valleys councils. The Welsh Government considers that it has implemented the recommendation and does not need to take any further action by considering variable recycling targets or targeting support, but says that it will review its approach if the gap widens.

2.15 In each of the five years from April 2012 to March 2017, rural councils maintained the highest combined recycling rate (Figure 8). In 2013-14, rural councils achieved a combined recycling rate that was 4.4 percentage points more than either urban or valleys councils. Similarly, in 2014-15, this difference was 4.3 percentage points. However, the gap closed gradually in 2015-16 and 2016-17 and the latest data for 2017-18 shows a different picture, with the combined rate for valleys councils marginally higher than for rural and urban councils. The factors that contributed to the overall decrease across Wales impacted rural councils more than other councils but some of these factors may only be temporary.

Figure 8 – combined municipal recycling rate for rural, valleys and urban councils in Wales from 2012-13 to 2017-18



Note: Rural councils are: Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Isle of Anglesey, Monmouthshire, Pembrokeshire, Powys, and the Vale of Glamorgan. Valleys councils are: Blaenau Gwent, Bridgend, Caerphilly, Merthyr, Neath Port Talbot, Rhondda Cynon Taf, and Torfaen. Urban councils are: Cardiff, Flintshire, Newport, Swansea, and Wrexham.

Source: Welsh Government, **StatsWales website - National Strategic Indicators datasets, Reuse/recycling/composting rates by local authority and year**, accessed October 2018.

There has been an increasing focus on carbon impacts as a means of measuring the sustainability of recycling alongside simple weight-based measurement

- 2.16 Reducing the amount of waste that arises is by far the best way to reduce the climate damaging carbon impact of waste management. However, diverting waste from landfill disposal and treating it by other means, such as by increasing recycling or using energy from waste, also reduces its carbon impact.
- 2.17 Modelling³¹ undertaken for the Welsh Government to explore the carbon impact of collecting recyclables suggests that kerbside sorted collection systems used can give 'a relatively significant climate change benefit in comparison to the equivalent performance of co-mingled systems'. Researchers attribute these benefits to higher quality recycled paper and glass, and less transportation impacts, from kerbside sorted recycling collections.
- 2.18 Several leading expert bodies on waste management have promoted different ways of measuring carbon impact as a means of assessing the sustainability of recycling. In particular, the Waste and Resources Action Programme suggests using weight and carbon targets together and, since 2013, Scotland has also used the 'Carbon Metric' to assess councils' carbon footprint from waste, including the impact of recycling.
- 2.19 Eunomia produces an annual Recycling Carbon Index for all UK councils although it only quantifies the carbon impact of recycling. This means that a council that generates high volumes of waste, but achieves a high recycling rate, would rank higher than a council with a similar recycling rate from a lower overall volume of waste. By contrast, the Scottish Carbon Metric considers the whole-life impacts of waste³².

31 The Waste and Resources Action Programme and Eunomia, **The Climate Change Impacts of Recycling Services in Wales**, September 2016.

32 Zero Waste Scotland provides a good example of the benefits of recycling waste with high embodied carbon. Zero Waste Scotland has calculated a carbon factor for each material type, expressing the embodied carbon emissions as kg CO₂eq per tonne of material. Using their Carbon Metric calculations, Zero Waste Scotland showed that every tonne of plastic bottles that is recycled saves 3.2 tonnes of embodied carbon emissions, whereas the same weight of rubble saves just 16 kilograms of embodied carbon emissions. The carbon benefit of recycling a product is the amount of these embodied emissions that are 'saved' by preventing the need to produce new products.

2.20 Over recent years, the Recycling Carbon Index has shown that Wales already achieves the greatest carbon saving per head of population from municipal recycling in the UK. In 2016-17, the 94kg per person carbon saving calculated for Wales was 36% greater than for England and 24% greater than for Northern Ireland. Nevertheless, there is still scope to recycle more of the waste resources that have the highest carbon benefit.

2.21 **Figure 9** compares the performance of the seven leading Welsh councils for recycling in 2016-17 to their ranking among Welsh councils in the Recycling Carbon Index. The comparison highlights some clear differences in relative performance using the two measures. In 2015-16, only two of the five best performing Welsh councils in the carbon index used a kerbside sorted method for collecting recyclables but in 2016-17 all of the top five did so. In both 2015-16 and 2016-17, four of the five worst performing councils in the index used either a co-mingled or multi-stream method. The exception is Blaenau Gwent County Borough Council, which moved from a twin-stream method to kerbside sorted collection during 2015-16 (**Box 2**).

Figure 9 – ranked performance in 2016-17 of the top seven Welsh councils for recycling compared with their Carbon Index rating

Council	Rank for recycling target 2016-17 (out of 22)	Rank in Carbon Index 2016-17 (out of 22)
Ceredigion	1	6
Wrexham	2	8
Monmouthshire	3	14
Flintshire	4	9
Carmarthenshire	5	11
Isle of Anglesey	6	3
Caerphilly	7	19

Source: Wales Audit Office comparison using data from the Welsh Government's **Statistical Bulletin October 2017** and Eunomia's **Recycling Carbon Index 2016-17**.

2.22 Waste management consultants Ricardo Energy & Environment have also suggested measuring the carbon contribution of waste services and have produced a carbon league table. Although different from the Scottish Carbon Metric in certain respects, the carbon league table also looks beyond recycling activity alone to provide a more holistic view of the carbon performance and overall 'environmental strength' of a council's waste services. Ricardo Energy & Environment have noted that high recycling levels do not determine overall carbon performance and that weight-based measurement has encouraged councils to 'chase' certain heavier waste materials, in particular garden waste, despite arguably marginal environmental benefits³³. The Welsh Government has noted that for Wales, compositional analyses of the waste collected by local authorities in 2003, 2009 and 2015 did not suggest an increase in the overall amount of garden waste collected when also adjusting for population growth.

2.23 In June 2015, Ricardo Energy & Environment ranked the performance of UK councils against both their recycling rate, and their position on the carbon league table. Using data from 2013-14, their analysis found that:

- reliance on landfill disposal has a big impact in producing a considerable amount of carbon emissions, but energy from waste has negligible impact on carbon. So, from the perspective of carbon emissions, a shift from landfill to energy from waste as a means of waste disposal is a good thing.
- many of the councils with the highest recycling rate did not perform well on the carbon league table because of the materials they recycle.
- Denbighshire County Council was the only Welsh council in the UK top ten when ranked in terms of carbon benefit. The Council ranked third highest, and achieved this with an overall carbon benefit of 270 kg CO₂ equivalent per tonne. The Council was also fourth-ranked in terms of recycling rate. By comparison, Monmouthshire County Council was fifth highest for recycling rate, but its carbon benefit was ranked 31st.

33 Ricardo Energy & Environment, **Which local authorities would be the winners and losers if we moved to a carbon league table rather than the traditional recycling % table?** Article in Recycling and Waste World, June 2015.

- 2.24 The carbon impacts of various wastes are a result of the different processes that are undertaken to gain, use and then to dispose of each waste. For example, the processing required to extract and to manufacture metals, plastic and textiles means that a lot of carbon emissions are generated during this stage. This means that these materials have high embodied carbon, and replacing them requires the same investment of processing and leads to the same generation of carbon emissions. For these materials, therefore, recycling is good because it avoids repeating the extraction and manufacturing stages of production. In addition, for some of these materials, for example some metal resources like copper, or plastics because they are derived from oil, there is only a finite amount of the resource available.
- 2.25 But waste materials also have a carbon impact at the end of their use, as a consequence of their disposal. Unless composted by householders or burnt in garden bonfires, before councils began to collect separately food and garden waste it would have gone to landfill with other residual wastes where it would have a significant carbon impact. Since 2004, councils have had to meet legislation³⁴ that requires a progressive reduction in the amount of biodegradable wastes, including food and garden waste, which they can dispose to landfill.
- 2.26 Councils can also include as recycled, other organic wastes from non-household sources such as grass cuttings and leaves that they 'collect' from municipal parks and gardens, and this includes clearing some organic materials from highways. Since the definition was amended in 2012-13, organic wastes collected during beach cleaning are also counted towards the recycling target if composted.

³⁴ The Landfill Allowances Scheme (Wales) Regulations 2004 were introduced in response to the Landfill Directive Council Directive 1999/31/EC. There are other legislative drivers to discourage disposal of green waste to landfill, such as the duty of care under the Environmental Protection Act 1990 (section 34).

- 2.27 Invariably, and with exception of issues like highway safety and amenity, plant wastes such as leaves and clippings would pose less of a potential to harm the environment if they could be left uncollected and for the natural decomposition processes of the carbon cycle to take place. The reality is that councils will often need to clear plant wastes for reasons such as amenity³⁵, and small scale composting has for years provided a means of managing these wastes. However, by collecting and bulking up garden wastes into the composting ‘windrows’ frequently used by councils, inadequate aeration could increase the risk of releasing significant concentrations of greenhouse gases, especially methane and nitrous oxide, to the atmosphere³⁶. Both of these gases are a far more potent greenhouse gas than carbon dioxide. Were councils to dispose of garden waste by incinerating it at energy from waste facilities, treatment in this way would not count towards recycling targets³⁷.
- 2.28 By far the most preferable environmental option for food waste is for householders and businesses to minimise its production. This is because every tonne of food waste that is produced creates the equivalent of four tonnes of greenhouse gas emissions. But preventing food waste can save more than 53 times more carbon emissions than recycling that same waste. As a more environmentally preferable option to landfill, councils now send the food waste that they collect for treatment by anaerobic digestion where the methane that is generated during treatment is captured and burnt to generate some electricity. The potential carbon impact of food waste is reduced significantly when it is treated by anaerobic digestion³⁸.

35 There are advantages to removing organic material for amenity and potentially some health reasons as decomposing organic material can provide harbourage for pests. However, there are sometimes disadvantages, for example, removing seaweed from sand beaches is known to promote wind-blown erosion.

36 The Welsh Government has noted that there is a similar risk of this happening in home compost bins.

37 Incinerating food waste is also technically possible, but can be inefficient and operationally difficult due to water content.

38 The carbon benefit of anaerobic digestion and energy from waste is linked to the carbon intensity of the grid electricity that they are replacing. As the grid continues to decarbonise, the carbon benefits of anaerobic digestion and energy from waste will decline and eventually they will be net emitters of carbon.

2.29 Recycling glass using closed-loop methods that maintain its value is worthwhile because although a considerable amount of energy is used in glass re-melting, making new glass takes even more energy. However, if disposed to landfill, glass is inert so causes no real environmental harm other than possibly some amenity issues. The justification for recycling on the basis of preserving raw resources is not as strong as for other materials, although there are still concerns about the supply of sand and the environmental impact of its extraction. It is also far more preferable to keep glass out of the waste stream and to reuse rather than recycle it, although reuse of glass containers is currently under-developed. There are statutory targets for the recycling of glass packaging under the EU's Packaging Waste Directive.

Weight-based targets have encouraged councils to recycle wastes that have a relatively small carbon impact per tonne collected

2.30 In our 2012 report, we noted that some councils were 'not taking account of the sustainability objectives underpinning the national strategy' and that 'targets, and the threat of financial penalties means some have tried to meet their landfill allowance and recycling targets by any means without being specifically concerned with sustainability'. The Environment and Sustainability Committee recommended in 2014 that the Welsh Government 'investigate whether weight-based targets are having any unintended impact on reducing the ecological footprint of waste', and to do this by the end of 2015. The Welsh Government has not yet implemented this recommendation, although its evaluation of the Wales waste plan has reported more generally on reductions in the ecological footprint of all wastes and the landfilling of waste in the period 2010 to 2015.

2.31 Recycling rubble, garden waste and wood makes a relatively small contribution to saving carbon emissions. But, together with some other wastes, these are mainstays of municipal waste recycling in Wales, as has also been seen elsewhere in the UK. To indicate the point, **Figure 10** shows how garden waste, rubble, wood, incinerator bottom ash and glass recycling contributed to councils' overall recycling performance in 2016-17. These wastes accounted for just over half of Wales' recycling rate of 63.8% in that year.

Figure 10 – the contribution that garden waste, rubble, glass and incinerator bottom ash made to Wales’ recycling performance in 2016-17

Material recycled	Percentage points in Wales recycling rate	Range in percentage points contributed to individual councils’ recycling rates
Garden waste ¹	11.4	4.0 to 19.4
Wood ²	4.2	0.0 to 6.4
Rubble ³	9.2	2.0 to 20.6
Glass	5.1	3.7 to 8.1
Incinerator bottom ash (including metals) ⁴	6.1	1.0 to 9.3
Total	36.0	26.4 to 46.5

Notes:

- 1 Our estimate is based on separately collected garden waste and assuming that garden waste makes up 75% of any mixed garden and food waste collected. Some councils have suggested a slightly lower percentage split as part of recent benchmarking work. The 75% assumption is based on figures reported by the Waste and Resources Action Programme for a sample of weekly mixed collections in **Performance analysis of mixed food and garden waste collection schemes**, February 2010. The proportion of food waste in fortnightly mixed collections was higher.
- 2 At 0.0%, Denbighshire County Council separately collects wood from recycling parks. However, this material is used as biomass fuel and does not therefore count towards the recycling rate.
- 3 The contribution that rubble (collected as a percentage of waste arising from recycling and residual sources) makes to the recycling rate is very slightly different to our figures because it is based on what is sent for recycling in the scheme year and includes aggregate recovered from street sweepings.
- 4 Individual councils are gradually transitioning to energy from waste facilities.

Source: Wales Audit Office analysis of WasteDataFlow data.

- 2.32 The examples of garden waste, rubble, wood, glass and incinerator bottom ash show that, within the limitations of the Welsh Government's recycling target, there are some incentives for councils to recycle certain readily available wastes that have a relatively small carbon impact per tonne collected. For individual councils, these wastes accounted for between two-fifths and just over two-thirds of their recycling rates in 2016-17.
- 2.33 The contribution that rubble has made to Wales' recycling performance has steadily increased since its inclusion in the measurement of the recycling rate. In 2012-13, rubble accounted for 4.4 percentage points within the overall recycling rate of 52.3%. In 2016-17, rubble accounted for 9.2 percentage points within the overall recycling rate of 63.8%. However, construction waste cannot be counted under the new EU targets and definition of municipal waste.
- 2.34 The amount of incinerator bottom ash sent for recycling had been increasing as councils increase their use of energy from waste facilities. Bottom ash can be recycled into building materials and metal is also recovered. Unlike in England, the Welsh Government allows bottom ash from energy from waste to be included in its recycling target although this cannot be included in figures returned to the European Union or in the calculation of the UK recycling rate. The Waste and Resources Action Programme anticipates that bottom ash will eventually increase recycling rates by perhaps seven or eight percentage points. However, the Welsh Government has reported that a drop in incinerator bottom ash reported as recycled, at least in the short-term, was one of the factors contributing to the decrease in the overall Wales recycling rate in 2017-18.
- 2.35 The separate collection of garden waste from their domestic kerbside waste collection rounds is now a routine activity for all councils in Wales with the exception of Powys County Council and some councils still collect mixed garden and food waste. Meanwhile, with about 25% of garden wastes brought by residents to household waste recycling centres, councils do not have to fund the collection of this waste.
- 2.36 Charging for the kerbside collection of garden wastes is suggested in the Welsh Government's Collections Blueprint and is beginning to happen across Wales. For these reasons, the separate collection of garden waste and central composting offers councils a relatively easy improvement to their recycling performance, with waste that is both dense and with a reduced cost of collection and treatment. The strong promotion of kerbside garden waste collection in response to the need to raise recycling performance has meant that, in our experience since 2012, councils now give less prominence to home composting.

2.37 In the case of glass, the ability of a council to gain recycled material to contribute to the overall municipal recycling rate may depend on competition from the private sector for collection from non-household sources. It could also depend on the availability of bring banks and the extent of their use by traders. However, estimates of the overall amount of glass in the municipal waste stream across Wales suggest that some councils may be collecting and recycling a high proportion of the glass available.

The review of Towards Zero Waste provides an opportunity for the Welsh Government to revisit how recycling performance is measured and to consider the overall value for money of its support for recycling

The Welsh Government recognises the limitations of weight-based targets and is committed to reviewing its approach

2.38 While acknowledging the limitations of a weight-based target, the Welsh Government has so far considered that there is no better option to replace the current approach. The Welsh Government has been concerned that moving to a carbon recycling target might give rise to the unintended consequence of councils 'chasing' wastes with high embodied carbon for recycling rather than prioritising their prevention.

2.39 The Environment and Sustainability Committee's 2014 inquiry into recycling noted that a weight-based approach could have the unintentional impact of discouraging waste reduction. For example, the Committee noted that if waste prevention becomes more successful, as the national strategy is seeking, smaller quantities of wastes will be presented for councils to collect. Recycling rates could decrease if waste prevention disproportionately focused on materials that would otherwise have become waste and been recycled, rather than reducing all types of waste by the same proportion. A reduction in the amount of waste available for recycling could also have a negative impact on the income that councils gain from their sale. The Committee sought an analysis of the relationship between recycling and waste prevention, and the possible effects of this on council's recycling performance. The Welsh Government has not progressed this recommendation pending its refresh of **Towards Zero Waste** in 2018.

- 2.40 In reviewing **Towards Zero Waste**, the Welsh Government has set itself an objective to explore afresh whether there are any realistic alternatives to weight-based targets which can better demonstrate the delivery of its ecological footprint and carbon reduction goals³⁹.
- 2.41 It might be feasible, for example, to create a carbon target for recycling that is relative to the total amount of waste generated, or alternately material specific carbon targets. Carbon measurement is likely to need a better ongoing understanding of the composition of residual waste, and this would come at some additional cost, although such analysis should also inform efforts to improve waste capture. A different approach to recycling targets could have the potential to recognise more clearly the value of materials that have a finite supply such as copper, or materials relying on oil extraction such as plastics. As noted in **paragraph 1.28**, the Welsh Government is keen to focus more recycling effort on such materials.
- 2.42 In March 2017, the Welsh Government announced its intention to consult on raising the municipal waste recycling target to 80% in 2034-35, with Ministers also declaring the intention for Wales to be the best recycling nation in the world. The Welsh Government could simply continue to push on with higher targets of the same type, and **Towards Zero Waste** already sets an ‘aspirational’ weight-based recycling target of 100% to be achieved by 2050. Understandably, the Welsh Government wants to retain an indicator for recycling that both councils and the public can comprehend and, in the short-term at least, will still need to report against EU-defined targets. But rather than merely measuring what is easy to measure, focusing performance measurement on quality as well as, or instead of, quantity could engender greater awareness and support from the public and would provide a better fit with wider sustainable development objectives.

³⁹ As also reflected for example in the requirements of the **Environment (Wales) Act 2016** and the indicators established under the **Well-being of Future Generations (Wales) Act 2015**.

- 2.43 For many recyclable resources, the green jobs, economic activity, and other sustainability benefits that are sought from their management are not necessarily reliant on them being part of a recycling target. There are wider benefits and other reasons that could lead councils to continue to collect and send for treatment many recyclable waste resources. As such, residents might see little change to their visible waste collection services. Outside of a recycling target, councils might collect and pass some wastes to commercial re-processors not because they offer an easy way of attaining higher recycling performance, but because these wastes need to be managed for other reasons, such as compliance with legislation to avoid landfill disposal, to lessen contamination of recyclable waste streams, or for amenity considerations like fly tipping. In this way, councils could focus their recycling activity more on the material that best deliver the aims of national waste strategy.
- 2.44 For example, outside of recession there is clearly a viable market for rubble recycling as secondary aggregates and in reuse, and each year the commercial sector successfully manages several million tonnes of demolition waste without the need for a statutory target. High value scarce waste resources like metals are also readily recycled within the private sector without statutory targets, with the scrap industry creating jobs and economic activity due to commercial viability derived from market demand for these resources.
- 2.45 As with the food wastes collected by councils, garden wastes can also be treated to produce compost products for which there is a ready high demand. **Box 6** shows that if funding support for council collection and for gate fees is maintained, treating garden and food wastes is already commercial viable. In addition, estimates of the value of preventing the emission of greenhouse gases highlight the wider financial benefits that could accrue from the anaerobic digestion of food waste alone.

Box 6 – commercial viability of treating food and garden wastes

Food waste can be recycled by anaerobic digestion and this produces valuable products such as natural fertilizers. Methane-based gas is also generated and captured, and this is used as a renewable fuel and to generate electricity. By 2020, the Welsh Government says that anaerobic digestion of food wastes will prevent the emission of 660,000 tonnes of climate damaging carbon dioxide emissions.

Garden wastes are commercially composted to produce compost and soil improvers. If produced to the appropriate standard these outputs are classed as a product rather than a waste, and can be used freely within the open market.

The Welsh Government says that 'that there are ample markets for this material, with more than two million tonnes of identified potential demand... Current indications are that potential demand will significantly exceed supply'.

Source: Welsh Government, **Collections, Infrastructure and Markets Sector Plan**, July 2012.

The review of Towards Zero Waste provides an opportunity to reflect more generally on the role of the private sector and the overall value for money of the public investment in support of recycling

- 2.46 We recommended in our 2012 report that the Welsh Government and councils should more closely engage the private sector to gain a more complete understanding of the way that market forces and technological advances are changing the recycling industry. We also recommended that the Welsh Government should work closely with councils to consider targets, incentives and legislation to steer the private sector towards the optimum outcomes of sustainability, value for money and public acceptability for municipal recycling.
- 2.47 These recommendations recognised that there was an opportunity to put the private sector recycling industry more in control of securing the high quality recyclables that they need for their treatment processes and to gain the highest income from resale of resources. Pressure from the private sector, including through their contracts with councils, can help drive up both the quality and quantity of recycled resources and more fully realise their income potential.

- 2.48 As yet, the Welsh Government has chosen not to introduce statutory targets, incentives or legislation to steer the private sector towards the outcomes sought in the national strategy. However, businesses that put packaging on the market have to meet packaging recycling targets under EU and UK legislation⁴⁰. Progress to increase the quantity and quality of recycling across the private sector has so far successfully relied on voluntary commitments from industry and the demand pressure for materials created in resource markets. The Environment (Wales) Act 2016 now includes new powers for the Welsh Government to regulate aspects of recycling in the private sector. These new powers provide opportunities to more closely align the regulation of councils with the private sector, require the separation of certain key types of recyclable wastes by commercial businesses, and to make even more use of market forces.
- 2.49 Late in 2017, waste markets were affected when the Chinese administration announced that it was not going to accept imports of poor quality recyclable materials during 2018, and with further restrictions to follow. For Welsh councils, the impact is currently unclear, but potentially significant as China is by far the largest market for the paper and for plastic wastes they collect. In a recent report on the recycling obligation system as laid out by the Producer Responsibility (Packaging Waste) Regulations, the National Audit Office noted that the action taken by the Chinese authorities could lead to a dip or decline in recycling performance if alternative markets cannot be found to replace capacity⁴¹.
- 2.50 Since 2001-02, at the beginning of its sustainable waste management programme, we estimate that the Welsh Government has spent around £4 billion on municipal waste services in the round. This expenditure includes specific waste management grant funding and costs met through the local government Revenue Support Grant. In responding to issues raised by the National Assembly's Public Accounts Committee following publication of our 2012 report, the Welsh Government recognised that there was more to be done to see how recycling targets could be met at a lesser cost and by driving further value for money benefits alongside better environmental outcomes.

40 As set under the EU Packaging Waste Directive and associated UK regulations.

41 National Audit Office, **The packaging recycling obligations**, July 2018.

2.51 In 2015, the Welsh Government commissioned a review of the Sustainable Waste Management Grant. This grant, has since been superseded by the Single Revenue Grant which brought together grant funding for a wider range of environment-related work⁴². In 2015-16, the Single Revenue Grant contributed about £59 million to council waste services, or approximately 26% of their overall net expenditure of £228 million with most of the remainder met by councils' Revenue Support Grant⁴³. However, the review of the Sustainable Waste Management Grant did not arrive at any clear overall conclusions about value for money (Box 7).

Box 7 – value for money of the Sustainable Waste Management Grant

The review of the Sustainable Waste Management Grant set out to explore whether councils had used the funding effectively to provide value for money and meet wider waste policy objectives.

The review questioned whether all of the grant funding had been spent on achieving Welsh Government policy priorities. It also noted that the broad range of activities supported by the grant funding made it difficult to attribute outcomes to the investment. But the review also concluded that the ongoing need for funding did not in itself indicate that it represented value for money.

The review also showed that in 2013-14, the average cost for a council per tonne of recyclable waste managed was £104.82. In stark comparison, the same cost for English councils was just £50.64. This finding does not provide reassurance about efficient spending by Welsh councils on recycling services.

The review recognised that carbon savings do not represent the entire benefit associated with recycling services in Wales. However, it did not quantify wider benefits through, for example, more efficient use of scarce resources, increased resource security, job creation and social benefits. For 2013-14, the review found that the value of carbon savings from recycling was equivalent to £11.94 per household in Wales. The total value of these savings equated to just 22.8% of the annual grant funding.

Source: Enomia, **Review of the Sustainable Waste Management Grant**, September 2015.

⁴² From 2018-19, much of the waste element of the Single Revenue Grant has been transferred into the Revenue Support Grant settlement for councils. The Welsh Government has used the remainder to re-establish a stand-alone Sustainable Waste Management Grant with a total value of £18.2 million.

⁴³ From the Welsh Local Government Association's, Waste Finance Data Report 2015-16, January 2017. The net expenditure also includes funding raised by councils mainly through Council Tax.

- 2.52 That recycling is generally beneficial is not disputed and the Welsh Government is widely promoting what it sees as the significant potential economic and other benefits of moving to a 'circular economy'. However, there is on-going pressure on public funds and there have been sizeable reductions over several years to the Welsh Government's waste budget. In refreshing *Towards Zero Waste* and prioritising future expenditure, the Welsh Government needs to be able to demonstrate that not only is it possible to recycle more municipal waste, but that the quantifiable returns make it worth doing this above other ways of achieving its sustainable development objectives.
- 2.53 For example, there are other options for managing waste, including waste prevention and, increasingly, the use of waste treatment technologies such as energy from waste. These options offer waste management solutions that can be of significantly less cost than landfill, and particularly as landfill taxation is avoided. In 2016-17, council recycling services prevented the emission of 287,500 tonnes of carbon⁴⁴, but the same carbon saving could potentially be delivered at less cost by actions other than recycling.
- 2.54 While the Welsh Government has not yet published an overall assessment of its progress against the key outcomes that it sought through **Towards Zero Waste** (Figure 2 on page 9), there is evidence available about benefits from municipal recycling and wider waste management. For example, in January 2017, the Welsh Government published a report⁴⁵ which highlighted around £465 million of output and £104 million of gross value added from the municipal waste sector in 2015-16, with the sector supporting just over 4,400 employment opportunities. The report also pointed to how the output from the sector impacts on the wider Welsh economy.
- 2.55 The Welsh Government is also undertaking a detailed review of its Wales Waste Plan. The evaluation work undertaken has included consideration of the contribution of the Plan to the goals of the Well-being of Future Generation (Wales) Act 2015 and its alignment with the Act, even though the Act was not in place when the Plan was developed. The evaluation has highlighted some limitations in the data available to facilitate a fuller assessment. However, it has included, for example, a specific analysis of the economic contribution made by Sustainable Waste Management Grant funding and consideration of the economic impact from carbon reduction.

⁴⁴ Eunomia, **Recycling Carbon Index**, Autumn 2018.

⁴⁵ Welsh Government, **A study of Employment in the Municipal Waste Sector in Wales**, January 2017.

Appendices

Appendix 1 – Audit methods

Appendix 2 – Our assessment of progress in response to previous recommendations on recycling

Appendix 3 – Councils' collection systems and recycling performance

Appendix 4 – Glossary of terms used in this report



Appendix 1 – Audit methods

To inform this report, we obtained data from verified sources such as WasteDataFlow, StatsWales Bulletins issued by the Welsh Government, and from the National Strategic Indicator set.

We also sourced additional data on costs and performance from reports to the Ministerial Programme Board for waste management on behalf of the councils represented on the All Wales Waste Management Benchmarking Group and the County Surveyor's Society Waste Sub-Group. Wales Audit Office staff have facilitated the preparation of those reports as part of work commissioned on behalf of these groups. That benchmarking work has focused on different elements of councils' waste management services each year and we have drawn on the most recently collected data in each case.

In addition, we researched papers published by waste management consultancies including Eunomia and Ricardo-AEA. We also obtained financial and other information from the Welsh Local Government Association, Zero Waste Scotland, and from Natural Resources Wales.

We spoke with Welsh Government waste management officials, as well as seeking the views of:

- the Welsh Local Government Association;
- Natural Resources Wales;
- the Chartered Institution of Wastes Management;
- the County Surveyors Society – the representative body for local authority waste managers in Wales;
- the Waste Resources and Action Programme; and
- the Environmental Services Association – a professional organisation representing the UK's waste and secondary resources industry.

Appendix 2 – Our assessment of progress in response to previous recommendations on recycling

As part of our work we have considered the action that the Welsh Government has undertaken to implement the recommendations in our previous February 2012 report on **Public Participation in Waste Recycling**. Similarly, we have considered the action taken in response to recommendations made by the National Assembly’s Environment and Sustainability Committee in its 2014 report on **Recycling in Wales**.

Where we state below that a recommendation is ‘implemented in part’ we mean that the Welsh Government has already given some consideration to the requirements of this recommendation and has taken some action, but not all actions required by the recommendation have been implemented. Where we state below that a recommendation is ‘not implemented’ there may have been some early consideration, but without substantive progress.

Recommendations of the Auditor General’s 2012 study **Public Participation in Waste Recycling**

Previous recommendation	Status
<p>Recommendation 1</p> <p>We recommend that the Welsh Government and local authorities should work together much more effectively to ensure that there is an independent performance assessment of the methods used for the kerbside collection of recyclable wastes at every local authority. In particular, the Welsh Government and Welsh Local Government Association should:</p> <ul style="list-style-type: none"> a form a Board or similar body capable of designing and implementing an independent and objective assessment; b ensure the assessment follows good practice and takes account of all aspects of sustainability; and c build consensus by agreeing the criteria and standards underpinning the assessment with key stakeholders. 	<p>Implemented in part</p>

Previous recommendation	Status
<p>Recommendation 2</p> <p>We recommend that if a local authority’s collection system does not meet the standards of this assessment, the Welsh Government and the local authority should agree a measured plan to achieve the performance assessment standards and timescale.</p>	<p>Implemented in part</p>
<p>Recommendation 3</p> <p>We recommend that the Welsh Government should analyse the combined recycling and composting rates for Welsh local authorities to determine if there is significant difference in the performance of predominately urban, valleys and rural local authorities. The Welsh Government should use this analysis together with socio-economic differences when setting future recycling targets. The Welsh Government should redirect and target support for any local authorities shown by the analysis to be disadvantaged.</p>	<p>Implemented in part</p>
<p>Recommendation 4</p> <p>We recommend that the Welsh Government should coordinate and signpost local authorities to the information and guidance that they need to develop capacity to increase public participation in recycling, and so that they can manage the progress of recycling initiatives through better engagement of the public and stakeholders.</p>	<p>Implemented</p>
<p>Recommendation 5</p> <p>We recommend that the Welsh Government should set up a system that captures good practice and disseminates the shared learning with local authorities on improving recycling performance through public participation. Local authorities should more actively seek, and make better use of, good practice in improving their waste management services.</p>	<p>Implemented</p>
<p>Recommendation 6</p> <p>We recommend that in partnership with local authorities, the Welsh Government should develop consistent performance indicators to measure public participation in recycling.</p>	<p>Not implemented</p>

Previous recommendation	Status
<p>Recommendation 7</p> <p>We recommend that the Welsh Government and local authorities should more closely engage the private sector to gain a more complete understanding of the way that market forces and technological advances are changing the recycling industry. The Welsh Government should work closely with local authorities to consider targets, incentives and legislation to steer the private sector towards the optimum outcomes of sustainability, value for money and public acceptability for municipal recycling.</p>	<p>Implemented in part</p>
<p>Recommendation 8</p> <p>We recommend that the Welsh Government should create contingency plans in readiness to apply financial incentives or penalties on the public if they do not reduce the waste they produce, reuse, recycle or compost their waste sufficiently in response to persuasion and education. However, the Welsh Government should take this course of action only if all other means of meeting EU waste diversion targets or key sustainable waste management outcomes of One Wales: One Planet have failed.</p>	<p>Implemented in part</p>

Recommendations of the Environment and Sustainability Committee's 2014 inquiry into **Recycling in Wales**

Previous recommendation	Status
<p>Recommendation 1</p> <p>We recommend that the Welsh Government commissions an independent review of the 'Collections Blueprint' and the evidence it is based upon. In commissioning this review, the Government should:</p> <ul style="list-style-type: none"> • ensure that the Welsh Local Government Association is involved in establishing the terms of reference and selecting the reviewer; • include an analysis of the latest data on reject rates and destination of recyclates from all collection methods; and • complete the review by the end of March 2016 so that it can inform the approach taken by local authorities to achieving the 2019-20 target of 64%. 	<p>Implemented</p>
<p>Recommendation 2</p> <p>We recommend that the Welsh Government encourages collaboration between local authorities when renewing contracts for providing householder receptacles for recyclable waste.</p>	<p>Implemented</p>
<p>Recommendation 3</p> <p>We recommend that the Welsh Government works with local authorities to make information on the destination of waste collected from householders publicly available.</p>	<p>Implemented</p>
<p>Recommendation 4</p> <p>We recommend that the Welsh Government investigates weight-based targets and whether they are having any unintended impact on reducing the ecological footprint of waste. This should be completed by the end of 2015.</p>	<p>Not implemented</p>

Previous recommendation	Status
<p>Recommendation 5</p> <p>We recommend that the Welsh Government commissions research into the relationship between projections for waste reduction, local authority income from waste; and the ability of local authorities to meet their recycling targets in the period to 2019/20 and then to 2024/25. This should be completed by the end of March 2016.</p>	<p>Not implemented</p>
<p>Recommendation 6</p> <p>We recommend that the Welsh Government investigates the case for resourcing a national 'broker' for the sale of recyclates from local authorities across Wales. The Government should publish its findings by the end of December 2015.</p>	<p>Implemented</p>
<p>Recommendation 7</p> <p>We recommend that the Welsh Government considers the merits of investing in a national campaign to help drive higher rates of recycling including to promote understanding of the need to reduce the ecological footprint of waste and the importance of other measures, particularly waste reduction.</p>	<p>Implemented</p>

Appendix 3 – Councils’ collection systems and recycling performance

Figure 11 – the main collection system currently used at each council together with their recycling performance between 2012-13 and 2017-18

Council	Collection method for recyclables ¹	Recycling rate (%) ²					
		2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Blaenau Gwent	B	51.2	54.8	50.3	48.7	56.8	56.0
Bridgend	B	57.1	56.5	57.1	59.0	57.9	68.6
Caerphilly	CM	57.1	57.6	54.6	61.9	65.5	66.7
Cardiff	CM	52.2	49.7	53.4	58.2	58.1	58.3
Carmarthenshire	CM	53.8	55.7	59.6	63.5	66.2	63.6
Ceredigion	CM	53.6	58.4	61.6	68.1	70.1	63.7
Conwy	B	56.4	56.3	59.1	59.7	62.6	63.7
Denbighshire	CM	58.0	63.2	65.9	62.4	64.7	64.2
Flintshire	B	54.9	55.1	55.0	58.5	68.2	67.6
Gwynedd	B	51.2	54.0	55.1	58.7	61.1	60.3
Isle of Anglesey	B	55.2	54.4	55.2	59.5	65.8	72.2
Merthyr	B	49.1	48.2	51.2	61.6	65.2	62.7
Monmouthshire	TS	55.5	62.9	63.2	61.9	68.7	65.8
Neath Port Talbot	B	48.3	54.0	58.1	58.3	62.8	60.5
Newport	B	49.2	51.7	52.0	57.1	61.4	59.8
Pembrokeshire	TS	53.1	60.3	65.4	64.9	65.3	57.0
Powys	B	50.9	52.5	52.1	59.1	65.2	60.4
Rhondda Cynon Taf	TS	46.2	49.3	53.8	60.5	64.4	61.3
Swansea	MS	47.9	52.8	56.7	59.5	63.7	63.3
Torfaen	NB	47.1	52.3	52.7	57.4	63.6	60.6
Vale of Glamorgan	CM	54.5	54.8	56.0	64.5	65.3	63.2
Wrexham	B	52.8	54.7	56.4	62.3	68.7	65.4
Wales rate		52.3	54.3	56.2	60.2	63.8	62.7
The Welsh Government’s statutory recycling target		52.0	52.0	52.0	58.0	58.0	58.0
Range – lowest to highest recycling rate		11.8	15.0	15.6	19.4	13.3	16.2

Notes:

- 1 Co-mingled single stream (CM), multi-streamed methods (MS), Twin-stream (TS), Kerbside sorted Collections Blueprint (B), Non-Blueprint kerbside sort (NB). Data is for 2016-17.
- 2 Figures in bold for individual councils denote a failure to achieve the recycling target.

Source: recycling rates are from the Welsh Government's Statistical Bulletins published annually between 2013 and 2018 and collection methods are from the Welsh Local Government **Association Waste Finance Data Report 2015-16**, January 2017.

Appendix 4 – Glossary of terms used in this report

Anaerobic digestion - A biological process where biodegradable wastes, such as food waste, is encouraged to break down in the absence of oxygen in an enclosed vessel. It produces carbon dioxide, methane (which can be used as a fuel to generate renewable energy) and solids/liquors known as digestate which can be used as fertiliser.

Bring site – recycling point where the public can bring material for recycling, for example bottle and can banks. They are generally located at household waste recycling centres, supermarket car parks and similar locations.

Capture rate – the total quantity of a recoverable waste that is diverted for reuse or recycling as a percentage of the total quantity of the recoverable waste generated.

Carbon footprint – the amount of carbon dioxide released into the atmosphere as a result of the activities of a particular individual, organization, or community.

Climate change – a large-scale, long-term shift in the planet’s weather patterns or average temperatures.

Closed-loop recycling – recycling where recycled materials are being used continually for the same purpose, for example a glass bottle recycled into new glass product rather than downgraded (for example being used as an aggregate).

Collections Blueprint – the Collections Blueprint is the Welsh Government’s recommended service profile for the collection of waste from households. Recyclable resources are presented part-segregated by residents, and then further sorted as they are collected.

Co-mingled collection – also known as ‘single-stream’ recycling, and involves the collection of recyclable materials in a single compartment vehicle with the sorting of these materials occurring at a separate facility.

Commercial waste – waste generated from premises used wholly or mainly for the purposes of a trade or business. The Controlled Waste (England and Wales) Regulations 2012 list wastes that should be treated as commercial waste.

Composting – an aerobic, biological process in which organic wastes, such as garden and food waste, are converted into a stable granular material which can be applied to land to improve soil structure and enrich the nutrient content of the soil.

Dry recyclable wastes – municipal waste that typically includes glass bottles, cans, tins and foil, plastics, card and paper and Tetrapaks. Excludes food and garden waste.

Ecological footprint – the ecological footprint methodology calculates the land area needed to feed, provide resource, produce energy and absorb the pollution (and waste) generated by our supply chains.

Embodied carbon footprint – a carbon emission equivalent that calculates the impact of resource consumption and the environmental consequences of what people buy, use and then throw away, with those consequences considered throughout the supply chain.

Energy from waste – technologies include anaerobic digestion, direct combustion (incineration), use of secondary recovered fuel (an output from mechanical and biological treatment processes), pyrolysis and gasification. Any given technology is more beneficial if heat and electricity can be recovered. The Waste Framework Directive considers that energy efficient waste incineration (where waste is used principally as a fuel or other means to generate electricity) is a recovery activity provided it complies with certain criteria, which includes energy efficiency.

Greenhouse gas emissions – emissions that contribute to climate change via the 'greenhouse' effect when their atmospheric concentrations exceed certain levels. They include emissions of carbon dioxide, methane, and nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Household waste – includes waste from household collection rounds (waste within Schedule 1 of the Controlled Waste Regulations 1992), waste from services such as street sweeping, bulky waste collection, hazardous household waste collection, litter collections, household clinical waste collection and separate garden waste collection (waste within Schedule 2 of the Controlled Waste Regulations 1992), waste from civic amenity sites and wastes separately collected for recycling or composting through bring/drop off schemes, kerbside schemes and at household waste recycling centres.

Household waste recycling centres – sites provided by a council for their residents, and sometimes traders, for the recycling and disposal of municipal waste including bulky items such as beds, cookers and garden waste.

Kerbside sorted collection – the sorting of recyclable materials at the kerbside into different compartments of a specialist collection vehicle (includes collections for recyclables by kerbside sorting that are not compliant with the Collections Blueprint).

Food waste – this term refers to the food derived organic component of household waste e.g. vegetable peelings, tea bags, banana skins.

Landfill sites – any areas of land in which waste is deposited. Landfill sites are often located in disused mines or quarries. In areas where there are no available voids, the practice of land raising is sometimes carried out, where waste is deposited above ground and the landscape is contoured.

Municipal waste – meaning in this report 'local authority municipal waste' and referring to household (typically about 85%) and non-household waste (about 15%) that is collected and disposed of by councils. It includes regular household collections, specific recycling collections, special collections of bulky items, waste received at civic amenity sites and waste collected from non-household sources (e.g. rubble, incinerator residues, matter from beach cleansing and plasterboard). Local authority municipal waste excludes abandoned vehicles.

Recycling – the reprocessing of wastes, either into the same product or a different one. Many non-hazardous industrial wastes such as paper, glass, cardboard, plastics and scrap metals can be recycled. Hazardous wastes such as solvents can also be recycled by specialist processes.

Re-processor – a person who carries out one or more activities of recovery or recycling.

Residual waste – waste that remains after recycling or composting material has been removed from the waste stream.

Resource efficiency – managing raw materials, energy and water in order to minimise waste and thereby reduce cost.

Reuse – using a product again for the same or different use perhaps after some repairing or reconditioning (preparing for reuse).

Reuse/Recycling/Composting Rate (Statutory target definition) –

percentage of local authority municipal waste generated that is recycled, reused or composted, calculated at time of distribution to landfill or recycling/composting contractors. This is, therefore, based on the amount of waste sent for reuse, recycling or composting, rather than collected for the purpose of being reused, recycled or composted.

Twin/multi-stream collection – residents are provided with two (or more, as there are lots of variations) recycling containers to place different materials, typically paper and card in one and plastics, glass and cans in the other. These materials are kept separate but collected (usually) on one vehicle which has two chambers.

Waste arising – the amount of waste generated in a given locality over a given period of time.

Waste reduction – reducing waste is a priority from the manufacturing process by optimum use of raw (and secondary) materials and recirculation processes. It can be cost effective, both in terms of lower disposal costs, reduced demand for raw materials and in terms of energy costs. Householders can reduce waste e.g. by home composting, reusing products and buying goods with reduced packaging.

Waste treatment – physical, thermal, chemical or biological processes, including sorting, that change the characteristics of the waste in order to reduce its volume or hazardous nature, facilitate its handling or enhance recovery.

Windrow composting – the production of compost by piling organic matter or biodegradable waste in long rows. Windrow composting is used for processing garden waste, such as grass cuttings, pruning and leaves in either an open air environment or within large covered areas where the material can break down in the presence of oxygen.

Zero Waste – ‘Zero Waste is a goal that is ethical, economical, efficient and visionary, to guide people in changing their lifestyles and practices to emulate sustainable natural cycles, where all discarded materials are designed to become resources for others to use. Zero Waste means designing and managing products and processes to systematically avoid and eliminate the volume and toxicity of waste and materials, conserve and recover all resources, and not burn or bury them. Implementing Zero Waste will eliminate all discharges to land, water or air that are a threat to planetary, human, animal or plant health.’ (Zero Waste International Alliance www.zwia.org).

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Llywodraeth Cymru
Welsh Government

23/01/2019

Dear Adrian

**Response to the Report of the Wales Audit Office on Waste Management in Wales:
Municipal Recycling**

I welcome publication of the above report and am pleased to set out the Welsh Government's response to the four recommendations at Annex A.

With best wishes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade'.

Andrew Slade
Director General
Economy, Skills and Natural Resources

Recommendation 1

The Welsh Government should work with councils to understand better the basis of the variation in spending on waste management services that are fundamentally the same and ensure that waste management costs are accounted for in a consistent way.

Response: Accepted

The Welsh Government funds the Welsh Local Government Association (WLGA) to collect financial data from Local Authorities through its Waste Improvement Programme (WIP). The information collected by WLGA is published as annual financial data on its website.

Consistency of reporting financial information is important but also difficult to ensure, as the WAO will know from its participation in the waste benchmarking group for several years. The Welsh Government will work with Local Authorities, WLGA, the Waste and Resources Action Programme (WRAP) and others to improve the consistency of reporting on the costs of waste management services. This will include analysis to better understand variations in costs and performance in Local Authority waste services, including factors such as service configurations, demographics and rurality.

The Welsh Government will progress this work over the next two years with a view to publishing an assessment in spring 2021.

Recommendation 2

When undertaking its further analysis to understand better the reasons for differences in councils' reported costs, and the impact on costs where councils have adopted the Collections Blueprint, we recommend that the Welsh Government:

- *explores how the cost of collecting dry recyclables may affect the overall cost of providing kerbside waste management services to households; and*
- *compares the actual costs with the costs modelled previously as part of the Welsh Government – commissioned review of the Collections Blueprint for councils that now operate the Collections Blueprint.*

Response: Accepted

The Welsh Government will work with Local Authorities, the WLGA and the WRAP Collaborative Change Programme (CCP) team to look at the costs of dry recyclable collections, food waste collections and other kerbside waste management services to households.

The Welsh Government will work with the WRAP CCP team to compare the modelling of costs prior to service changes and the actual costs of services after changes are made. This will include a review of the costs of Local Authorities which are now operating services aligned with the Collections Blueprint.

The Welsh Government will progress this work over the next two years with a view to publishing an assessment in spring 2021. The assessment will include additional Local Authorities which have switched to the Collections Blueprint and will also attempt to take account of the difference between short-term spikes in costs/performance relative to those encountered in more mature services.

Recommendation 3

We recommend that the Welsh Government replace or complement the current target to recycle, compost and reuse wastes with performance measures to refocus recycling on the waste resources that have the largest impact on carbon reduction, and/or are scarce. We recognise that the Welsh Government may need to consider the affordability of data collection for any alternative means of measurement.

Response: Accepted

This will be considered as part of the Consultation on the Review of 'Towards Zero Waste' in 2019. This will include a consideration of the affordability of the necessary data gathering for any alternative means of measurement.

Recommendation 4

The Welsh Government should demonstrate in the revised waste strategy that not only is it possible to recycle a greater proportion of municipal waste, but how doing so maximises its contribution to achieving its sustainable development objectives.

Response: Accepted

The consultation on a revised waste strategy and development of a circular economy route map will be accompanied by an Integrated Impact Assessment that will include how the proposed policies and targets will maximise the contribution towards the seven goals set under the Well-being of Future Generations Act.

This work will be completed during 2019.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Waste Management in Wales – Preventing Waste



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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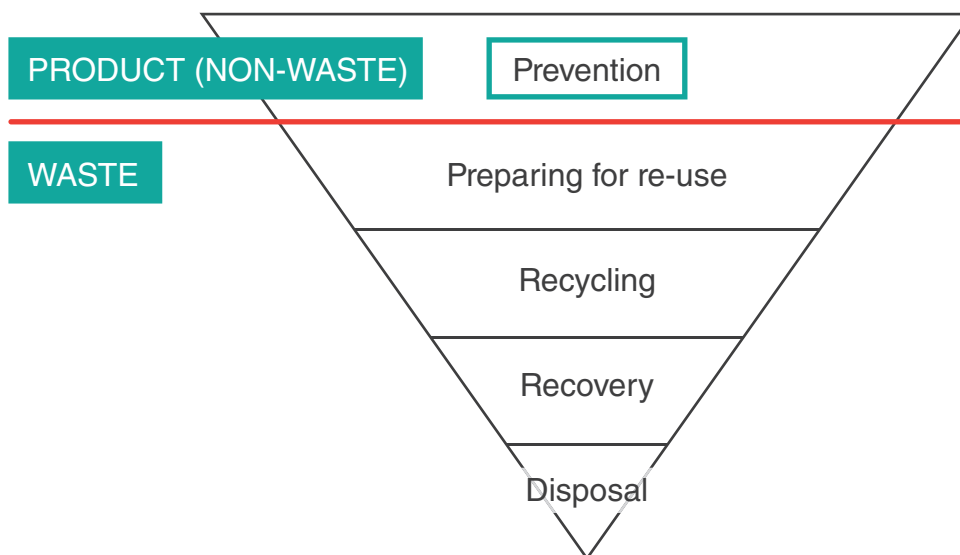
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Summary report

Summary

- 1 Waste management is an important and complex issue that covers a range of different but related approaches. The European Union Waste Hierarchy (Figure 1) shows that preventing the production of waste, or preparing waste for reuse, has much greater environmental benefit than recycling, which in turn has greater environmental benefits than other forms of recovery such as energy from waste. At the base of the hierarchy, with few environmental benefits, is disposal by means that recovers no energy.

Figure 1: the waste hierarchy



Source: Directive 2008/98/EC on waste (Waste Framework Directive)¹

- 2 This report focuses on waste prevention (Box 1). It forms one of a set of three related pieces of work on waste management in Wales published by the Auditor General for Wales. The other two pieces of work have considered issues relating to municipal recycling and the procurement of residual and food waste treatment capacity.

¹ The first Waste Framework Directive [75/442/EEC] was amended in 1991 through Directive [91/692/EEC] and again in 2008 through the Waste Directive [2008/98/EC], which was itself amended in 2018 through Waste Directive (EU) 2018/851. Separate to these Directives, the 'Landfill Directive' [1999/31/EC] regulates waste management of landfills in the European Union.

Box 1: EU definition of waste prevention from the 2008 Waste Framework Directive

Measures taken before a substance, material or product has become waste, that reduce:



The quantity of waste, including through the reuse of products or the extension of life span of products.



The adverse impacts of generated waste on the environment and human health.



The content of harmful substances in materials and products.

3 The Welsh Government supports a ‘circular economy’², based on a principle that better resource efficiency could contribute to significant financial and other benefits. The Welsh Government considers that the circular economy aligns with the well-being goals set out under the **Well-being of Future Generations (Wales) Act 2015** and with its **Towards Zero Waste** strategy (Figure 2). Waste prevention is an important part of the Welsh Government’s approach to resource efficiency. A recent academic review has suggested that the overall policy approaches that the Welsh Government has adopted in pursuit of becoming a circular economy are better developed in Wales than in other parts of the UK based on the criteria applied through the research³.

4 An emphasis on prevention is also one of the five ways of working that underpin the sustainable development principle as set out in the Well-being of Future Generations (Wales) Act. Waste prevention is the most effective means of reducing the ecological footprint⁴ of waste. The ecological footprint of Wales is one of the 46 national indicators of well-being under the Act.

2 In a circular economy resources are kept in use for as long as possible, maximum value is extracted from them whilst in use, then at the end of their life materials are recovered and regenerated.

3 Anne P. M. Velenturf, Phil Purnell, Mike Tregent, John Ferguson and Alan Holmes, **Co-Producing a Vision and Approach for the Transition towards a Circular Economy: Perspectives from Government Partners**, Sustainability 10(5), 1401, May 2018.

4 Ecological footprinting is an indicator of the total environmental burden that society places on the planet and it represents the area of land needed to provide raw materials, energy and food, as well as absorb pollution and waste created.

Figure 2: the goals and outcomes sought from Towards Zero Waste

Goal	Outcome
A Sustainable Environment	A Sustainable Environment, where the impact of waste in Wales is reduced to within our environmental limits by 2050. This means we will take action on reducing the ecological footprint of waste in Wales to 'One Wales: One planet' levels through waste prevention and recycling, so that we contribute to using only our fair share of the earth's resources.
A Prosperous Society	A Prosperous Society, with a sustainable, resource efficient economy. More 'green jobs' across a range of skill levels will be provided within the waste and resource management industry in Wales, and increased profit for businesses will be achieved through resource efficient practices, which are 'future proofed' against increasing competition for resources.
A Fair and Just Society	A Fair and Just Society, in which all citizens can achieve their full human potential and contribute to the wellbeing of Wales through actions on waste prevention, reuse and recycling.

Source: Welsh Government, **Towards Zero Waste, One Wales: One Planet**, June 2010

- 5 Towards Zero Waste sets out the following ambition: 'By 2050 we will as a minimum reduce the impact of waste in Wales to within our environmental limits (which we define as One Wales: One planet levels of waste, roughly 65% less waste than we produce now), aiming to phase out residual waste through enhanced actions on waste prevention and sustainable consumption and production and ensuring that all waste that is produced is reused or recycled.' The strategy has an ambitious scope, covering all waste arising from household and non-household sources. Non-household sources include commercial, industrial, construction and demolition waste.

- 6 A suite of sector plans, planning policies and technical advice notes support Towards Zero Waste. The Waste Prevention Programme for Wales⁵ ('the Programme') also supports the strategy by describing policies, targets, work programmes and expected outcomes for waste prevention⁶. This suite of documents together comprises the statutory Waste Management Plan for Wales. **Appendix 2** outlines the main objectives and action areas for the Programme and each waste sector plan.
- 7 The Welsh Government has noted that Wales is one of only a few countries worldwide to set waste prevention targets, although these targets are not statutory. The key targets in the Waste Prevention Programme had already been set out indicatively in Towards Zero Waste. They are based on an annual percentage reduction in waste arising through to 2050 – regardless of population or economic trends – and set against 2006-07 baselines.



1.2% reduction a year

Household waste



1.2% reduction a year

Commercial waste



1.4% reduction a year

Industrial waste



1.4% reduction a year

Construction and demolition waste

5 Welsh Government, **Towards Zero Waste One Wales: One Planet, The Waste Prevention Programme for Wales**, December 2013.

6 European Union **Articles 11 and 29 to 33 of the Waste Framework Directive** required member states to establish waste prevention programmes by 12 December 2013. The European Commission produced guidance for member states in **Preparing a Waste Prevention Programme** in December 2012. The European Environment Agency regulates compliance with the Directive.

- 8 The Welsh Government published the **Towards Zero Waste Progress Report** (the 2015 Progress report) in July 2015 to report on progress in delivering the national waste strategy⁷. More specifically, in July 2017 the Welsh Government also published a summary report containing a review of the progress of actions for waste prevention⁸.
- 9 The Welsh Government now plans to consult on an update of Towards Zero Waste in 2019. In advance of that review, it has commissioned an evaluation of the statutory waste plan for Wales, including its economic benefits, against the Well-Being of Future Generations (Wales) Act 2015. In December 2018, the UK Government published a revised resources and waste strategy for England⁹. The strategy, while largely England focussed, includes some proposals for UK-wide measures on waste, in agreement with the devolved administrations and with further consultation on specific measures ongoing.
- 10 Our report considers the level of priority that the Welsh Government has given to waste prevention, including specific funding support and opportunities to make use of legislative and financial levers. It also considers whether the Welsh Government is keeping track with its waste prevention targets and the quality of data available to the Welsh Government with which to measure progress. We have focussed on developments since the publication of the Waste Prevention Programme in December 2013, although we have taken account of previous data where this demonstrates broader trends. We have not sought to evaluate the value for money of the specific waste prevention activities that make up the Waste Prevention Programme or as set out in the Welsh Government's sector plans. **Appendix 1** sets out our audit methods.
- 11 **Overall, we found that while the Welsh Government has a plan for waste prevention, it has focussed more attention and resources on recycling. The data used by the Welsh Government to measure performance against waste prevention targets is of variable quality and indicates mixed progress.**

7 The Waste Framework Directive requires the evaluation of waste strategies every six years. Although not yet published, the Welsh Government has now completed this evaluation.

8 Welsh Government, **Towards Zero Waste Sector Plan and Waste Prevention Programme Actions: Summary Report June 2010-March 2016**, July 2017.

9 Department for Environment, Food and Rural Affairs and Environment Agency, **Our waste, our resources: a strategy for England**, December 2018.

- 12 The Welsh Government has focussed successfully on increasing municipal recycling. Waste prevention has generally had a lower profile despite some important initiatives, for example on food waste prevention. While the Welsh Government has developed its own waste prevention programme, which reflects common practice, many of the factors that influence the amount of waste generated are not things that the Welsh Government can directly control. Nevertheless, there are opportunities to learn from approaches elsewhere and to make further use of legislation and financial incentives. One opportunity that the Welsh Government is considering relates to extending producer responsibility for waste¹⁰.
- 13 The Welsh Government has provided councils with significant funding for their municipal waste management services, but this has mostly supported recycling with very little of it spent on waste prevention. In 2016-17 for example, councils spent at least £60 million of the £64.3 million allocated in the Single Revenue Grant on activities that were primarily concerned with increasing recycling.
- 14 Between October 2015 and September 2018, the Welsh Government gave £13 million to three not-for-profit organisations with objectives that include, but are not necessarily limited to, waste prevention. The Welsh Government awarded the bulk of this funding – £11.2 million – to the Waste and Resources Action Programme, building on previous grant funding. There is evidence available to demonstrate positive impacts from this grant funding. It is not always possible to disaggregate waste prevention spending or outcomes from the wider work of these organisations that the Welsh Government funding supports, and which can also deliver other socio-economic benefits.
- 15 The Welsh Government has good data on the amount, types and destination of municipal wastes from the WasteDataFlow system. The Welsh Government does not have up to date data on the amount of commercial, industrial, construction and demolition waste arising. Surveys to support estimates for these wastes are conducted on a periodic basis and are costly. The last survey round was in 2012, although some further data collection is planned. The Welsh Government is involved in wider project work to explore the potential for a new single UK waste data collection system.

¹⁰ Extended producer responsibility makes manufacturers responsible for the products they make or sell, and any associated packaging, when they become waste. This means producers help to pay for the costs of collecting, transporting, recycling and responsibly disposing of these products and materials at the end of their life.

- 16 The Welsh Government's targets for waste prevention are ambitious, but with progress dependent on a range of factors, it is difficult to assign clear lines of accountability. The amount of household waste being generated has reduced in line with the Welsh Government's target since 2006-07 but with some fluctuation in recent years. Our separate work on the procurement of residual and food waste treatment capacity has noted that projections used as the basis of contracts for three major residual waste projects assume that councils will still need to treat significant volumes of residual waste beyond 2040. Those projections do not align well with the Welsh Government's overall aspiration of zero residual waste by 2050.
- 17 When last reported in 2012, there had been no progress to reduce the amount of commercial and industrial waste, and the economic downturn played a significant part in the large reduction in construction and demolition waste. The Welsh Government will need to do more to decouple waste generation from economic activity if it is to meet its waste prevention targets in the future.

Recommendations

Recommendations

R1 Increasing the focus on waste prevention to reflect the overall aims of Towards Zero Waste

Available data on the amount of waste produced suggests mixed progress to deliver the Welsh Government's waste prevention targets.

We recommend that the Welsh Government:

- a) revisits the relative priority it gives to recycling and waste prevention as part of its review of Towards Zero Waste;**
- b) sets out clearly the expectations on different organisations and sectors for waste prevention; and**
- c) revisits its overall waste prevention targets and the approach it has taken to monitor them in light of progress to date, examples from other countries and in the context of current projections about waste arising through to 2050.**

Recommendations

R2 Improving data on commercial, industrial, construction and demolition waste

The Welsh Government is a partner in initial work to assess the feasibility of developing a new digital solution to track all waste. **If this preferred option does not succeed, we recommend that the Welsh Government works with Natural Resources Wales to explore the costs and benefits of other options to improve non-municipal waste data in Wales, including additional powers to require waste data from businesses.**

R3 Enhancing producer responsibility and using more legal, financial and fiscal levers

The Welsh Government has opportunities to influence waste prevention through legislation and financial incentives. It can also influence changes at UK level where fiscal matters are not devolved. **We recommend that the Welsh Government consider whether provisions to extend producer responsibility and the use of financial powers such as grant conditions, fiscal measures and customer charges and incentives, are needed to promote and to prioritise waste prevention.**

Part 1

The Welsh Government has a plan for waste prevention but has focussed more attention and resources on recycling



- 1.1 This part of the report examines the priority that the Welsh Government has given to preventing the generation of waste. It considers the Welsh Government's approach to waste prevention and opportunities to use legislation and financial incentives to support this work. Finally, we consider the Welsh Government's funding of organisations to deliver waste prevention initiatives and evidence of its impact.

The Welsh Government has focussed successfully on increasing municipal recycling, but waste prevention has generally had a lower profile despite some important initiatives

- 1.2 National strategy has focussed on sustainable waste management since 2001-02, and waste prevention is a key outcome sought in the current strategy Towards Zero Waste. To meet the overall zero waste aspirations the public and private sectors, led by the Welsh Government, will need to focus on both recycling and waste prevention. In our 2012 report on **Public Participation in Recycling**¹¹, we noted that the Welsh Government's proposed actions to deliver waste prevention remained vague, as did the contribution from each towards the Welsh Government's desired outcomes.
- 1.3 Since the publication of Towards Zero Waste in 2010, and our previous 2012 report, the Welsh Government has published its Waste Prevention Programme. Waste prevention measures need to cover the use of all materials from extraction and manufacture through to the point of consumption and disposal. Waste prevention therefore needs to be a cross-cutting responsibility across the Welsh Government, rather than the sole responsibility of waste management officials. The current Programme for Government¹² does not mention waste prevention specifically. However, it prioritises setting out a route map for a more resource efficient economy and reducing the environmental impacts of production and consumption.

11 Auditor General for Wales, **Public Participation in Waste Recycling**, February 2012.

12 Welsh Government, **Taking Wales Forward: Prosperity for All: the national strategy**, September 2017.

- 1.4 We found that other Welsh Government departments have started to engage more in waste management matters. For example, the focus on the circular economy has presented increased opportunity for the Welsh Government's waste strategy team to work with economy and skills officials on policy development and implementation. There has also been engagement with the Welsh Government's innovation team, which provides support to businesses looking to improve their products, processes or services. This support can include measures to minimise waste such as promoting and developing products with increased longevity. The Welsh Government's new 'Economic Contract' sets out its expectation that businesses will make a contribution aligned to its wider objectives in return for financial support, including decarbonisation¹³. Other examples highlighted by the Welsh Government include work with procurement and food policy leads to embed resource efficiency (including waste prevention) into mainstream practice and programmes¹⁴.
- 1.5 Nevertheless, the feedback that we received from various stakeholder organisations indicated that they regarded the recycling targets as the overriding waste policy priority of the Welsh Government. Several of these stakeholders were also not aware of, and had therefore not prioritised, actions within the Waste Prevention Programme.
- 1.6 The Welsh Government has been successful in delivering a significant increase in the municipal recycling rate, up from 8.4% in 2001-02 to 63.8% in 2016-17. As noted in our recent report on municipal recycling, recycling in Wales exceeds the rate recorded in England, Northern Ireland and Scotland and compares favourably with countries in the European Union and estimated recycling rates elsewhere in the world. There is the possibility that recycling rates could decrease if waste prevention disproportionately focussed on materials that would otherwise have become waste and been recycled, rather than reducing all types of waste by the same proportion. A reduction in the amount of waste available for recycling could also have a negative impact on the income that councils gain from their sale.

13 The Auditor General's November 2018 report on **Welsh Government Financial Support for Business** provided further details about the new Economic Contract and the Welsh Government's Economic Action Plan.

14 Including the Green Growth Pledge that is part of the sustainability support available to Welsh small and medium-sized enterprises through Business Wales

- 1.7 However, improving recycling facilities and measures (such as separating out waste) could have a waste prevention effect by making individuals more aware of the waste they produce. It could also reduce the cost of municipal waste services.
- 1.8 It has been relatively straightforward to increase municipal recycling rates compared to reducing the overall amounts of this waste produced, because the Welsh Government has policy and financial levers that have been used to direct councils to encourage recycling. Making progress with waste prevention is more complex. The amount of household waste produced is affected by various factors, including affluence, consumer behaviour, product changes and product pricing, not all of which are matters that the Welsh Government can directly control. Similarly, the amount of commercial, industrial, construction and demolition waste being produced depends on various factors including the state of the economy.
- 1.9 While recycling may have been seen as the policy priority, there have been a range of initiatives focussed on waste prevention. For example, food waste prevention has had a particular public profile through the Waste and Resources Action Programme's Love Food: Hate Waste¹⁵ campaign. An analysis by the Waste and Resources Action Programme in 2017 estimated, based on compositional analysis, that there had been an 11% reduction in avoidable household food waste in Wales between 2009 and 2015¹⁶. Food waste prevention has also been an area of focus for UK-wide voluntary agreements covering a range of industry sectors that the Welsh Government supports. The 'Courtauld Commitment 2025' now brings together organisations across the UK food system in an effort to reduce food waste by 20% by 2025¹⁷.

15 Love Food: Hate Waste is a waste prevention campaign delivered across the UK by the Waste and Resources Action Programme. The campaign aims to raise awareness of the need to reduce food waste by doing some easy practical everyday things in the home. Preventing food waste saves money and benefits the environment.

16 Waste and Resources Action Programme, **Household Food Waste in Wales, 2015**, January 2017.

17 The Courtauld Commitment 2025 supports the UK's contribution to the sustainable development goals set by the United Nations to halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains (including post-harvest losses) by 2030.

While the Waste Prevention Programme reflects common practice, there are opportunities to learn from approaches elsewhere and to make further use of legislation and financial incentives

- 1.10 The UK government published the Waste Prevention Programme for England¹⁸ in late 2013. There are similarities with the Waste Prevention Programme for Wales, as both documents follow the same European Union template. For example, both programmes focus on waste awareness and promotion; provide funding for the Waste and Resources Action Programme and steer away from legislation and the use of financial penalties¹⁹. However, unlike the Wales plan, the Waste Prevention Plan for England does not set an overall target for waste reduction. The English plan states that it will assess progress by monitoring the amount of waste that arises per household, and per unit of Gross Value Added²⁰.
- 1.11 The Welsh Government also aims to use a measure of industrial and commercial waste generation against Gross Value Added as an indicator of strategic progress, and in particular to promote the decoupling of waste generation from economic growth. In assessing the efficiency of the Wales Waste Plan²¹, the Welsh Government has considered the Gross Value Added of the Sustainable Waste Management Grant funding for councils between 2001-02 and 2014-2015. Most of that grant funding was spent on recycling activities (paragraphs 1.30 to 1.36).
- 1.12 The Scottish Government also published its waste prevention plan in 2013, setting a broad target to reduce the overall amount of waste generated by 7% by 2017, against a 2011 baseline²². A second target is to reduce the overall amount of waste generated by 15%, by 2025. The Scottish strategy also commits to monitoring the success of the programme against the total amount of waste produced by sectors, the amount of waste produced by sectors per unit of Gross Value Added, and the carbon impact of waste.

18 Department for Environment, Food and Rural Affairs, **The Waste Prevention Programme for England**, December 2013.

19 The Welsh Government did not have tax raising powers when it published the Waste Prevention Programme Prevention Plan in 2013.

20 Gross Value Added provides a monetary value for goods and services produced, less the cost of all inputs and raw materials that are directly attributable to that production.

21 Welsh Government, **Wales Waste Plan Review – Work Stream 1 WWP Evaluation – Delivering the Objectives and Realising the Benefits**, June 2017.

22 Scottish Government, **Safeguarding Scotland's Resources**, October 2013.

1.13 In 2016, the Scottish Government also introduced a target for a 33% reduction in food waste by 2025 (Box 2). The Welsh Government announced in August 2017 that it was considering introducing a target to halve food waste in Wales by 2025 from a 2006-07 baseline. The Welsh Government has recognised that experience in Scotland will be useful to inform its response to the proposed target for Wales.

Box 2: the Scottish Government's Circular Economy Strategy

Making Things Last – A Circular Economy Strategy for Scotland,

published in February 2016, links to both Scotland's Economic Strategy and to its Waste Plan. The strategy prioritises action in areas where Scotland is in position to make rapid progress, such as remanufacturing. It also prioritises areas where there is scope for the greatest benefit, such as in the food and bio-economy sectors, energy infrastructure and construction.

The Scottish strategy also includes a target to cut food waste by 33 per cent by 2025, and to work with industry to reduce on-farm losses of edible produce. This was the first of this type of target set in Europe. The strategy also promotes a new approach to producer responsibility, through a single framework for all product types that drives choices for reuse, repair and remanufacture.



1.14 There are other measures that the Welsh Government could consider to track progress. For example, in its waste prevention programme, the German government suggested using a 'waste intensity indicator' to assess the volume of waste arising from individual sectors in relation to their net output and number of employees. Such an indicator could demonstrate the sectors that generate the most waste in the production of their goods and services.

1.15 Governments can attempt to reduce waste in several ways, including by legislation and regulation, fiscal incentives such as tax breaks or grants, as well as softer mechanisms such as awareness raising and promotional activities. Various waste related European Union directives have been transposed into UK legislation, including for packaging waste, waste electrical and electronic equipment, end of life vehicles, batteries and accumulators, and for agricultural waste²³. However, the Welsh Government has emphasised to us that these directives primarily focus on recycling and that the only one that specifically covers waste prevention is the 'essential requirements' part of the Packaging Directive which reflects the principle of 'producer responsibility'²⁴.

23 Existing targets and commitments already set out in European Union legislation will continue to apply until the UK government, or devolved administrations as appropriate, put in place alternative legislation to pursue a different course after Brexit.

24 Ensuring that businesses that sell or produce products take responsibility for wastes generated during production and for their products until they reach the end of their life.

1.16 An example of the Welsh Government's use of legislative powers to support waste prevention was the introduction of the single use carrier bag charge (Box 3). This demonstrates that appropriate and measured use of legislation and other more formal levers can also influence consumer behaviour, making them more open to other changes that support environmental initiatives.

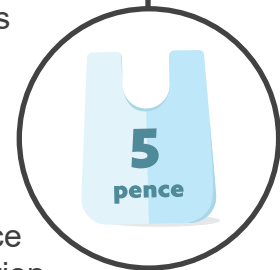
Box 3: implementation of the Single Use Carrier Bag charge

During 2009, Welsh consumers took home an estimated 350 million carrier bags from major supermarkets alone. In October 2011, the Welsh Government introduced a charge to reduce the number of carrier bags used in Wales.

Wales was the first country in the UK to introduce a charge for single use carrier bags. The Single Use Carrier Bag Charge (Wales) Regulations 2010 introduced a minimum charge of 5 pence for each bag. Since October 2011, retailers have levied the charge at the point of sale.

The overall aim of the charge for single use carrier bags was to substantially decrease the number of carrier bags consumed in Wales, to cut down on the use of resources, prevent waste and reduce their adverse effects on the environment. There was also an expectation that encouraging a shift in consumer behaviour in this regard might indirectly alter attitudes towards waste in other ways.

Data published by the Waste and Resources Action Programme in July 2015²⁵ found that the number of thin-gauge carrier bags issued by the seven main supermarkets in Wales had declined by 78% since the charge was introduced in 2011.



25 Waste and Resources Action Programme, **UK Voluntary Carrier Bag Agreement Data 2014**, July 2015.

- 1.17 In May 2011, Wales gained legislative competence to introduce its own environmental laws. The National Assembly's powers include the scope for new laws on environmental protection (on pollution, nuisances and hazardous substances) and on various aspects of waste management. The **Environment (Wales) Act 2016** puts in place legislation so that the Welsh Government can manage its resources in a more proactive, sustainable and joined-up way, and to help tackle climate change. For example, the Act extends the Welsh Ministers' powers so that they may make regulations to set an additional charge for other types of carrier bags, such as 'bags for life'.
- 1.18 In March 2016, the Welsh Government made a renewed commitment to consider 'extended producer responsibility' in the context of existing sector plan commitments, to stimulate investment in material efficiency, reduce the eventual quantity of waste produced and to extend the lifecycle of the products used. One of the main objectives of extended producer responsibility is to 'shift the financial responsibility for treating end-of-life-products from local public authorities to producers, and ultimately consumers, thereby reducing the burden on public budgets and taxpayers'²⁶. Take-back programmes that help consumers return products for manufacturers to recycle or to re-use are one example of producer responsibility related activity.
- 1.19 The Welsh Government has commissioned research to appraise the costs and benefits of an extended producer responsibility scheme for six key food and drink packaging types in Wales. In addition, in July 2018, the Waste and Resources Action Programme published an analysis of a roadmap for actions and interventions that could be implemented to support increased preparation of waste for re-use and with reference to approaches adopted in Belgium, France, Spain and Scotland²⁷. The Welsh Government has been working with the UK Government and the other devolved administrations on proposals for changes to the UK packaging waste regulations to introduce extended producer responsibility²⁸.

26 OECD, **Extended Producer Responsibility – Updated Guidance for Efficient Waste Management**, 2016.

27 Waste and Resources Action Programme, **Preparing for Re-Use: A Roadmap for a Paradigm Shift in Wales**, July 2018.

28 Department for Environment Food and Rural Affairs (UK government), Welsh Government, Scottish Government, Department of Agriculture, Environment and Rural Affairs (Northern Ireland), **Consultation on reforming the UK packaging producer responsibility system**, February 2019.

- 1.20 Natural Resources Wales (NRW) also has a role in waste as the regulator for waste management legislation across the public and private sectors. Notably, NRW issues environmental permits for large industrial installations, including major food manufacturing plants, major metal refining plants, major chemical plants, and major energy plants. These permits for large installations include a specific resource efficiency requirement which provides NRW with an opportunity to influence waste prevention at these sites. We have not considered how effectively NRW is discharging its current regulatory responsibilities as part of this work.
- 1.21 The Wales Act 2014 transferred some tax raising powers to Wales in relation to the Land Transaction Tax, the Landfill Disposal Tax and variations to income tax. The Welsh Government considers that the Landfill Disposal Tax will continue to encourage greater prevention, re-use, recycling and recovery of waste. In addition, the new Landfill Disposals Tax Communities Scheme aims to support environmental and community projects in areas affected by the disposal of waste to landfill. The scheme, managed by the Wales Council for Voluntary Action, has an annual budget of £1.5 million, including £100,000 for administration and with £1.4 million available for grant awards. Waste prevention is one of three priorities for the fund.
- 1.22 Because powers in relation to corporate taxation and VAT will remain non-devolved, the Welsh Government will not have direct control over some of the main fiscal levers on either business or consumers. However, the rest of the UK is also pursuing a similar waste prevention agenda to Wales. An example of a tax that might best work across the UK is a tax on the generation of single use plastic (or disposable plastic), with early discussions in Wales and elsewhere in the UK on how best to prevent unnecessary plastic wastes. The revised waste strategy for England, published in December 2018, includes a proposal to introduce a UK-wide tax on plastic packaging.
- 1.23 Establishing a common approach to taxing particular waste resources across the UK could also reduce the movement of these materials to jurisdictions with more preferential tax laws. In addition, Sweden is considering the introduction of tax breaks on repairs to encourage reuse, such as halving the VAT rate on repairs to bikes, clothes and shoes.

- 1.24 Financial levers are not restricted to the public sector, with the UK Environment Audit Committee recently calling for a ‘latte levy’ of 25 pence per disposable plastic cup sold by retailers²⁹. Welsh Ministers have stated that they will explore the potential for a charge on single-use drinks cups to encourage re-use, subject to decisions made by the Chancellor of the Exchequer following a call for evidence on a tax on single use plastics. In addition, the Welsh Government has worked with the UK government to develop a joint consultation on options for a deposit return scheme for drinks containers that would see customers pay more for drinks sold in single-use drink containers but with the opportunity to claim that extra cost back. Scotland has already committed to implementing a deposit return scheme, ahead of the proposed scheme in England, Wales and Northern Ireland³⁰.
- 1.25 There are a range of issues that need consideration when assessing the overall costs and benefits of such schemes relative to other waste prevention measures. In general, Wales is further ahead with recycling than other parts of the UK. Deposit return schemes are likely to divert single use plastic, glass or metal drink containers from municipal recycling collections and reduce councils’ recycling rates, although the Welsh Government expects any impact to amount to less than one percentage point. All of which means that a deposit return scheme, in particular for plastic bottles, may offer less benefit in Wales. However, it could be confusing for customers and difficult to administrate if the whole of the UK did not operate a similar scheme.
- 1.26 More focus on reducing single-use water bottles, perhaps through behaviour change and greater provision of municipal water fountains or schemes where retailers offer free water refills to the public, might tackle the problem more at source. The Welsh Environment Minister has announced the aspiration for Wales to become the first ‘refill nation’ in the world for drinking water, as a way of cutting down the use of single-use plastic bottles and has provided funding to support the ‘Refill Wales’ initiative. Another reason to focus more on waste prevention is the recent tightening of the market to export plastic wastes for treatment in China, and that there is insufficient capacity to recycle plastics in the UK once collected.

29 UK Parliament Environmental Audit Committee, **Disposable Packaging: Coffee Cups**, January 2018.

30 Department for Environment Food and Rural Affairs (UK government), Welsh Government, Department of Agriculture, Environment and Rural Affairs (Northern Ireland), **Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland**, February 2019.

- 1.27 Variable pricing for waste collection by weight or volume, known as ‘pay-as-you-throw’, is another option that could reduce the amount of residual waste generated. This can be useful in extending the responsibility of consumers for the products they have purchased, and subsequently discarded. Several European Union member states and other countries have implemented pay-as-you-throw schemes.
- 1.28 The feedback we received from some council officers and the Welsh Local Government Association suggested little appetite for pay-as-you-throw systems. However, there are councils that are keen to gain more powers to charge for the collection of waste in the future. There are already examples of councils using the threat of enforcement action and fines against households that repeatedly refuse to recycle or ignore advice and warnings about the amount of residual waste they put out for collection.
- 1.29 The Welsh Government also has opportunities to influence waste prevention through grant funding to business (as noted in [paragraph 1.4](#)). In March 2017, the Welsh Government announced a £6.5 million Circular Economy Capital Investment Fund to help small and medium sized enterprises in Wales make the transition towards a circular economy, in which waste prevention is an essential component³¹. However, this funding is being focussed on developing better markets for recycle in Wales, especially for plastic.

The Welsh Government has provided councils with significant funding for their municipal waste management services, but this has mostly supported recycling with very little of it spent on waste prevention

- 1.30 Councils spent £242 million in 2016-17 managing municipal waste³². Welsh Government grant income met around 85% of these costs. This included £60 million of specific grant aid provided through the Single Revenue Grant, along with some other much smaller grant allocations. Council tax contributed around £35 million and with councils also generating a small amount of income to meet these costs from direct charges for services. The remainder of the costs were met from councils’ core Revenue Support Grant.

31 Zero Waste Scotland had launched a similar £18 million fund in March 2016.

32 Welsh Local Government Association, [Waste Finance Data Report 2016-17](#), March 2018.

- 1.31 The Welsh Government has provided specific grant funding to councils for their waste services since 2001-02, when it introduced the Sustainable Waste Management Grant. Until the Single Revenue Grant replaced it in 2015-16, the Welsh Government had spent a total of £853 million through the Sustainable Waste Management Grant. The Welsh Government intended that councils use this grant to develop their waste analysis, regional waste planning, waste prevention, recycling and composting projects and facilities. Councils were able to decide for themselves how to allocate this funding within the overall objectives of the grants.
- 1.32 Previous analysis of this expenditure shows that from 2001-02 to 2007-08; councils spent only 1% of this grant – from a total of £195.4 million – promoting waste prevention. From 2008-09 to 2013-14, council spending on waste prevention was included in about £10.5 million spent each year on education initiatives³³. During this latter period, councils also promoted recycling and particularly for food waste treatment and to improve the kerbside collection of recyclables.
- 1.33 **Figure 3** shows that in 2016-17, councils spent at least £60 million of the £64.3 million allocated in the Single Revenue Grant on activities that were primarily concerned with increasing recycling. The Welsh Government did not ring-fence the Single Revenue Grant just to fund waste management, and it required councils to provide a single annual spending proposal encompassing; better management of natural resources, including biodiversity and flood risk management, waste and resource efficiency and local environment quality. The Welsh Government required councils to detail individual initiatives and their cost, and how they will contribute to the multiple benefits sought in the Wellbeing of Future Generations (Wales) Act 2015.

33 Eunomia, **Review of the Sustainable Waste Management Grant**, September 2015. The review refers to spending on 'waste minimisation' which is broadly synonymous with waste prevention on the basis of the EU definition in the 2008 Waste Framework Directive (Box 1).

Figure 3: councils' use of the Single Revenue Grant for 2016-17 (£ millions)

Service area	Single Revenue Grant spend
Dry recycling	26.2
Food and green waste treatment	24.2
Household waste recycling centres	7.4
'Bring' recycling sites	0.5
Other recycling activities	1.7
Other activities	4.3
Total	64.3

Note: Other activities included work on flood risk management and environmental quality.

Source: Welsh Local Government Association, **Waste Finances Report 2016-17**, March 2018

1.34 Figure 4 shows the relatively small amounts spent overall by councils on waste prevention compared with recycling and other waste service areas in 2015-16 and 2016-17. During 2015-16, eight councils and in 2016-17 seven councils, recorded no expenditure on waste prevention.

Figure 4: analysis of total council spending on waste services for 2015-16 and 2016-17 (£ millions)

Year	Overall expenditure on waste services	Waste collection	Waste disposal	Recycling	Waste prevention
2015-16	234.0	57.4	86.2	91.0	2.8
2016-17	242.0	56.2	90.2	96.1	2.5

Note: figures exclude depreciation of capital assets.

Source: The Welsh Local Government Association provided this data from the Welsh Government's Revenue Outturn forms

- 1.35 Eunomia's review of the Sustainable Waste Management Grant concluded that councils had increasingly used the grant to fund core service delivery: the operation of kerbside recycling collections, food waste collections and household waste recycling centre management. The report made little mention of waste prevention and suggested that the primary use of the grant, and the grant that subsequently replaced it, should be to promote recycling. The Welsh Local Government Association has also noted that the profile of spending through the Single Revenue Grant – and the Sustainable Waste Management Grant before it – needs to be seen in a wider context. Notably, the pressure on councils to increase recycling to meet wider targets and avoid financial penalties.
- 1.36 From 2018-19, much of the waste element of the Single Revenue Grant has been transferred into the Revenue Support Grant settlement for councils giving councils the freedom to use this funding as they wish, including for non-waste issues. The Welsh Government has used the remainder to re-establish a stand-alone Sustainable Waste Management Grant with a total value of £18.2 million and for purposes that include, but are not limited to, waste prevention.

Between October 2015 and September 2018, the Welsh Government gave £13 million to three not-for-profit organisations with objectives that include, but are not necessarily limited to, waste prevention

- 1.37 The Welsh Government also provides core funding to not-for-profit environmental organisations. In June 2015, the Welsh Government advertised a 'call for core funding proposals' to select organisations it would support between October 2015 and March 2018. The Welsh Government awarded £22 million of grant aid to 16 organisations. In March 2018, the Welsh Government extended the period of that grant funding to September 2018 and increased the total commitment to £25 million on a pro-rata basis.

- 1.38 Of the organisations that received grant funding, the Welsh Government identified three as having objectives that include, but are not necessarily limited to, promotion of waste prevention: the Waste and Resources Action Programme; Constructing Excellence Wales; and Fareshare Cymru³⁴. These three organisations received just under £13 million in total between October 2015 and September 2018 (Figure 5). The Welsh Government awarded the bulk of this funding – £11.2 million – to the Waste and Resources Action Programme.
- 1.39 The Welsh Government decided to provide further core funding to WRAP (£1.7 million) and Fareshare Cymru (£50,000) to the end of March 2019³⁵. The Constructing Excellence Wales programme is no longer being grant funded. It is not always possible to disaggregate waste prevention spending or outcomes from the wider work of these organisations that the Welsh Government funding supports, and which can deliver other socio-economic benefits.

Figure 5: grant funding in support of waste prevention for the period October 2015 to September 2018

Organisation and summary of purpose	Grant funding	Key waste prevention outcomes reported ¹
<p>Constructing Excellence in Wales</p> <p>To deliver a support programme to assist the construction industry to improve resource management.</p> <p>The main project including a strong element of waste prevention was the Enabling Zero Waste (EZW) project which offered collaboration at all stages of the design, development and construction of sites providing mentoring and practical operational assistance with the aim of reducing waste arisings and disposal to landfill.</p>	<p>£1.2 million</p> <p>(for a range of purposes)</p>	<p>34,752 tonnes prevented through EZW²</p>

34 The Waste and Resources Action Programme operates a Board that covers its activities in England, Wales and Northern Ireland. As a condition of the grant awarded in summer 2015, a Welsh Government official attends the Board as a non-voting observer. A Welsh Government official also attended the Constructing Excellence in Wales board meetings as an observer.

35 Arrangements for any continued core funding beyond March 2019 are still to be confirmed.

Organisation and summary of purpose	Grant funding	Key waste prevention outcomes reported ¹
<p>Fareshare Cymru</p> <p>Support for the charity which receives food that is fit to consume and in-date from commercial suppliers and from other donations that would otherwise be disposed of, which they redistribute to vulnerable groups.</p>	<p>£300,000 (all for activity that supports waste prevention)</p>	<p>1,509 tonnes of food and drink diverted from waste to redistribution³</p>
<p>Waste and Resources Action Programme</p> <p>To engage with consumers to encourage waste prevention, and to engage with commerce and industry to improve resource management. The aim of the programme is to increase materials resource efficiency, to help to achieve the outcomes in the Strategy and to deliver a circular economy for Wales.</p>	<p>£11.2 million (WRAP has estimated that it spent £0.55 million a year on specific waste prevention activities)</p>	<p>5,295 tonnes of food waste prevented⁴</p>

Notes:

1. Waste prevention outcomes are not the only matters reported on.
2. To end of March 2018, exceeding the target outcome of 32,000 tonnes.
3. To end of September 2018.
4. For the three financial years from April 2015 to March 2018. The figure mainly reflects impacts from support for industry initiatives and excludes evaluation of impacts from Love Food: Hate Waste (paragraph 1.9).

Source: Wales Audit Office

- 1.40 The Welsh Government has contracted separately with the Waste and Resources Action Programme to deliver the Collaborative Change Programme³⁶ from October 2016 to March 2019, at a cost of more than £2 million per year. The organisation has also previously received funding to support delivery of Welsh Government's 'Resource Efficient Wales' services³⁷.
- 1.41 As a part of the review of Towards Zero Waste, the Welsh Government has undertaken a detailed review of the impact and value of the Wales Waste Plan³⁸. The evaluation considers the impact of the Waste and Resources Action Programme but acknowledges some limitations. For example, it notes that the scope of the analysis and its accuracy are dependent on the other information sources reviewed. It also highlights potential overlap between the economic impacts estimated for Waste and Resources Action Programme activity and wider activity.
- 1.42 The evaluation does not differentiate the benefits attributable to waste prevention activities. However, in overall terms it reports the following impacts from the Welsh Government's funding for the Waste and Resources Action Programme between 2011 and 2015:
- just under £83 million of sales growth through action taken by beneficiaries of activities in Wales engaged in the recycling and reprocessing of waste materials;
 - £8.4 million in cost savings to businesses, households and the public sector, modelled on recycling and avoiding the generation of waste;
 - £14.9 million of additional capital investment by the private sector from the recycling and reprocessing of waste materials; and
 - 121 full-time equivalent jobs created by beneficiaries of the Waste and Resources Action Programme's activities in Wales engaged in the recycling and reprocessing of waste materials.

36 The Collaborative Change Programme supports councils by offering waste management service reviews, business planning, operational support and materials marketing. The Programme is discussed in more detail in our separate report on municipal recycling: Auditor General for Wales, **Municipal Recycling**, November 2018.

37 Although no longer operating, Resource Efficient Wales (REW) was a single point of contact to help individuals, communities, businesses and public sector organisations in Wales to save energy and water and to reduce and re-use waste.

38 The Welsh Government **Wales Waste Plan Review – Work Stream 1 WWP Evaluation – Delivering the Objectives and Realising the Benefits – Part B Detailed Report** June 2017.

Part 2

The data used by the Welsh Government to measure performance against its ambitious waste prevention targets is of variable quality and indicates mixed progress



- 2.1 In this part of the report, we look at the data available on waste generated in Wales, including both municipal and non-municipal waste data. We consider whether the Welsh Government has sufficient data about the waste generated to provide an appropriate information base for the development and monitoring of waste prevention policies. We recognise that cost has been a factor in the frequency with which some of this data is collected.

The Welsh Government has good data on municipal waste but the data it has on most other wastes is limited

The Welsh Government has some good data on the amount, types and destination of municipal wastes


- 2.2 The Welsh Government gets both annual and quarterly data on municipal waste management through a system called WasteDataFlow³⁹. WasteDataFlow is a statutory reporting system which is a well-established source of evidence for municipal waste and recycling activity in the UK. The UK Department for the Environment, Food and Rural Affairs, Welsh Government and other UK jurisdictions jointly own WasteDataFlow. Every three months, councils put their data directly into WasteDataFlow, and Natural Resources Wales (NRW) undertake a range of validation checks on the data for Wales.
- 2.3 While there are some recognised limitations in the system, the information captured through WasteDataFlow underpins publication of official waste data for Wales, quarterly and/or annually and at a Wales-wide and local authority/regional level. **Figure 6** illustrates the range of data published by StatsWales on municipal waste management.

39 Further information is available on the WasteDataFlow website at www.wastedataflow.org

Figure 6: summary of the data readily available on municipal waste in Wales through WasteDataFlow

Municipal waste data available includes:

- Total waste generated by source
- Management of waste by different methods
- Waste collected for reuse/recycling/composting by material (65 categories) and source
- Reuse/recycling/composting rates
- Residual household waste produced per person
- Residual household waste produced per dwelling



Source: StatsWales based on WasteDataFlow

2.4 In addition to the data available via WasteDataFlow, the Welsh Government has financial data on waste management through the Waste Improvement Programme⁴⁰. The Welsh Government funds the Welsh Local Government Association to run the Waste Improvement Programme, which aims to support more consistent reporting of council spending on waste management. The WasteDataFlow and the waste finance systems under the Waste Improvement Programme are well-established mechanisms that provide detailed and up to date data on municipal waste management. The Welsh Government has also commissioned research to investigate specific data issues on municipal waste.

The Welsh Government does not have up to date data on the amount of commercial, industrial, construction and demolition waste arising, although some further data collection is planned

2.5 The commercial, industrial, construction and demolition sectors account for much of the waste produced in Wales, around 80%. The Welsh Government obtains data on these wastes through periodic surveys (Box 4). The most up-to-date data on these wastes is from a survey undertaken in 2012. Paragraphs 2.18 to 2.20 and Figure 10 set out some of the main findings of the 2012 surveys.

40 The Welsh Local Government Association produces an annual Waste Finances Report.

Box 4: surveys to estimate the amounts of non-municipal waste generated in Wales

The Welsh Government obtains non-municipal waste data through its periodic surveys of the commercial and industrial waste, and construction and demolition wastes produced by private companies. These surveys obtain information on the amount of waste that a sample of companies generate during a set period. This is carried out every five or six years.

Since 2002, the European Union has required member states to provide data every two years on waste generation, management, and on waste infrastructure. This data is provided for Wales by using a variety of data sources, including the survey data for industrial, commercial, construction and demolition waste.

Where no new survey data is available in a given reporting year, the waste generated in individual sectors is based on previous results and other trends. There is no specific requirement to undertake waste surveys at set intervals.



- 2.6 Carrying out these waste surveys on a scale that ensures they provide sufficiently reliable and useful data is expensive. The most recent 2012 survey round cost around £345,000. The Welsh Government has asked NRW to design and commission the next survey for industrial and commercial waste. NRW has appointed a contractor and is currently planning the survey work. Plans for a further survey of construction and demolition waste are still to be confirmed.
- 2.7 In 2011, the Scottish Environment Protection Agency (SEPA) published a Waste Data Strategy for Scotland with the aim of improving understanding of the waste produced and managed in Scotland. The strategy aims to provide an information base to use in delivering the Scottish waste strategy. The Waste Data Strategy for Scotland highlighted the need to improve the quality and details of commercial and industrial waste arising data by economic sector. Following the publication of the Waste Data Strategy for Scotland, SEPA now obtains non-municipal data through a variety of sources. SEPA's website contains summary data on the types and quantities of waste generated and managed across Scotland. There is a variety of data on commercial, industrial, construction and demolition waste, as well as data on municipal waste. In 2017, SEPA, in partnership with Zero Waste Scotland and the Scottish Government published an updated strategy⁴¹.

41 Scottish Environment Protection Agency, Zero Waste Scotland and Scottish Government, **A strategy for improving waste data in Scotland**, October 2017.

- 2.8 The UK government has not surveyed commercial and industrial wastes arising in England since 2009. An alternative methodology⁴² based on commissioned research with additional refinement is currently used to estimate the amount of this waste generated and to meet EU reporting requirements that the UK government considers makes best use of existing available data.
- 2.9 Under the duty of care for waste provisions of the Environmental Protection Act 1990 the movement of waste in the UK must be recorded in a transfer note. These transfer notes include data on the weight and the nature of waste, and must be used by anyone who produces, imports, keeps, stores, transports, treats or disposes of waste and so that they take all reasonable steps to ensure that waste is managed properly⁴³. With financial support from the European Commission, the Environment Agency in partnership with organisations including the Welsh Government developed an electronic documentation system, known as 'e-doc'. Launched across the UK in January 2014, it has demonstrated the potential value of electronic systems to record waste transfer, although the organisations involved have also recognised its current limitations and significant gaps in coverage.
- 2.10 The Welsh Government is a partner in initial discovery work being undertaken under the GovTech Catalyst challenge⁴⁴ to assess the feasibility of developing a new digital solution to track waste. This would have potential advantages including the recording of more accurate waste data and enabling better waste regulation. This 'Waste Tracking' project will look at options to track all waste, including local authority municipal waste data that is currently recorded through WasteDataFlow.

42 Department for Environment Food and Rural Affairs, **Commercial and Industrial Waste Arisings Methodology Revisions for England**, February 2018.

43 These transfer note arrangements do not cover hazardous waste.

44 The GovTech Catalyst is a UK Government Digital Service initiative, run in partnership with Innovate UK. It makes £20 million of research and development funding available for public bodies to bid for across three years.

The data that is available on the amount of waste produced indicates mixed progress to deliver the Welsh Government's ambitious waste prevention targets

The Welsh Government has set ambitious targets for waste prevention, but progress is dependent on a range of factors making it difficult to assign clear lines of accountability

2.11 In **Towards Zero Waste**, the Welsh Government stated that there would need to be an annual reduction of 1.5% in overall waste arising to 2050 from a 2007 baseline. The Welsh Government's 2015 Progress Report states that the total amount of waste arising in Wales reduced from approximately 14.5 million tonnes in 2007 to 8.4 million tonnes in 2012 (a 42% reduction). However, the report acknowledged that there had been no progress over the same period in respect of the waste prevention targets for industrial and commercial waste. The Welsh Government's 2017 summary review of the progress of the sector plans and programme actions⁴⁵ states, 'We have made good progress against the targets set in Towards Zero Waste. This includes reducing waste arisings'. It did not however consider the relative performance across different types of waste.

2.12 The Welsh Government describes the targets that it has set for waste reduction as 'aspirational', as they are not statutory. As we noted in **paragraph 1.8**, progress with waste prevention depends on a wide range of factors. Consequently, it is not straightforward to assign clear lines of accountability for progress towards these targets, even though the use of legislation and financial incentives can help to reinforce expectations (**paragraphs 1.10 to 1.29**).

The amount of household waste being generated has reduced in line with the Welsh Government's target since 2006-07 but with some fluctuation in recent years

2.13 The Welsh Government's target for household waste is for a reduction of 1.2 per cent every year to 2050, calculated from a 2006-07 baseline. Between 2006-07 and 2013-14, the amount of household waste that councils collected decreased from 1.57 million to 1.35 million tonnes, equivalent to around 2% a year⁴⁶. There was a further reduction in 2014-15 but the figures have since fluctuated (**Figure 7**). Non-household municipal waste increased between 2013-14 and 2015-16 and has since fallen back slightly but was still at a higher level than in 2013-14.

45 Welsh Government, **Towards Zero Waste Sector Plan and Waste Prevention Programme Actions: Summary Report June 2010 – March 2016**, July 2017.

46 Welsh Government, **Towards Zero Waste 2010-2050 Progress Report**, July 2015.

2.14 Despite the recent fluctuations in the amount of household waste generated, performance on average since 2006-07 still meets the Welsh Government’s target of a 1.2% reduction per year. Over the same period, the population of Wales has continued to grow. Since 2011-12, there has also been some growth in household expenditure in Wales, although the headline figures include expenditure on goods and services that would not necessarily generate household waste.

Figure 7: municipal waste – shown as household and non-household waste – generated in Wales from 2013-14 to 2017-18 (thousands of tonnes and % change)

	Household waste	Non-household waste	All municipal waste
2013-14	1,349	208	1,557
2014-15	1,324	219	1,543
2015-16	1,366	226	1,592
2016-17	1,365	225	1,590
2017-18	1,330	220	1,550
% change between 2013-14 and 2017-18	-1.4%	+5.8%	-0.4%

Note: Between 2006-07 and 2013-14, the amount of household waste that councils collected decreased from 1.57 million tonnes.

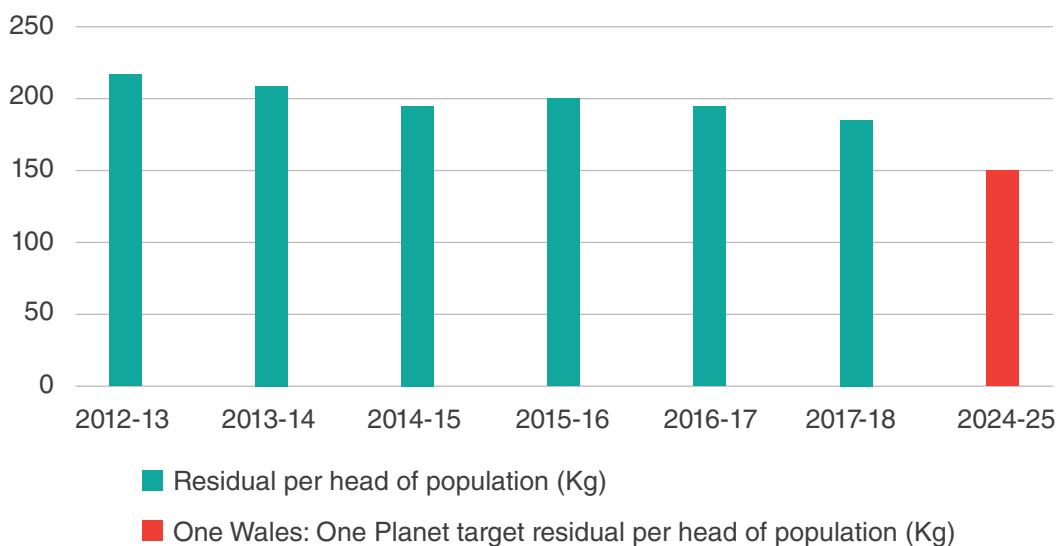
Source: StatsWales based on WasteDataFlow

2.15 Figure 8 shows an analysis of the amount of residual household waste, generated per resident in each year. In **One Wales: One Planet**⁴⁷, the Welsh Government set a target to reduce the amount of residual household waste generated per inhabitant to 150kg per year by 2024-25. Following a reducing trend to 2014-15, the amount of residual household waste generated per inhabitant increased slightly before falling again to 184 kg in 2017-18.

47 Welsh Government, **One Wales: One Planet**, May 2009.

2.16 Our work on the procurement of residual and food waste treatment capacity⁴⁸ has noted that projections used as the basis of contracts for three major residual waste projects assume that councils will still need to treat significant volumes of residual waste beyond 2040. Those projections do not align well with the Welsh Government's overall aspiration of zero residual waste by 2050.

Figure 8: residual household waste per person (kilograms) 2012-13 to 2017-18, and the target in One Wales: One Planet for 2024-25



Note: Residual waste is waste that remains after recycling or composting material has been removed from the waste stream.

Source: StatsWales, **Local Authority Residual Waste, 2012-13 onwards**, accessed December 2018

48 Auditor General for Wales, **Procuring Residual and Food Waste Treatment Capacity**, October 2018.

2.17 **Figure 9** shows the overall amounts of household waste generated across different parts of the UK from 2013 to 2017 and for calendar year periods. This data suggests that waste prevention policies across the UK have had little real effect to reduce the generation of household waste in recent years, although these policies might have offset further growth. Based on this analysis, the rate of increase in household waste generation was already lowest in Wales, before a reduction between 2016 and 2017 took Wales back to marginally below the level reported for 2013.

Figure 9: waste from households in the UK, 2013 to 2017 (thousands of tonnes and % change)

	England	Northern Ireland	Scotland	Wales
2013	21,564	781	2,310	1,274
2014	22,355	806	2,348	1,285
2015	22,225	818	2,354	1,278
2016	22,770	845	2,378	1,307
2017	22,437	843	2,345	1,271
% change between 2013 to 2017	+4.0%	+7.9%	+1.5%	-0.0%

Note: This comparative data is for calendar year periods, whereas the data for Wales in Figure 7 is for financial years. There are some other adjustments to the data for comparison. There are inevitable differences in the amounts of waste generated due to relative population sizes.

Source: Department for Environment, Food and Rural Affairs and Government Statistical Service, **UK Statistics on Waste**, February 2019

When last reported in 2012, there had been no progress to reduce the amount of commercial and industrial waste, and the economic downturn played a significant part in the large reduction in construction and demolition waste

2.18 For 2012, NRW undertook a survey for the Welsh Government⁴⁹ that indicates the amount of industrial and commercial waste arising in Wales in 2012. This survey found that the amount of industrial waste arising in 2012 was greater than in 2007, and the amount of commercial waste was only slightly lower than in 2007. As a result, the target levels set for 2011-12 in the Towards Zero Waste strategy had not been met (Figure 10)⁵⁰. However, in publishing the results of the 2012 survey, NRW noted that both surveys have a large margin of error, so differences will sometimes be due to sampling error rather than a genuine change in waste generation.

Figure 10: the estimated weight of commercial and industrial waste generated in Wales in 2007 and 2012¹ (million tonnes)



Notes:

1. Limitations of the data used in the surveys, caused for example by sample error, mean that the true values for 2012 may differ in some cases by up to 11.7%. There is no data to show if and how rates changed between survey years. Figures are rounded.
2. The Welsh Government has noted that there are indications that coal fired power stations in Wales were operating for a longer period in 2012 than 2007, therefore generating more waste ash and that there was a reduction in the amount of industrial waste estimated when excluding the energy and supply sector.

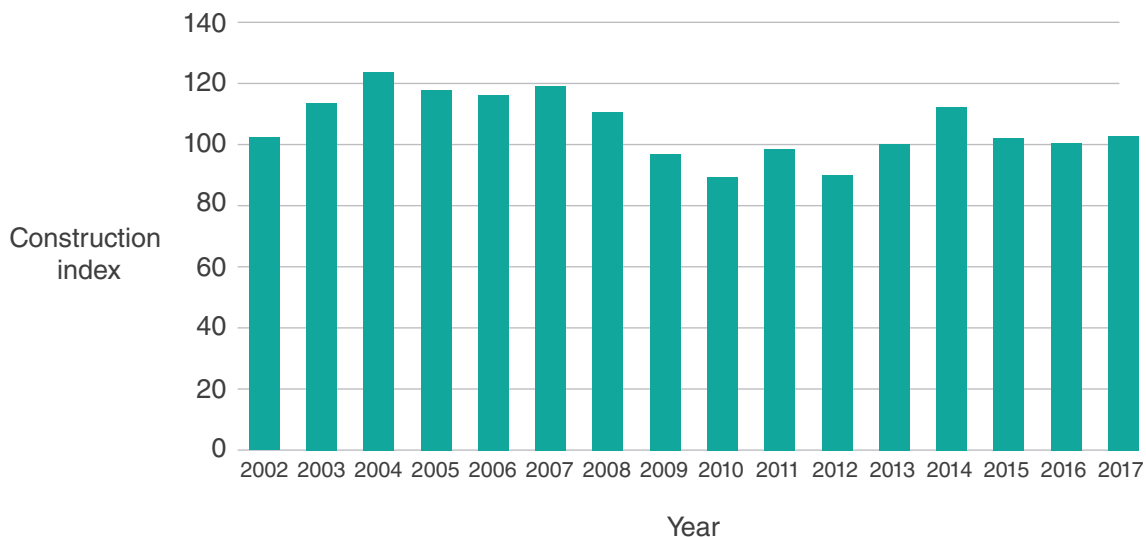
Source: Welsh Government funded sector surveys for industrial and commercial wastes and the Towards Zero Waste strategy and 2015 Progress Report

49 Natural Resources Wales, **Survey of Industrial and Commercial Waste generated in Wales 2012**, (undated document).

50 Analysis commissioned by the Welsh Government has identified previously that three industrial sites were producing half of the industrial waste from permitted sites in Wales: Oakdene and Hollins Research and Consulting – **Waste Reduction Study Wales Regulated Industries-Evidence Report**, December 2014.

- 2.19 For construction and demolition waste, Towards Zero Waste set a baseline of 5.41 million tonnes for 2006-07 and targeted a reduction to 5.03 million tonnes for 2011-12. We queried this with the Welsh Government because its 2015 Progress Report cites a baseline figure of 9.42 million tonnes from 2005 survey results for construction and demolition waste. We understand that the 2005 figure in the Progress Report drew on an earlier restatement of the survey results to make the figure comparable with the methodology for the 2012 survey. The baseline used in Towards Zero Waste applied a different adjustment by removing just under 7 million tonnes of waste that were reported to have been re-used on-site, for example soil and aggregate. The Welsh Government has indicated that it will resolve this discrepancy as part of its review of Towards Zero Waste. The Progress Report drew on the 2012 survey results to show a reduction to 3.4 million tonnes in 2012, well in excess of the rate of reduction required to meet the Welsh Government's target.
- 2.20 The Index of Construction for Wales ([Figure 11](#)) gives a little more information on the effect of the recession on the construction sector. The Index shows that the economic output from construction fell between 2007 and 2010, before the first signs of recovery. Economic output fell by 24% in the period 2007 to 2012. By comparison, the amount of construction and demolition waste arising reduced by around 64%. The Welsh Government's 2015 Progress Report acknowledges that the economic downturn had a significant effect on the construction sector from 2008, in reducing building activity and the amount of waste generated. In addition, there were no major infrastructure projects in Wales accounting for very large quantities of waste in 2012 when compared with 2005. As in the case of the surveys for commercial and industrial waste, the margins of error in the construction and demolition surveys still need to be borne in mind when making comparisons.

Figure 11: Index of Construction for Wales showing the short-term movements in the economic output of the construction industry from 2002 to 2017



Note: These figures take 2016 as the base year (100 on the index) with previous and subsequent years figures then compared as a percentage of the output recorded for 2016.

Source: Welsh Government (StatsWales website), **Index of Construction (2016=100) by year and area**, as accessed in March 2019

The Welsh Government needs to do more to ‘decouple’ waste generation from economic activity

2.21 The UK government had anticipated⁵¹ a return to the UK producing more waste from 2011 as the economic downturn eased. Separating the relationship between economic activity and waste generation so that fewer resources are used to produce less waste per unit of economic activity is termed ‘decoupling’. Decoupling is essential for an effective waste prevention strategy, and this is a key objective of the Waste Prevention Programme for Wales.

51 Department for Environment, Food and Rural Affairs, **The Economics of Waste and Waste Policy. Appendix A: Data, projections and 2050**, June 2011.

- 2.22 Reporting in 2012⁵², the Waste and Resources Action Programme concluded that there was ‘strong evidence’ at UK level that decoupling had begun for household waste, but they could not say if decoupling had begun for commercial and industrial, or for construction and demolition wastes. The Welsh Government’s 2015 Progress Report acknowledges the ‘need to break the link between waste generation and economic growth’. Without updated data for commercial, industrial and construction and demolition waste, it is difficult to assess whether this link has been broken to any meaningful extent as the economic picture has improved since 2012.
- 2.23 The Welsh Government’s evaluation of the Wales Waste Plan⁵³ acknowledges the lack of data on non-municipal wastes and is uncertain about performance. Based on modelling, the evaluation estimated a 1.1% increase in industrial waste between 2009-10 and 2014-15 and a 42.6% reduction in construction and demolition waste. Taken together with household waste, the evaluation estimated a 23.3% reduction overall during this period. These estimates provide an indicator of progress but are no substitute for up-to-date and reliable data.

52 Waste and Resources Action Programme, **Decoupling of Waste and Economic Indicators**, October 2012.

53 Welsh Government, **Wales Waste Plan Review – Work Stream 1 WWP Evaluation – Delivering the Objectives and Realising the Benefits, Table 5**, June 2017.

Appendices



Appendix 1

Audit methods

We sourced much of the data that we used to inform this report from the Welsh Government, and particularly from their strategies and sector plans, progress reviews and evaluations. We have focussed on developments since the publication of the Waste Prevention Programme in December 2013, although we have taken account of previous data where this demonstrates broader trends.

We also obtained from the Welsh Government relevant ministerial statements, waste prevention related consultations, progress against performance indicators, survey results, information about regulated industries, commentary on Welsh legislation including the transposition of EU waste legislation, and information on grant funding. In addition, we obtained data from verified sources such as WasteDataFlow, StatsWales bulletins issued by the Welsh Government, and from the National Strategic Indicator set.

Our other sources of data for this work included the European Union, the UK Government's Department of Environment, Food and Rural Affairs, and the Scottish Government. We also obtained documented data from the Welsh Local Government Association, the Waste and Resources Action Programme, and Zero Waste Scotland.

In addition to the Welsh Government, we held interviews with the following key stakeholders:

- waste management representatives from Caerphilly, Monmouthshire and Rhondda Cynon Taf councils;
- the County Surveyors Society Waste Sub-Group – the representative body for council waste managers in Wales;
- Natural Resources Wales;
- the Chartered Institution of Wastes Management;
- the Welsh Local Government Association; and
- the Waste and Resources Action Programme.

Appendix 2

Key elements of the Welsh Government's Waste Prevention Programme and the waste sector plans

The Welsh Government published its Waste Prevention Programme in December 2013. The Programme supports Towards Zero Waste by describing the outcomes, policies, targets and outline work programme to address waste prevention from businesses and households. It also delivers the EU requirement for Member States to develop waste prevention programmes. Although there is no Programme Board or external scrutiny of progress, the development of the Programme involved consultation with the public, with business and with waste experts through a steering group.

The Welsh Government's objectives for the Programme are that households and businesses will be able to reduce waste, while at the same time saving money, protecting the environment and contributing towards a sustainable Wales. For business, the Programme promises improved productivity through sustainable resource use, innovation to gain competitive advantage, and protection against rising commodity prices. A key objective of the Programme is to break the link between waste generation and economic growth.

The Welsh Government says that the Programme will help it:

- Tackle poverty by helping to reduce waste and promote reuse, refurbishment and remanufacture to provide low cost, high quality goods. In addition, repair and reuse should be the natural first choice for faulty or unwanted goods, furniture and clothing.
- Increase the amount of surplus food that is made available for people to eat, such as by continuing to fund national and local Love Food Hate Waste initiatives.
- Deliver green growth and high-quality sustainable jobs through sustainable resource management and create training opportunities for unemployed people. Through eco-innovation and eco-design to encourage businesses to develop sustainable products and services, and to use material resources efficiently.

The Welsh Government has identified the construction and demolition sector and business sectors as a priority for the Programme, because they produce large amounts of waste with a high environmental impact. The public sector is also expected to lead by example through its own operations and procurement practices.



Household waste – The Programme considers the ‘demand side’ actions of purchase choice, use in the household, and disposal and collection. The Programme includes consumer engagement, a review of household reward schemes and optimising service provision for householders. The Welsh Government has set a target to reduce the amount of household waste arising by 1.2% every year, from a 2006-07 baseline.



Industrial and Commercial Waste – The Programme works with large retailers and their supply chains to promote eco-innovation in the manufacturing sector. Priority business sectors are food manufacturing, accommodation and food services, industry regulated under a permit, small and medium sized enterprises, office-based services, and small retailers and wholesalers. Commercial waste is waste arising from any premises which are used wholly or mainly for trade, business, sport recreation or entertainment, excluding household and industrial waste. Industrial waste is waste from any factory and from any premises occupied by an industry but excludes waste from mines and quarries. The Welsh Government has set a target to reduce the amount of commercial waste by 1.2% a year, and industrial waste by 1.4% a year, from a 2006-07 baseline.



Construction and Demolition Waste – Construction and demolition wastes consists of all waste originating from construction, renovation and demolition activities, such as rubble, bricks and tiles. The Programme has prioritised the following wastes: wood, plastic, insulation and gypsum, hazardous waste (primarily contaminated soil), metals, concrete, bricks, tiles and ceramics, and bituminous substances. Initiatives focus on eco-design and designing out waste, education and guidance, value engineering, and sustainable construction products. There is support for small and medium sized enterprises to develop infrastructure to support the reuse of surplus materials for community benefit and greening procurement. The Welsh Government has set a target to reduce the amount of construction and demolition waste by 1.4% a year, from a 2006-07 baseline.

In addition, the Programme will prioritise reuse and repair across all sectors through better communications, encouraging separate collections of waste electrical and electronic equipment at designated collection facilities, green procurement, also supporting the Reuse Network with shared warehousing, communications and by establishing quality assured standards for reuse and repair products.

The Programme sits alongside individual sector plans (Figure 12) and a range of other policy and strategic documents that together make up the Waste Management Plan for Wales (summary paragraph 6).

Figure 12: the Welsh Government's waste 'sector plans'

Municipal waste sector plan	Considers the waste that councils collect and includes household waste and recycling	Published in March 2011
Collection, infrastructure and markets sector plan	Considers what happens to the waste once it has been put out for collection and how Wales deals with its waste without sending it to landfill	Published in July 2012
Food, manufacture, service and retail sector plan	Considers food waste and packaging in Wales and how to reduce it within the food and manufacturing industry	Published in September 2014
Construction and demolition sector plan	Considers the waste produced in the building industry and how to manage this	Published in November 2012
Commercial and industrial sector plan	Considers wastes from business, retail and manufacturing and how to reduce and manage this	Published in December 2012
Public sector waste and resource efficiency plan	Will consider waste produced by the public sector and how to reduce and manage it	Anticipated publishing date during 2019 The Welsh Government intends to subsume this plan into its 'Route Map for a More Resource Efficient Wales'

Source: Welsh Government

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Llywodraeth Cymru
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17 April 2019

Dear Adrian

**Response to the Report of the Wales Audit Office on Waste Management in Wales:
Waste Prevention**

I welcome publication of the above report and I am pleased to set out the Welsh Government's response to the three recommendations at Annex A.

After twenty years of progress, Wales is now a high recycling society, with high quality collection infrastructure, well-developed re-processing infrastructure and a worldwide reputation for achievement.

The report acknowledges that Wales is one of only a few countries worldwide to have set waste prevention targets and that we need to focus more on prevention going forward. We plan to renew our focus in our revised waste strategy and circular economy route map which we will consult on later this year.

In the meantime, we are focussing on measures to stimulate innovation and change in packaging by taking part in UK wide consultations on a Deposit Return Scheme, introducing extended producer responsibility for packaging and a plastics tax on any relevant packaging that does not contain at least 30% recycled materials.

With best wishes.

Yours sincerely

Andrew Slade
Director General
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Recommendation 1

Increasing the focus on waste prevention to reflect the overall aims of Towards Zero Waste

Available data on the amount of waste produced suggests mixed progress to deliver Welsh Government's waste prevention targets. We recommend that the Welsh Government:

- a) revisits the relative priority it gives to recycling and waste prevention as part of its review of Towards Zero Waste;*
- b) sets out clearly the expectations on different organisations and sectors for waste prevention; and*
- c) revisits its overall waste prevention targets and the approach it has taken to monitor them in light of progress to date, examples from other countries and in the context of current projections about waste arising through to 2050.*

Response: Accepted

In its revision of the Wales waste strategy, the Welsh Government will re-examine the effort it is able to apply to waste prevention, in line with the waste hierarchy, including examining what further levers it has available. This will include setting out the expectations on different key stakeholders such as the Welsh Government, business, public sector, and social enterprise, and on the key waste sectors of household, industrial, commercial and construction and demolition waste. This will also include a consideration of the waste prevention targets and the measures needed to monitor them.

As stated in the response to the AGW's report on 'Procuring residual and food waste treatment capacity' published in October 2018, the Welsh Government will keep under review future residual waste projections and ongoing work to minimise residual waste, and will work with local authorities to efficiently manage their residual waste contracts.

The current timetable is for a consultation document on a revised waste strategy to be published in autumn 2019.

Recommendation 2

Improving data on commercial, industrial, construction and demolition waste

The Welsh Government is a partner in initial work to assess the feasibility of developing a new digital solution to track all waste. If this preferred option does not succeed, we recommend that the Welsh Government works with Natural Resources Wales to explore the costs and benefits of other options to improve non-municipal waste data in Wales, including additional powers to require waste data from businesses.

Response: Accepted

The Welsh Government is represented on the board of the UK Waste Tracking project which aims to develop a digital solution to track all waste including that produced and managed in Wales.

The Welsh Government has funded Natural Resources Wales to commission a new survey of industrial and commercial waste in Wales. It is due to report in 2020. Options to obtain more up to date data on construction and demolition will be explored, subject to budgetary pressures.

The Welsh Government will continue to support the Defra-led waste tracking project. It will also give consideration to what powers can be used or sought to require businesses to report the data. Other means to gather the data in future will be explored as part of the consultation on a revised waste strategy, in autumn 2019.

Recommendation 3

Enhancing producer responsibility and using more legal, financial and fiscal levers

The Welsh Government has opportunities to influence waste prevention through legislation and financial incentives. It can also influence changes at UK level where fiscal matters are not devolved. We recommend that the Welsh Government consider whether provisions to extend producer responsibility and the use of financial powers such as grant conditions, fiscal measures and customer charges and incentives, are needed to promote and to prioritise waste prevention.

Response: Accepted

The Welsh Government is currently consulting along with Defra and the other devolved administrations on proposals for new extended producer responsibility provisions for packaging. Whilst primarily aimed at increasing recycling and reducing the littering of packaging, the provisions (for example, the application of a 'modulated fee') may also help reduce the amount of packaging used and wasted.

The Welsh Government will explore the further potential to use extended producer responsibility (including 'modulated fees'), financial powers such as grant conditions, fiscal measures and customer charges and incentives to promote and to prioritise waste prevention as part of the consultation on a revised waste strategy, in autumn 2019.