WASTE UPDATE

Purpose

1. This report seeks Members input into four distinct issues relating to waste;
   - Ratify the consultation response on Extended Producer Responsibility (EPR) and Deposit Return Scheme (DRS) and provide a steer for the next round of discussions on these;
   - Note the current funding arrangements on waste and provide a mandate to press Welsh Government to stop making annual cuts to the Sustainable Waste Management Grant (SWMG);
   - Review the current waste infrastructure programme in development with Welsh Government and discuss the implications for each local authority of engaging in this process;
   - And to note developments around the creation of a national behaviour change campaign to get recyclables out of the residual waste stream and provide a clear mandate that locally delivered elements of this should be fully funded by Welsh Government.

Background

2. Wales has made significant progress in the more efficient use of resources. It currently has one of the best recycling rates in the world and extensive kerbside services that are well understood and used by the public. There has already being significant investment in those services from the public sector.

3. To continue to move towards a zero waste nation there are a number of issues that need addressing; funding (including EPR/DRS), infrastructure (including viable end markets), and further work to encourage residents to use current recycling services.

Extended Producer Responsibility/Deposit Return Scheme and Plastics Tax consultation response

4. Defra published four major consultations set out in their resources and waste strategy which will shape the future of the waste management sector. Two of these will have a direct bearing upon Local Authority waste management operations in Wales:
Consultation on reforming the UK packaging producer responsibility system
Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

5. The deadline for the response was the 13th May so consequently it was approved by the WLGA’s spokesperson, Councillor Andrew Morgan.

6. The two other consultations are not covered by this report and included a consultation on plastic packaging tax, and a consultation on consistency in household and business recycling collections was specifically for England. HM Treasury is consulting on the introduction of a new tax on the production and import of plastic packaging from April 2022 to provide an economic incentive for businesses to use recycled material in the production of plastic packaging and greater demand for this material. The proposal put forward is for the tax to apply to all plastic packaging manufactured in the UK, and unfilled plastic packaging imported into the UK, that has less than 30% recycled content.

**Extended Producer Responsibility**

6.1 EPR raises the prospect of longer term sustainable funding for waste services with producers paying a fee for the packaging they put onto the market. Reform is necessary as the current system only pays for around 10% of costs whilst EPR would look to meet 100% of net costs. The WLGA response raises a number of issues:

- That the system must create additional resources for local services and those services should continue to be planned locally.
- EPR must drive greater recyclability of packaging but there must be viable end markets for that material.
- Obligated material under an EPR scheme would be 31% of waste in Wales by weight, 57% by volume. Consequently this would potentially raise between £60m and £170m of service costs if fully funded.
- WLGA welcomes the idea of EPR and the polluter pays principle.
- EPR must also fund local communications/behaviour change work as well as litter collections.
- The additional data requirements of EPR on LA’s must be fully funded.
- The administration of the funding flows must be transparent and direct to LA’s with no strings attached.
- There are concerns that this ‘consumer tax’ will not lead to any additional resources for local government with money used elsewhere for hard pressed services, the public response to this is likely to be challenging.


Local Government needs to be heavily involved in the more detailed development of EPR that will follow this consultation.

**Deposit Return Scheme**

6.2 Scotland have already announced proposals to take forward DRS in the autumn. Whilst it is difficult to assess the joint impact of EPR/DRS from the current consultations there remain a number of key issues;

- DRS tends to be popular with the public as a potential way to deal with litter and the upsurge in opinion on plastics in the oceans.
- There are concerns that any DRS may undermine the excellent kerb side services currently available by removing valuable material and creating a parallel system. It also risks materials being ripped out of kerbside collections to get the DRS material adding to litter.
- LA statutory recycling targets must be amended to take account of DRS.
- The consultation considers an ‘all in’ option and an ‘on the go’ DRS; to protect local services our response favours the latter.
- It is envisaged that DRS will be implemented in 2021, and EPR in 2023, it is our position that EPR should be implemented first to help sustainably fund front line services before any DRS.
- There also needs to be a better understanding of the impact of DRS on vulnerable groups, isolated communities and small local shops.
- There remain concerns about the cost of setting up any DRS when a lot of that material is already captured by current kerbside services. LA’s would potentially lose 7% of materials through an ‘on the go’ DRS and potentially double that under an ‘all in’ system.

**Financial Position**

7. Local Authorities face difficult budgetary decisions in relation to waste services and many are having to consider reducing services despite the high performance of the service and public support for recycling. Against the backdrop of austerity specific waste funding has been reducing for a number of years.

8. The Sustainable Waste Management Grant started in 2001/02 and increased to a peak of £73m in 2010/11, as follows:

- 2001/02 - £1.5m
- 2002/03 - £11.0m
- 2003/04 - £22.0m
- 2004/05 - £21.0m
- 2005/06 - £26.0m
- 2006/07 - £32.0m
- 2007/08 - £35.0m
- 2008/09 - £50.0m
- 2009/10 - £59.0m
2010/11 - £73.0m

Since then it has been on a downward trend:

2011/12 - £72m
2012/13 - £71m
2013/14 - £68m
2014/15 - £66m
2015/16 - £64m

During 2015/16, the SWMG became a component of WG’s Environment and Sustainable Development (ESD) Directorate’s Single Revenue Grant (SRG). The grand total allocation for the ESD SRG in 2015/16, was c£67m, which included a couple of other smaller grants. In 2016/17, the SRG fell to £64.32m, including £60m of the old SWMG.

The SWMG element fell further to £58m for 2017/18 and £56m for 2018/19. Following WLGA lobbying for the full grant to be transferred into the Revenue Support Grant, WG eventually agreed to a partial transfer of £35m for 2018/19. However, the WG Cabinet took a decision at the same time to make a further cut of £2.8m to the balance of the grant, leaving it at £18.2m (56m-35m= 21m and then 21m-2.8m=18.2m). For 2018/19, the SWMG was re-established as a grant separate from the other elements in the SRG.

For 2019/20, the allocation has yet to be announced. There has been discussion about reinstating some or all of the £2.8m cut but also continuing with the annual reduction in the overall budget. The net impact of this is not yet known although it is understood that the allocation will not be any lower than the £18.2m in 2018/19.

Adding the £35m in the RSG to the potential £18.2m SWMG, gives a grand total of £53.2m - a cut of 27% from the peak of 2010/11. Welsh Government's argument has been that there are efficiency savings to be made by the service. However, they do accept that they cannot continue to make cuts each year without an impact on services. At the recent Ministerial Programme Board, Cllr Andrew Morgan called for the annual reductions to stop from now on.

9. The lack of clarity on future funding is one reason that we have welcomed the EPR proposals.

Waste Infrastructure Update

10. The successful delivery of Energy from waste and AD food waste treatment facilities is drawing to conclusion. Local authorities have worked collaboratively with Welsh Government on developing those solutions.

11. There remain a range of materials that present challenges in terms of their treatment, reprocessing and development of end markets. Welsh Government
have announced a £6.5m circular economy package to help stimulate those end uses of recycling.

12. Through the Ministerial Programme Board local government has been working with Welsh Government to identify the infrastructure needs for recyclable materials being collected; doing work to identify tonnages, and to look at existing facilities and identify gaps.

13. This forms the basis of two workstreams looking at Adult Hygiene products (AHP)/nappies and wood. A solution to plastic recycling is being pursued by the potential inward investment of a market based solution in south Wales.

**AHP update**

14. Based on discussions to date, 20 local authorities have indicated an in principle interest in participating in a national programme which would potentially attract £6.5m of capital to be distributed amongst participating LA’s. Feedback from local authorities on the draft offer, discussed at Regional Members’ Groups and at officer level highlighted some concerns with the original proposal. A revised offer is currently being finalised with the aim of sending it, along with advice, to the Deputy Minister in early May, and to be discussed further at an Environment Directors’ meeting organised by WLGA on 31 May.

15. **The proposed changes are summarised as follows:**

16. Greater flexibility around the collections approach, primarily concerning collection frequency and the use of bags without containers. To accommodate this flexibility, it is proposed that capital funding support would be offered based on the collection service that each local authority would commit to provide.

17. To ensure equivalence of funding between authorities, the Welsh Government would be willing to make a capital grant equivalent to the capital cost of existing AHP services to be used for capital equipment for non-AHP services, at the discretion of local authorities. This would provide parity for those authorities that would aim to spend capital on AHP collection equipment in 2019/20 and those that would not. In all cases, the capital would have to be spent by end of March 2020.

18. The co-collection of a limited amount of non-AHP waste (e.g. stoma bags, aprons) would be permitted, as currently undertaken by some local authorities. However, this clinical waste is potentially non-recyclable and, therefore, its inclusion would need to be discussed in bidder dialogue to identify issues such as removal of contamination risks, pre-treatment and/or disposal requirements and consequent cost (gate fee) increases.

19. It would be a funding requirement that a collection service be provided to any household with a permanent resident (child or adult) using AHP
products. However, collections from temporary users (e.g. visitors or occasional child minders) would be at the discretion of authorities.

20. In order to provide sufficient local authority commitment to be able to initiate and maintain a procurement, the Welsh Government would be willing to require separate AHP collections for a minimum period of 7 years, or 3 years if the procurement process is halted within this time, from an agreed start date. All AHP waste collection services would need to be in place by 1 April 2021 as a longstop date.

21. Joint governance arrangements are currently being drafted, with Rhondda Cynon Taf CBC having offered to act as the Lead Authority. It is proposed that representatives for both North and South Wales authorities would be involved on the Project Board to provide a balanced delivery approach, ensure that the needs of all participating local authorities are considered, and keep the procurement focused on regional solutions both in terms of gate fees and haulage costs. Governance proposals will be circulated to all local authorities for feedback and agreement.

**Regional wood waste re-processing facility**

22. Blaenau Gwent CBC has offered to lead a project to evaluate whether a wood reprocessing facility, owned and operated by the public sector for the reprocessing of local authority wood waste, could deliver cost savings and increased recycling performance to participating local authorities; and to successfully deliver the facility if it is viable.

23. The delivery model will involve a partnership of local authorities, with the lead authority being responsible for securing contracts for recycling, biomass, and haulage. Tendering and construction of the facility will follow the award of the off-take contracts, with planning and permitting being run in parallel to shorten lead times.

24. The intention is for wood reprocessing services to be available to the partnership authorities on the basis of an Inter Authority Agreement. Welsh Government funding options will include consideration of the capital build costs and procurement support to secure the contracts.

**National Campaign of Behaviour Change**

25. Through the Ministerial Programme Group on Waste, work has been undertaken to determine the need to support Local Authorities on getting recyclables out of the residual waste stream. This accounts for approximately 50% of black bag waste which can be recycled using current services.

26. A draft approach to supporting behaviour change at a national, regional and local level has started to be developed. It is clear that the cost benefit of getting recyclables out of the residual waste is very positive with significant potential savings to authorities.
27. Regional pilots are also underway or completed to test some of the principles behind the campaign, as well as greater enforcement activity in some authorities. The Minister is currently considering the way forward with this programme and the potential funding implications.

Recommendations

28. Members are asked to:

28.1 Note the key points of the EPR/DRS response submitted and raise any specific issues that WLGA should highlight in the next round of discussions;

28.2 Note the latest budgetary position on Waste and continue to mandate the spokesperson to press for an end to annual programmed cuts.

28.3 Note that each LA will receive a letter inviting them to participate in the AHP project and to receive a share of the £6.5m funding this financial year subject to a commitment to participate as set out in that letter.

28.4 Note the wood recycling work being undertaken by Blaenau Gwent and to indicate to them if your Local Authority would be interested in beginning discussions on participating in such a project.

28.5 indicate if they support the potential for a national Behaviour Change campaign and reiterate the need for supporting localised activity to be fully funded.

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