

OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE  
6<sup>th</sup> SEPTEMBER 2007

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**REQUEST FOR A REVIEW OF WASTE MANAGEMENT POLICY**

**Purpose of Report**

1. To comment on the request made for a review of the County Council's waste management activities.

**Background**

2. This Committee commissioned a Waste Scrutiny Task Group (WSTG) to consider issues arising from Wiltshire's role as Waste Disposal Authority during the period from November 2003 to April 2004. The WSTG took evidence and produced a final report, which was considered and approved by the Committee on 30<sup>th</sup> April 2004. The recommendations to Cabinet included in the Task Group's Final Report are shown at **Appendix A**. The report was approved by Cabinet on 21<sup>st</sup> May 2004.
3. This Committee considered a report on progress made in implementing its recommendations on 9<sup>th</sup> September 2005. The resolution of the Committee was as follows:-

**Resolved:**

- (1) *To note the progress made in response to the Waste Scrutiny Task Group recommendations and the current activities to achieve further progress, in particular*
  - (i) *The securing of additional waste recovery capacity (although award of contract not yet finalised)*
  - (ii) *The public relations campaign*
  - (iii) *Kerbside collection for composting; and*
  - (iv) *The use of an agreed Landfill Allowance Trading Scheme (LATS) as a basis for the purchase of surplus allowances to offset shortfalls, to avoid payment of penalties.*
- (2) *To note the written response to the views of Mr. Molland, and that he serves as the scrutiny representative on the Project Board for the additional waste recovery contract.*
- (3) *To agree to remove this topic from the Committee's work programme (subject to any issues raised as a result of the award of contract for additional waste recovery).*
4. In accordance with the final part of the resolution, no further reports on waste have been considered by the Committee, with the exception of the Annual Report on the Hills Waste Disposal Contract.

5. In March 2004, the County Council and the District Councils, working as the Wiltshire Waste Partnership (WWP) commenced work on a Joint Municipal Waste Management Strategy (JMWMS), to co-ordinate the objectives and actions of the waste collection and disposal authorities in pursuit of national and local policies for waste management. The JMWMS was recommended for adoption by the WWP on 16<sup>th</sup> February 2006 and was duly adopted by the County Council's Cabinet on 17<sup>th</sup> March 2006.
6. The principal proposals and targets of the JMWMS are shown at **Appendix B**.

### **Progress in Implementing the Task Group Recommendations and the JMWMS**

7. The JMWMS takes on board recommendations 1, 3 and 4 of the 2004 Task Group report. Key improvements are:-

#### **JMWMS Principle 1 – Waste Minimisation**

8. The County Council provides much of the funding for a waste minimisation programme carried out by the Wiltshire Wildlife Trust (WWT). The WWT has consistently met targets for reduction, principally by the promotion of home composting and by education of Wiltshire school children. Additional activities are carried out by the local authorities. In 2007/08 the County Council commenced the subsidised sale of home food waste digesters to Wiltshire residents, assisted by the WWT and The Waste Collection Authorities (WCAs). As a result of all these activities, waste growth in Wiltshire has been consistently less than the original JMWMS forecast of 4% per year. Recent growth in Municipal Solid Waste (MSW) has been as follows:-

2002/03	2003/04	2004/05	2005/06	2006/07	<b>5 year Mean</b>
8.2%	0.7%	3.8%	-2.0%	1.1%	<b>2.4%</b>

#### **JMWMS Principle 2 – Recycling and Composting**

9. The County as a whole achieved a recycling and composting rate of 38%<sup>1</sup> during 2006/07. This exceeds the 2005/06 local target of 33% and brings performance close to the 2010/11 local target of 40%. Some 86% of households now receive a kerbside collection of multiple recyclates. In addition, the rural part of Salisbury District receives a paper and card collection. The County Council and Salisbury District Council have agreed to commence full “black box” kerbside recycling collections in the rural part of Salisbury District during November 2007, which should take overall performance to about 98% of households served, ahead of the target of 95% set for 2010/11.
10. Fortnightly collections of residual waste, alternating with recycling collections, have now been established in two out of four Districts, Kennet and West Wiltshire. Both these Districts are now achieving recycling rates of more than 40%.
11. There are active proposals for additional household recycling centres at Marlborough and Westbury.

<sup>1</sup> All recycling rates quoted are according to the widely used Best Value Performance Indicator (BVPI) definition used by the central government to compare performance of councils.

JMWMS Principle 3 - Recover sufficient waste tonnage to reduce Wiltshire's reliance on landfill for biodegradable waste under the Landfill Allowance Trading Scheme (LATS)

12. In accordance with the emerging JMWMS and recommendation 2 of the Task Group report, additional waste recovery capacity was sought by means of an advertisement inviting tenders for supply of up to 100,000 tonnes per annum capacity. The advertisement was not restricted to energy from waste (incineration) technologies, due to the need to avoid any restriction of options available to the County Council, in a fast-changing market. Reports on the resulting tender evaluation process were considered by Cabinet on 24<sup>th</sup> June 2005, County Council on 12<sup>th</sup> July 2005, Cabinet on 18<sup>th</sup> and 23<sup>rd</sup> November 2005 and Cabinet on 11<sup>th</sup> July 2006.
13. The County Council signed a contract with one of the tenderers, Hills, in March 2007. This has secured 50,000 tonnes per annum (TPA) diversion capacity from the expected start date of August 2008, at an Incinerator operated by Lakeside which will produce energy from waste. Negotiations continue with the other tenderers, Hills and Entsorga, who propose to build and operate a Mechanical and Biological Treatment (MBT) plant at Westbury. A planning application for the MBT plant was made to the County Council, as Waste Planning Authority, in March 2007. The proposed capacity of the plant is 60,000 TPA, but it is unlikely that all waste will be diverted from landfill. The main proposed output from the plant will be a refuse derived fuel produced to a standard required for use at the nearby Lafarge Cement Works.

**Issues raised by the Request for a Review of Waste Management Policy**

14. The following issues have been identified in the request:
  - (a) Comparative costs of treatment and disposal of waste, and their significance.
  - (b) The carbon footprint of waste management.
  - (c) The basis of the County Council's decision that incineration should be part of its strategy, including assumptions about the role of recycling and composting.
  - (d) The credibility and usefulness of the JMWMS.
  - (e) The need for and timing of a review of the JMWMS.
  - (f) The case for renegotiating the waste management contract between the County Council and Hills Waste Solutions.
15. Comment is made on each of these issues.
  - (a) Comparative costs of treatment and disposal of waste and their significance
16. The request to the Committee includes a copy of a letter sent by Wiltshire Friends of the Earth (FOE) to the County Council. The letter raises the issue of cost comparisons for various methods of waste treatment. Copies of replies by the Leader of the County Council and the Waste Services Manager are shown at **Appendix C**. The replies explain why comparative costs have not been used in the way proposed by Friends of the Earth. The key points made are as follows:
  - (i) The costs used by the County Council to analyse service improvements proposed in support of the strategy relate to the existing contract or the proposed new contracts and are therefore commercially sensitive.

- (ii) It was not considered appropriate for the JMWMS options analysis to look at collection costs as the focus was on the treatment options, and collection systems were comparable between the groups of options. Indeed the consultant advises that it may have had a detrimental effect on the high recycling options to have included collection costs, as the reduced treatment and disposal costs in the high recycling options would have been offset by the higher marginal collection costs.
  - (iii) It is very difficult to actually work out how much it would cost to reach extremely high recycling rates, as there are few reference costs, and schemes encounter the effect of decreasing rates of return to extract the last few recyclables.
  - (iv) An additional consideration is that in practice, recycling may take a number of different forms e.g. kerbside collection, bring sites and household recycling centres, each with its different scheme costs. (All methods of collection will require higher unit costs to increase recycling returns, as explained above).
  - (v) The balance of costs and offsetting income from sale of some recyclates can vary significantly over time. Each recyclate has its own market, which fluctuates.
  - (vi) A further consideration applicable to areas of two tier local government is that these costs may be differently apportioned to waste collection and disposal authorities.
  - (vii) All these factors join together to make it very complex to identify reasonably robust "unit costs" for recycling or composting, until actual schemes are proposed.
17. The decision not to use generic cost data does not leave the County Council unable to assess the best value aspects of proposed service improvements. Current information on the existing and proposed contracts is used. For example, the report to Cabinet on 18<sup>th</sup> and 23<sup>rd</sup> November 2005 gave the results of detailed financial modelling of the proposed Lakeside Incineration (Energy from Waste) Contract and the Hills/Entsorga MBT Contract in comparison with landfill costs. This report was circulated to all Members of the County Council following a decision by Cabinet on 18<sup>th</sup> November. The report to Cabinet on 11<sup>th</sup> July 2006 gave the results of further detailed financial modelling of the Lakeside Incineration (Energy from Waste) Contract. In addition, proposed improvements to recycling and waste collection services are evaluated using actual cost data and forecast tonnage yields.
18. Recently a report has been published by DEFRA on the overall costs of waste management nationally<sup>2</sup>. The authors of the report have also provided a commentary in the technical press. Key matters in the report are as follows:
- The authors' comments about the difficulties of assessing overall costs of waste treatment technologies bear out the comments made by Entec about the Wiltshire exercise.
  - The overall assessment of waste treatment costs is

Residual Waste to Landfill	£74 per tonne
Residual Waste to EfW (inc incineration)	£77 per tonne
Composting	£32 per tonne
Recycling	£105 per tonne

<sup>2</sup> WRT142 Evaluating the Costs of "Waste to Value" Management. Final Report December 2006. For DEFRA. By Ceres Logistics. Also commentary by the authors in the CIWM journal August 2007.

- The calculation for landfill includes landfill tax. However the assumed rate of £35 per tonne pre-dates the Chancellor's recent announcement that this tax will rise to at least £40 per tonne. Also the figures do not include LATS penalties, which are set at £150 per tonne of biodegradable waste.
- Composting is shown as a relatively low cost option. The JMWMS seeks to encourage its expansion, subject to a balance with home composting (which is even cheaper and has less environmental impact).
- Recycling is identified as costing significantly more per tonne. More detailed analyses in the report reveal that, within the range of options for recycling, kerbside collection tends to be significantly more expensive per tonne than the average figure given above. This has implications for an area like Wiltshire, where most of the opportunities for collection by local bring sites and household recycling centres have been taken and kerbside collections are seen as the way to achieve most of the increase in performance from now onwards.
- The authors also comment that "the supply of waste material for recycling from both commercial and municipal sources significantly exceeds domestic demand. Such a reliance on export demand continuing has systemic risk, should export quantity decrease, particularly at a time when recycling targets are increasing and ... domestic recycling capacity is decreasing. For example many paper mills have been forced to close as a result of increasing energy costs ..."

19. The response on use of costs is therefore that:

- (i) Generic (theoretical) costs were deliberately not used in the evaluation of options for the JMWMS. In the Consultants' view this probably favours the higher recycling options.
- (ii) Figures from directly relevant but commercially sensitive sources have been used to evaluate current major proposals and to advise Members.
- (iii) The recent research on overall costs nationally indicates that treatment of waste by incineration or other EFW waste technologies is substantially cheaper than recycling.
- (iv) The same report shows that composting costs tend to be low. However the local authorities need to bear in mind that collection for composting is more expensive and has more environmental impact than home composting, and that the two options should be balanced.

(b) The Carbon Footprint of Waste Management

20. It is acknowledged that this may be an important theme in the next review of the JMWMS. The recently published "Waste Strategy for England 2007" (WSE) makes reference to this issue. However it is notable that this reference is brief and offers no specific guidance to the waste management sector (WSE page 99).
21. One very significant reason why this might be so is that the main thrust of EU and national waste management policy is aimed at reducing the large contribution of *methane* emissions from landfill towards global warming. The WSE points out (page 20) that methane is 23 times more damaging as a greenhouse gas than carbon dioxide. Wiltshire's JMWMS and Procurement Strategy is therefore quite rightly addressing the EU and national focus on the waste sector's "methane footprint".

22. Whilst the WSE offers no usable targets or guidance on carbon it repeats and endorses the current targets which were addressed by this Committee and the JMWMS, namely BVPIs for waste minimisation and recycling, and the LATS system which sets large financial penalties unless landfill of biodegradable waste is greatly reduced. Indeed, higher national targets have been set for recycling and recovery of MSW and the government will consult on whether to introduce further restrictions on landfilling (WSE pages 11 and 13). These could increase the need for incineration and other treatment technologies to more than currently forecast.
- (c) The basis of the County Council's decision that incineration should be part of its strategy, including assumptions about the role of recycling and composting
23. The request refers to the possibility that the County Council has chosen to include incineration as part of its waste management on the basis of "gut feeling". The following comments make it clear that this is not so.
24. It has been explained that this Committee's Waste Task Group took evidence before producing its final report. The Task Group discussed evidence from :-
- (i) Wiltshire County Council officers and waste consultant
  - (ii) Wiltshire Wildlife Trust
  - (iii) Hills Group (Wiltshire Waste Contractor)
  - (iv) Entec (Environmental and Engineering Consultancy)
  - (v) Project Integra (Hampshire Integrated Waste Management Strategy Group)
  - (vi) Member of the European Parliament and Chair of the European Parliament's Committee on Environment, Public Health and Consumer Policy
  - (vii) Department for Environment, Food and Rural Affairs (DEFRA) Research Papers
  - (viii) European Union Policy Documents.
25. The County Council's advertisement seeking tenders for additional waste treatment capacity did not specify any particular technologies.
26. During preparation of the JMWMS a large number of options for waste management were evaluated by consultants Entec, who are acknowledged experts in this field. The JMWMS closely reflects those options which performed most strongly in the Best Practicable Environmental Option (BPEO) process, which was the recommended evaluation process at that time.
27. The targets for recycling and composting in the JMWMS are very close to the highest levels of growth for these treatment technologies recommended by Entec, in their work on options. Other technologies, including incineration, are proposed to provide the additional capacity needed to comply with LATS allowances allocated to the County Council.
28. The adopted JMWMS is much closer to some of the strategy options examined by Entec than FOE suggest. The FOE analysis is incorrect, as explained in the letter at **Appendix C** and in a previous letter from the County Council's Waste Cabinet Member. The proposal to secure additional contracts for waste treatment clearly reflects Entec's overall conclusions and the County Council's own forecasts about the need for significant further diversion of waste from landfill, in addition to much increased recycling and composting.

29. The Entec options made allowances for very substantial increases in recycling and composting, taking into account the prevailing situation in the County and in other local authorities, and the timescale imposed by EU targets. The recycling rates examined in the options were derived from clear modelling assumptions stated in section 4.2 of the report "Analysis of Strategic Long Term Options for Wiltshire", which has been supplied to FOE. The future recycling/composting rates were built up from first principles (e.g. waste composition, participation rates and separation rates), using waste compositional and collection scheme data. Entec's view is that highly ambitious rates of about 85% of the waste stream being targeted, 85% recyclability, 85% participation and 85% recognition give a net recycling rate of just over 50%.
30. The key difference between the County Council and FOE, is that the County Council works from the current position and realistic forecasts about what can be achieved by the local authorities. Officers have calculated that to comply with LATs allowances allocated to the County Council at 2020/21, without using incineration or other waste treatment capacity, would require a recycling and composting rate of at least 73% of household waste<sup>3</sup>.
31. It is reasonable that the County takes a more pragmatic view of what is achievable in order that it does not have to deal with unexpected residual arisings, which could have serious consequences for compliance with the Landfill Directive, and physically managing the waste.
32. Whilst progress in improving the County's recycling rate has been very encouraging over the past two years (increase from 27% to 38%), there are a number of reasons why progress is expected to be much harder over the next few years. These are:-
  - (i) Most residents now receive a dry recycling (black box) collection and many receive a garden waste collection. There is limited scope to expand these kerbside services.
  - (ii) Recycling has been greatly boosted by the decisions of Kennet and West Wiltshire District Councils to implement alternate weekly collection of residual waste (AWC). However, following the District Council elections in May 2007, the proposal by Salisbury District Council to commence AWC has been postponed, whilst North Wiltshire District Council has announced that it will not implement this JMWMS proposal in the near future.
  - (iii) Wood waste recycling is under threat due to a change in rules by DEFRA and the loss of a market for some of the wood.
  - (iv) New kerbside collection services for materials such as food waste, card and plastic bottles would yield relatively limited tonnages for a very significant investment.
33. Therefore the JMWMS proposal to achieve 50% recycling by 2020/21 is still a very challenging target. Forecasts prepared for the JMWMS, and more recent forecasts which take account of the lower than expected waste growth experienced in Wiltshire, show clearly that even with improvements and continuing growth in recycling towards a 50% rate by 2020/21, the proposed additional treatment capacity, including incineration, will be needed to comply with LATs allocations.

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<sup>3</sup> A recycling rate of 73% BVPI equivalent would be needed if the County experiences waste growth at the lower end of the forecast range (2% per year to 2010/11 then reducing to 1%) and if all new recycling activities were to be confined to biodegradable waste only. If new recycling activities were directed at both biodegradable and other wastes in a similar proportion to current recycling, the required recycling rate would be 86% of household waste.

34. The response to the reasons why the County Council has included incineration as part of its strategy is therefore that:
- (i) The Committee's Task Group based its recommendations upon evaluation of evidence from a number of appropriate sources.
  - (ii) The County Council's tender process for waste treatment technologies was not restrictive.
  - (iii) JMWMS targets for recycling and composting reflect the advice of Consultants after evaluation of a wide range of options. The targets proposed for recycling and composting are at the highest levels considered by the consultants. Current difficulties faced in increasing recycling performance mean that these targets remain challenging.
  - (iv) The FOE's proposal that recycling and composting can be relied on to meet LATs obligations is highly unrealistic.
- (d) The credibility and usefulness of the JMWMS
35. Whilst the adopted strategy is not acceptable to FOE, it has won widespread support and has achieved significant success. The Wiltshire Waste Authorities have worked in partnership, using the strategy, to double the average recycling rate in 4 years. The County Council has also taken positive action to divert more waste from landfill, in accordance with government and EU targets.
36. The progress that the Wiltshire Waste Partnership (WWP) is achieving has helped the County Council to achieve an excellent CPA rating including for its environmental services, following Government inspection. The WWP recently reviewed its Business Plan to provide guidance for the period 2007/10. The review was then approved by the County Council's Waste Cabinet Member under delegated powers. Much of this progress is due to the work of the County Council in providing, technical and financial support for service improvements. The foundation for this joint enterprise is the JMWMS.
- (e) The need for and timing of a review of the JMWMS
37. Officers have previously considered that a review of the JMWMS might be needed by about 2010/11, the planned date to meet a number of significant strategy targets.
38. Since Swindon Borough Council joined the WWP (January 2007) there have been discussions about a combined strategy review circa 2010/11.
39. The current JMWMS has been adopted voluntarily by the Wiltshire authorities. Whilst the Waste and Emissions Trading (WET) Act 2003 included a statutory duty on local authorities in two tier areas to adopt a joint waste management strategy, this was subject to exemptions. Following consultation by DEFRA during 2004, the Wiltshire Councils were informed that they were exempt from the duty to produce a joint strategy, *due to their high recycling performance*. Once Wiltshire becomes a Unitary Council, it will not be required by statute to produce a strategy. Form and timing of any future strategy will therefore be a matter for the County Council.
40. Subject to the outcome of judicial review and completion of the legislative process, the need for a review of the JMWMS should be considered in the light of standards set for an integrated waste management service as the County and District functions are merged to create the proposed new Unitary Authority.



(f) The case for renegotiating the waste management contract between the County Council and Hills Waste Solutions

41. The County Council is not under any obligation to renegotiate its contract with Hills Waste. The contract has proved flexible enough to enable the significant improvements in recycling and composting services referred to above, plus the procurement of additional treatment capacity needed to comply with LATs allowances. The County Council's expenditure on waste remains close to average, whilst the District Councils' spending remains below average. Overall costs to the Wiltshire Council tax payer are therefore competitive, whilst minimisation, recycling and composting targets are being exceeded.
42. Therefore, when overall performance on waste management is considered, the County Council and the WCAs are delivering Best Value, with the support of the current Hills contract for landfill and recycling which runs until 2016.

**Conclusion**

43. The decision to review the County Council's Waste Management Policy is a matter for this Committee.
44. The main issue raised in the request has been considered recently by the Committee's Task Group. The Task Group made clear recommendations, which were accepted by Cabinet and are reflected in the Wiltshire JMWMS. The JMWMS remains valid and provides a strong basis for improving waste services. Significant progress has been achieved. A review is likely to be required by 2010, to keep guidance up to date. Responses have been made to other questions raised in the request.
45. Therefore, it is the view of the Waste Services Manager that there is no case for adding a further review of County Council waste policy to the Committee's work programme at this stage.

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**The following unpublished documents have been relied on in the preparation of this Report:**

Attached correspondence (Appendix C)