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National Assembly for Wales
Cardiff Bay
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Dear Chair

INQUIRY INTO RECYCLING IN WALES

Thank you for the opportunity to respond with my comments on waste recycling in Wales, and for inviting us to give evidence to the Committee on 25 June 2014.

I am pleased to accept the Committee's invitation and I will be represented at that meeting by Jane Holownia and Andy Phillips. I am aware that Andy has already had some contact with the Committee's clerking team as the Committee has determined the terms of reference for its inquiry. Andy was the project manager for my February 2012 value for money study report on *Public Participation in Waste Recycling*. Andy also manages work on benchmarking of councils' waste recycling services and waste management services more generally.

I have annexed to this letter an initial response to the Committee's consultation, which, no doubt, can be expanded upon as part of the planned evidence session.

Yours sincerely,



**HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES**

Encl: Annex: Auditor General for Wales response to the Environment and Sustainability Committee Inquiry into Recycling in Wales

ANNEX: AUDITOR GENERAL FOR WALES RESPONSE TO THE ENVIRONMENT AND SUSTAINABILITY COMMITTEE INQUIRY INTO RECYCLING IN WALES

1. As Auditor General, I am independent of the National Assembly and government. I examine and certify the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. I also have the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions. Together with appointed auditors, I also audit local government bodies in Wales, conduct local government value for money studies, and inspect for compliance with the requirements of the Local Government (Wales) Measure 2009.
2. I am required by legislation¹ to comment on councils' improvement objectives and their arrangements to agree and achieve them, and on the quality of their self-evaluation and how they communicate this evaluation to local people. Usually, my commentary on recycling is restricted to tracking progress against key performance indicators but, on occasion; more in-depth audit work is undertaken.
3. In September 2013, I published my review of *Local Improvement Planning and Reporting in Wales*². Recycling featured in this report as an example where performance comparisons did not clearly help councillors and local people understand the performance of their council. Particularly, my review of one council's performance report found that a lack of balance and appropriate comparison seriously weakened the accuracy of reporting to the public. The council's report did not identify that it was unlikely to meet the Welsh Government's recycling target and had failed to underline the potential significant financial implications of not doing so. My report also noted that there have been occasions when the audit opinion in respect of the National Strategic Indicator for the percentage of municipal waste collected which is prepared for reuse and/or recycled has had to be qualified. Most coastal councils have been unable to separate out beach cleansing waste from the total as required by the Welsh Government's definition of that indicator. However, my report also highlighted that Gwynedd Council had made good use of monitoring data to focus improvements on areas across the county where recycling and composting levels were low, and that this was a good example of a council making use of performance information to evaluate, inform, and drive improvement.
4. My review of councils' improvement objectives for 2013-14 indicates that several councils (including Newport, Pembrokeshire, Powys, Swansea, and the Vale of Glamorgan) have specific objectives that mention recycling. Many other councils have more general improvement objectives for the environment, sustainability, carbon management and climate change. I would expect recycling to feature as part of councils' wider improvement plans in those respects.

¹ The Local Government (Wales) Measure 2009 requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report for each council in Wales stating whether he believes that they have discharged the general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

² <http://www.wao.gov.uk/publication/local-improvement-planning-and-reporting-wales>

5. Noting the terms of reference for the inquiry, I can advise the committee that I addressed many of these issues in my February 2012 value for money study report on *Public Participation in Waste Recycling*³. The report gives an account of the Welsh Government's collaboration with councils at that time to increase recycling rates. I am pleased that the Environment and Sustainability Committee is now to hold an inquiry, as many of the issues raised in my report seem to persist, although Wales Audit Office staff have not undertaken any detailed follow-up audit work since my report. In particular, the report provides useful commentary for the inquiry on the reasons why such a wide variation in recycling practice has evolved. The report also comments on the alignment of recycling practice with the Welsh Government's preferred methods, a debate that I am aware continues today even after some further clarification of the requirements of EU and domestic legislation. Jane Holownia and Andy Phillips would be happy to expand further on the findings set out in my 2012 report in their oral evidence. The Public Accounts Committee did not undertake its own inquiry in response to my report, although it did seek responses from the Welsh Government to some of the issues it raised which are part of the public record.
6. Other recent activity by Wales Audit Office staff in this area relates to waste benchmarking work undertaken in collaboration with the Welsh Local Government Association. Each year Wales Audit Office staff report the main findings and conclusions of benchmarking of councils' waste recycling services, and waste management services more generally, to the Ministerial Waste Programme Board.
7. Since about 2000-01, Wales Audit Office staff, and the staff of the former Audit Commission in Wales, have facilitated and supported benchmarking of councils' waste recycling services, and waste management services more generally. Over that time, this work has involved the production of annual reports and tools to facilitate the sharing of good practice and to enable councils' waste management teams to analyse and improve recycling and other waste services.
8. Benchmarking looks back at data and draws conclusions that can help services make decisions that are more informed about performance, efficiency, and costs. To do this, data on costs must be reliable, and this means waiting for some months after accounts close for subsequent audit verification. Fully verified cost information is unlikely to be available from councils before October, sometimes several months later, with analysis and reporting in spring of the following year. It is a frequent criticism of benchmarking that the process is always so out of step with the current position. However, reliable data must be the bedrock of this process and our experience is that with less reliable sources of data, waste benchmarking results are either discredited or falsely claimed as a success. This leads to scepticism, which undermines the usefulness of the benchmarking process and outcomes that are an unreliable source of good practice to follow, potentially swaying decisions about the use of funds away from methods that offer value for money.
9. Our experience is that although the overall recycling rate for Wales continues to improve, this hides a different improvement pathway for each council, as they introduce and optimise

³ <http://www.wao.gov.uk/publication/public-participation-waste-recycling>

the performance of new systems. Contracts with the private or third sector for the treatment of recyclables, sometimes also their collection, are a necessary part of operating council recycling services, but long and inflexible contracts can tie councils and limit change. These contracts can be particularly restrictive because local and global markets for recyclable resources still fluctuate widely and long and inflexible contracts can hinder the collaborative approaches that can help to overcome geographic and demographic barriers. The route to improved recycling services and better efficiency is not steady, but more likely to be a series of step-changes with the introduction of new initiatives. As these steps are likely to happen at different times and at different rates depending upon local circumstances, comparing performance is difficult. However, this effect may now be reducing as councils offer kerbside dry and food waste recycling to almost all households and several years of experience has sharpened operational delivery. This means that the benchmarking analysis may be more reliable now than a few years ago, so strengthening performance comparisons.

10. Auditing verifies the data for the national performance indicator on the annual rate of recycling for each council, but this necessary process delays publication until about November. Rolling 12-month averages and quarterly reports of council recycling rates are a useful indication of progress, but there is considerable seasonal variation, perhaps around four percentage points, particularly a regular peak in the recycling rate due to green waste growing season.
11. Faced with so many variables, councils can underplay the important role of the citizen in voluntarily participating in recycling. Even with the best possible provision of recycling facilities and services, success still relies on participation, and in changing the behaviour of citizens towards recycling. With reducing resources and in particular capital funding, few councils can easily change the recycling systems that they have put in place over the past few years. In the recent financial climate, improving performance and reducing unit costs has centred on optimising the use of existing facilities and services. The Welsh Government's desire to see councils turn to their 'Collections Blueprint' model for waste services is therefore a considerable financial, logistic, and public engagement challenge.
12. Over the past eight or so years, all Welsh councils have introduced the kerbside collection of dry recyclable household waste from residents. Dry recyclables exclude the food and garden wastes now also separately collected and recycled. Removing food waste from other waste destined for recycling is important because by avoiding unnecessary contamination, and a higher price is possible for clean recyclable materials. In addition, removing and separately treating food wastes in an appropriate manner has a significant impact on reducing the ecological footprint of municipal waste and it helps to unlock the potential for 'closed loop'⁴ recycling of other materials. Kerbside recycling has helped to raise the recycling rate for Wales from about 20 per cent in 2004-05 to the current rate of about 52 per cent. Councils also continue to provide other means of recycling, such as household waste recycling centres and recycling 'bring' banks, giving citizens a range of opportunities to participate in recycling.

⁴ Closed loop recycling is recycling where materials are used continually for the same or a similar purpose rather than downgraded.

13. Councils employ a variety of methods for the kerbside collection and treatment of dry recyclables⁵ and they each believe that the method of presenting, collecting, and treating offers the best blend of convenience and good value for their residents. Since 2001, the Welsh Government has supported councils with specific waste grants and Revenue Support Grant⁶, allowing councils to choose freely the method of collecting and processing recyclable resources that they consider best serves their local needs. During this time, the Welsh Government has measured council recycling performance through the recycling rate, broadly allowing and supporting all methods of recycling.
14. The Welsh Government has chosen⁷ the ecological footprint as the measure of progress for sustainable municipal waste management, but did not provide councils with a way of calculating their impact nor collected and compared this information. All that councils had to judge their performance was the recycling rate, and in the absence of qualitative measures, a higher recycling rate meant better performance. At the time of my value for money study, I was concerned at the lack of progress of waste prevention in Wales although I note, but have not reviewed, some more recent activity in this area. However, successful waste prevention initiatives could reduce the ecological footprint by far more than the most effective recycling methods and are where the most significant performance gains are to be made.
15. Benchmarking results over the past three years suggest that no one method of collecting recyclable resources from householders offers a clear lead in performance, cost, or efficiency. However, there is considerable and largely unexplained variation in performance, cost, or efficiency within each of the three main methods of collection: comingling, multi-stream collections, and kerbside sorted collections. In addition, no single method stands out as 'the best' as each method can be well run and with high performance, or poorly run and poor performing.
16. The Welsh Government is keen to promote kerbside sorting, through their Collections Blueprint published in March 2011 and Municipal Sector Plan (Part 1), but waste benchmarking has yet to substantiate this preference. It is possible that as more councils introduce a Blueprint-style of collection system, perhaps as a part of more substantive service changes introduced through the Welsh Government promoted Collaborative Change Programme, the benefits will emerge.

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⁵ The three main methods of collecting kerbside recyclables are as co-mingled, twin-stream or kerbside sorted wastes.

⁶ In the WAO study, Public Participation in Waste Recycling (published February 2012), we indicated that this investment totalled £360.3 million since 2000-01.

⁷ The ecological footprint measures the land area required for food, resources, for energy and for wastes, and is the measure of sustainability use in One Wales: One Planet, the Sustainable Development Scheme of the Welsh Assembly Government (2009), and Towards Zero Waste, national waste strategy (2010).