

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 18 November 2019

Meeting time: 12.45

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Pre-meeting)

(12.45 – 13.00)

(The Committee agreed on 11 November 2019, a motion under Standing Order 17.42 to resolve to exclude the public from Item 1 of this meeting)

1 Scrutiny of Accounts 2018–19 – Assembly Commission:

Consideration of Draft Report

(13.00 – 13.40)

(Pages 1 – 9)

PAC(5)–29–19 Paper 1 – Draft Report

2 Introductions, apologies, substitutions and declarations of interest

(13.40)

3 Paper(s) to note

(13.40)

3.1 Scrutiny of Accounts 2018–19: Letter from the Permanent Secretary, Welsh Government (7 November 2019)

(Pages 10 – 13)

4 Waste Management: Evidence session with the Welsh Government

(13.45 – 15.15)

(Pages 14 – 49)

Research Briefing

PAC(5)–29–19 Paper 2 – Welsh Government



Andrew Slade – Director General Economy, Skills and Natural Resources
Group, Welsh Government

Gian Marco Currado – Director, Environment and Marine, Welsh Government

Rhodri Asby – Deputy Director, Waste and Resource Efficiency, Welsh
Government

Dr Andy Rees – Head of Waste Strategy Branch, Welsh Government

**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 and Items 1 & 2 of the meeting on 25 November 2019

6 Waste Management: Consideration of evidence received

(15.15 – 15.30)

**7 Cardiff Airport: Consideration of Letter from Welsh Government
(30 October 2019)**

(15.30 – 16.00)

(Pages 50 – 52)

PAC(5)-29-19 Paper 3 – Letter from Welsh Government

Document is Restricted

Agenda Item 3.1

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

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

07 November 2019

Dear Mr Ramsay,

SCRUTINY OF ACCOUNTS 2018-19 WELSH GOVERNMENT – GENERAL SCRUTINY OF ACCOUNTS

I write further to the Public Accounts Committee meeting, held on 21st October 2019 at which I agreed to provide more information on the following:

Update the Committee on the bilateral discussions scheduled for November regarding the European Agricultural Funds Rural Development Accounts

We will provide the Committee with an update further to the bilateral discussions.

Provide further information regarding the scale of loss in 2018-19 regarding expired drug stocks and explore if the drugs could have been utilised elsewhere prior to their expiry date, including why the figures for drugs written off were higher than for previous years

2018/19 Wales Pandemic Flu Medicines Write Off:

The pandemic flu medicines write off for 2018/19 was £7.550m, which was made up of:

- £7million for the antiviral zanamivir (Relenza);
- £100k for the antiviral oseltamivir (Tamiflu); and
- £450k for antibiotics.



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Why is the write off cost higher than previous years?

The reason for the larger write off in 2018/19 was because of the £7m write off for the antiviral drug Relenza. This was purchased in 2008/9 and was the major part of the original batch of antiviral drugs purchased for Wales, as part of the UK wide Pandemic Flu Preparedness Programme. These antivirals have provided cover for the last ten years but are now past their shelf life for use in the event of an influenza pandemic.

Could the medicines have been used prior to expiry?

Neither of the antivirals i.e. Relenza or Tamiflu, are widely used in the NHS for the treatment of seasonal influenza and so there is no opportunity for the drugs to be recycled.

The antibiotic write off is in relation to our secondary care pandemic stock. In keeping with good antimicrobial stewardship, for the avoidance of antimicrobial resistance, these antibiotics are reserved for a few specific indications and only used following authorisation by consultant microbiologists. Hence, in the absence of an influenza pandemic, stock is likely to go out of date and significant recycling into general use is not possible. We do, however, recycle at the UK level, the primary care antibiotic stockpile.

Consideration has also been given to recycling medicines just prior to expiry. Whilst this approach may have some popular appeal it is not used in the UK as it is not supported by the World Health Organisation because of legitimate questions relating to safety. The logistics involved, additional administrative costs and ethical considerations are also other factors that prohibit recycling of these medicines.

In order to ensure there is an effective health response to a pandemic, the Welsh Government, and all the other UK Governments, maintain stocks of antivirals, antibiotics and other health countermeasures that could not be acquired quickly in a future pandemic. An influenza pandemic remains a top national risk with a 4% chance each year of a pandemic occurring.

The level of medicines stockpiled is based on the reasonable worst case pandemic with a 50% (population) clinical attack rate. The 2015 cost effectiveness update paper by the Department of Health confirmed that maintaining a 50% antiviral stockpile remains highly cost effective. There is also a four nations approach to procurement to ensure value for money and to enable governments to benefit from economies of scale.



BUDDSODDWYR | **INVESTORS**
MEWN POBL | **IN PEOPLE**

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Send further details regarding the Welsh Government's free swimming grant for over 60 year olds

Since its introduction in 2003 Welsh Government has provided funding of £3m per annum for the Free Swimming Initiative (FSI) but having recently undergone a comprehensive review this funding will be reduced to £1.5m.

The review found that while FSI had achieved much since being introduced, recent data showed that there has been a significant reduction in participation rates particularly among young people. Although the data suggested that the over 60s rates were more consistent, it was estimated that around only 6% utilised the scheme. It was therefore deemed to no longer be fit for purpose or providing value for money.

A Sport Wales led working group was set up to evaluate the findings and following extensive consultation with stakeholders it was agreed that the scheme needed to be refocused in line with Welsh Government priorities.

While direct funding to support the FSI will be reduced, this will release resources to deliver Welsh Government aspirations for getting the Welsh population more physically active.

Although a greater emphasis will be placed on encouraging young people particularly from areas of social deprivation to participate, the over 60's remain a target audience, and local authorities and their delivery partners are expected to find ways to best cater for this group which will include a free swim option, with supplementary offers including subsidised swimming and/or multi-sport offers.

It is for local authorities to offer free swimming which satisfies the minimum criteria and Welsh Government encourages all delivery partners to extend their offer wherever possible. Implementation will inevitably vary locally, therefore current users of the FSI are invited to speak to their local swimming pool to find out how potential changes will affect sessions they currently attend and to share their views.

Working with Sport Wales, each local authority will continue to review feedback from participants and use existing insight on the communities they are trying to engage with to tailor sessions, when appropriate, to better cater for local needs. Consequently, regular reviews will take place by delivery partners and Sport Wales during an 18 month transitional phase.

Send further information once the report of the evaluation of the flexible funding pilot is produced

We will provide the Committee with an update on the key findings and recommendations made in the evaluation of the flexible funding approach when the report becomes available.



**BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE**

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Clarify why only 41 % of the allocated funding of the Rural Development Plan had been spent as at August 2019

We have a high degree of confidence the budget for the Rural Development Plan will be spent in full. As at August 2019 a total of £664.9m of the funds have been committed, representing 80% of the total programme expenditure. We have robust plans in place to achieve 100% commitment by the end of 2020.

Our most up to date figures show overall programme spend to date has exceeded £342.6m. This is generally in line with other countries as at the end of 2018, EU Member States had, on average, drawn down 42% of their funding. We are confident that the projects and programmes will continue to spend and draw the funds in total.

The period over which we have to spend the EU funds is helpful. Whilst the RDP is a seven year programme, spend takes place over a ten year period under the “N+3” rules. This means we can profile spend up until 2023, (and beyond for schemes like forestry).

The EU sets all Member States spend targets, the first of which was in December 2018 and was for €123,814,873. The Welsh Government achieved this well ahead of schedule in November 2017 which provides assurance on our plans and ability to draw down and utilise EU funds.

Yours,



Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Agenda Item 4

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

Document is Restricted

Welsh Government

Evidence Paper in advance of the Public Accounts Committee Scrutiny Session – 18.11.2019

Inquiry into waste management

SECTION 1: Historical overview

Leading the way

Wales has built up a global reputation for waste management, foremost because of its status as number three in the world for household waste recycling. It is also the first UK nation to introduce a carrier bag charge, the only UK nation to significantly reduce household food waste, one of the few nations in the world to have a universal weekly separate household food waste collection service, and has successfully enabled consortia of Local Authorities to jointly procure infrastructure for food and residual waste treatment.

Background

The Welsh Government's strategic policies for waste were first laid out in *Wise About Waste* published in 2002. This embedded a sustainable approach to the management of waste, linking strongly to the Welsh Government's then overarching sustainable development scheme, '*Learning to Live Differently*'.

Wise About Waste included a policy on 'resource efficiency', emphasising the need to ensure that economic and environmental objectives are met at the same time. It identified that in order '*to be economically self-sustaining, recycling and composting will require the collection of higher quality, higher value material*'. *Wise About Waste* included many delivery actions for more sustainable waste management, and included the setting up of the Waste and Resources Action Programme (WRAP), Waste Awareness Wales and a number of business support programmes. A key intervention to help Local Authorities meet challenging recycling targets was the provision of the Sustainable Waste Management Grant (SWMG).

A 'Future Directions' dialogue took place between the Welsh Government and Local Authorities from 2007 to 2009 focussing on how higher recycling targets could be achieved. Proposals for a new waste strategy were consulted on in 2009, resulting in the development in 2010 of *Towards Zero Waste* (TZW), and the follow-on Sector (action) Plans and Waste Prevention Programme. TZW embedded the key goals and outcomes from the Wales Sustainable Development Scheme, '*One Wales, One Planet*'. It placed a strong emphasis on waste prevention, with as high a level of recycling as possible of the waste that cannot be prevented.

TZW highlighted the economic imperative for Wales of the security of supply of raw material resources, at an affordable price, to sustain the economy and way of life. It identified that material security could be improved by using materials more efficiently

through waste prevention and high reuse and recycling rates. TZW also stressed the need for closed loop¹ (or ‘up-cycling’²), high quality recycling, highlighting the advantages of a kerbside sort recycle collection system in achieving this.

The Municipal Sector Plan (MSP) and accompanying Collections Blueprint (CB), published in 2011, built on the principles of TZW. The MSP’s development recognised that Wales needs to reduce its overall consumption of resources and to source, and use, resources in a way that is equitable and ethical. Where waste is produced it should be prepared for reuse or recycled using high quality, closed loop methods in order that ecological and carbon footprint reductions are optimised.

The MSP also identified the need to achieve better value for money through efficiency savings, and ensuring more transparency and accuracy on the reporting of how and where materials are recycled. It included an objective to achieve consistency across Wales in the type of materials collected for recycling and AD by Local Authorities. The MSP noted that if a core set of materials were to be collected by all Local Authorities, it would allow easier communication of these services resulting in greater understanding and participation by the public. It would also enable greater consistency and quantities in respect of recyclable materials supplied to reprocessors, especially those in Wales. This would support the aim of the Welsh Government to make Welsh based recycle collection and reprocessing enterprises more viable. The MSP stated that the Welsh Government expects a convergence of service delivery over time such that all Local Authorities collect as many materials as possible in ways that make it more likely that they can present them to the Welsh and UK reprocessing market.

The result of the policies set out above has been that in the twenty years since devolution, Wales has transformed from a nation which recycled less than 5% of its municipal waste, to become an international leader that recycles 63%.

SECTION 2: Forthcoming waste strategy

The intention is to publish a consultation document at the turn of the year to actively engage the people of Wales on the pathway Wales and the Welsh Government should take to move to a circular economy that keeps resources in use for as long as possible and that eliminates waste.

. As part of the consultation, there will be a need to focus on reducing resource use, tackling single use plastic, further reducing food waste and further increasing recycling after 2025 in order to meet the long term milestone of zero waste (100% recycling) for 2050, as set in Towards Zero Waste. Ensuring people are able to make the necessary choices to reduce and recycle waste when they buy products and services and working with businesses through applying extended producer responsibility will also be key.

¹ ‘Closed-loop’ recycling is where recycled materials are being used continually for the same or similar purpose – eg. a glass bottle recycled by re-melt into a new glass bottle, or glass fibre insulation (both replacing virgin glass/silica), which can then in turn be recycled again by re-melt to replace the use of virgin glass/silica.

² ‘Up-cycling’ generally involves recycle materials with a low embedded energy being used to substitute for materials with a high embedded energy into a product that usually has a long life – for example newspaper waste being used as a cellulose insulation material replacing the use of glass fibre or foam insulation.

SECTION 3: Climate Emergency

Using only our fair share of the world's resources and achieving a more circular economy - avoiding waste and keeping resources in use as long as possible – is also key to action on decarbonisation. This is essentially because, a low carbon economy is a circular economy – with 45% of global carbon emissions coming from the products and services we consume.³

Resource efficiency and a circular economy make a contribution towards reducing both direct territorial carbon emission, and consumption based carbon emissions. Embedded carbon, otherwise known as the carbon footprint, of products is key contribution to climate change and one which needs to be tackled through material substitution, and through the use of less material and the generation of less waste.

Wales is doing well in terms of reducing carbon emissions as a result of the significant progress on municipal waste recycling. The most recent edition of Eunomia's 'Recycling Carbon Index Tool' report for 2017-18⁴ (which covers England, Wales and Northern Ireland) identified that “Wales remains by some distance the country which achieves the greatest carbon saving per capita from local authority recycling.”

SECTION 4: Preventing waste

Waste prevention has had a strong focus in *Wise About Waste* and *Towards Zero Waste*, and the Welsh Government's *Waste Prevention Programme* published in 2013 set out our stall for the way ahead. We are one of the few European nations to set waste prevention targets.

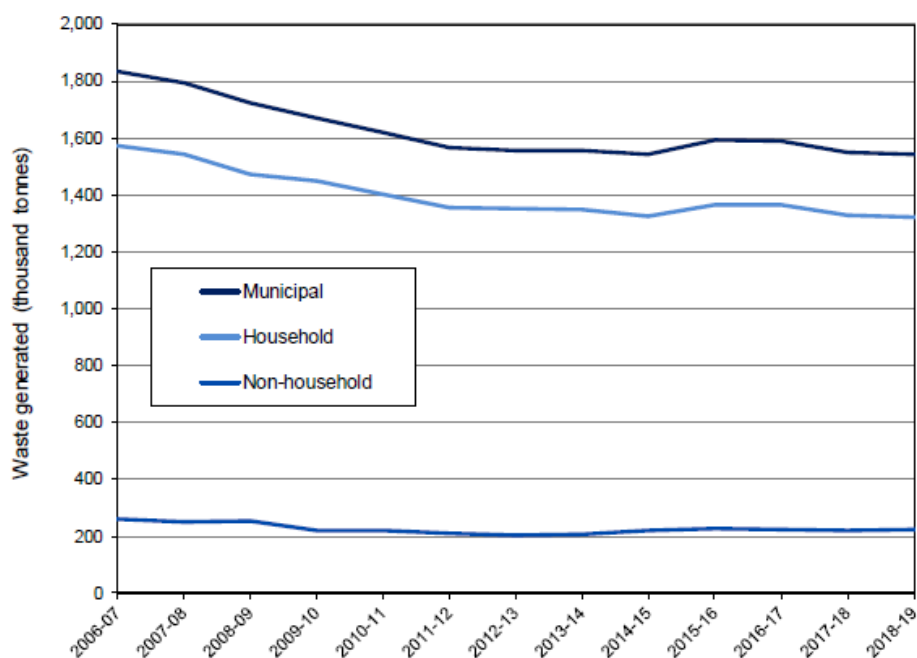
Waste prevention initiatives supported and promoted by the Welsh Government include the carrier bag charge (a UK first), junk mail reduction, home composting, reusable nappies, food waste redistribution (through grant funding of Fareshare Cymru), Landfill Disposal Tax Communities Scheme funding for waste prevention projects (e.g. Repair Cafes and community fridges), Refill Cymru, Love Food Hate Waste, Sustainable Clothing Action Plan, the Plastics Pact and Courtauld (a voluntary initiative by the food industry).

We have seen the annual increases in the quantity of household waste experienced in the late 1990s and early 2000s halted and reversed in the mid 2000s (Figure 1), despite increases in population and household expenditure. A particular success has been a significant reduction in household food waste between 2009 and 2015, Wales being the only UK nation to experience a significant decrease over this period. This means that the claim that setting weight based recycling targets generates more waste and/or mitigates against reducing waste is not born out by the evidence.

³ Ellen MacArthur Foundation (2019) Completing the Picture: How the Circular Economy tackles Climate Change
<https://www.ellenmacarthurfoundation.org/publications/completing-the-picture-climate-change>

⁴ <https://www.eunomia.co.uk/carbonindex/>

Figure 1 Total Local Authority municipal and household waste generated in Wales (thousand tonnes), 2006-07 to 2018-19



Source: WasteDataFlow; Welsh Government, Statistical First Release, Local Authority Municipal Waste Management, 2018-9.

Moving forward, there will need to be a continued focus on eliminating unnecessary waste, including single use plastic and food waste, together with a reduction in clothing waste, all of which have a high carbon footprint.

There is also a focus on improving the data on waste produced by businesses and the public sector, with the results of the Industrial and Commercial waste survey commissioned by Natural Resources Wales with funding from the Welsh Government to be published in 2020. We are also working with Defra and the other devolved administrations on a new electronic waste tracking system.

SECTION 5: Municipal waste recycling

Overview

Recycling helps reduce carbon emissions and tackle climate change, saves money, creates jobs and helps to reduce the pressure on the world’s natural resources. Over the last two decades we have worked with our Local Authorities to guide and support change, whilst respecting their right to make their own choices at their own pace. But in order to help drive progress across Wales and make sure that all citizens where ever they live get a good recycling service, the Welsh Government set Local Authorities minimum statutory recycling targets.

Consistency and high quality recycling

Councils are responsible for deciding on the service that they think best suits their residents. However, greater standardisation in recycling collection across Wales would help to make recycling easier for everyone. This is why the Welsh Government has been working with councils to encourage them to adopt the best practice system outlined in the Collections Blueprint published in 2011. The Welsh Government has also provided support to councils via the Collaborative Change Programme to help them to change their system. By early 2021, fifteen of our councils will be providing the same Collections Blueprint service.

The development of the Collections Blueprint followed extensive research into the efficacy of different recycle collection systems. Comparisons have been made between the relative costs and benefits of kerbside sort⁵, twin/triple stream⁶ and co-mingling⁷ approaches. Evidence was also obtained from the reprocessing industry in Wales, in particular on their need for, and ability to source, high quality recycle. The commodity price crash in 2008-09 highlighted the fragility of the recycling market, with higher quality materials being better able to withstand the market pressures at the time. From the evidence available the Welsh Government concluded that a kerbside sort system, where residents put dry recyclables into three separate containers which are then loaded together with food waste onto a single multi-compartment vehicle, would represent the best option for Wales. The evidence suggested that this would yield the best economic, environmental and social outcomes for Wales. In particular, it generated the highest quality of recycling that would be more likely to be used in Wales rather than being exported. A box or returnable bag based system also enables council collection staff to return non-recyclable items to the householder, so they learn quickly what can and cannot be recycled by the council.

Higher quantity of recycling

There has been a plateauing of the recycling rate in over the last three years, with a one percentage point reduction from 64% in 2016-17 to 63% in 2017-18. If Wales is to achieve its targets going forward, it will therefore require further steps to improve performance.

The compositional analysis of Welsh Municipal Waste carried out for WRAP Cymru by Resource Futures in 2015-16 and published in June 2016⁸ showed that more

⁵ 'Kerbside sort' involves householders putting dry recyclables in one of more boxes or re-usable bags, with the recyclables then sorted by material by the collection staff, and placed into different containers on the single collection vehicle.

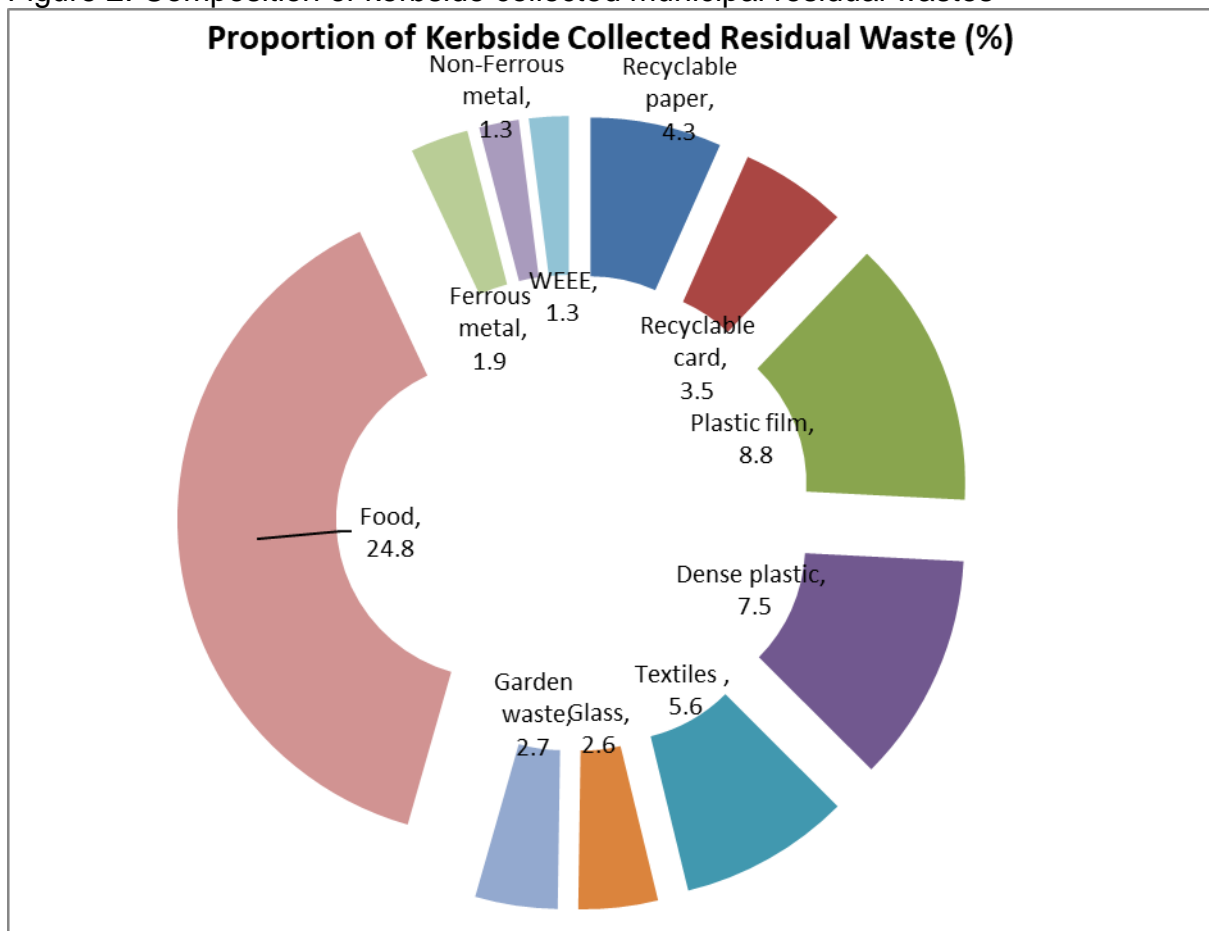
⁶ 'Twin/triple stream' usually involves householders putting one or two materials separately into different bags (e.g. paper/card in one bag or bin, glass in another – with them collected by either separate vehicles or placed into a different compartment on the same vehicle) with the remaining recyclable materials placed mixed in another bag or bin and placed in a vehicle. The mixed materials are then sorted in a materials recovery facility (MRF).

⁷ 'Co-mingling' involves householders putting all the dry recyclable materials into a single bag or bin which is then loaded onto a single vehicle. The materials are then sorted at a material recovery facility (MRF).

⁸ <http://www.wrapcymru.org.uk/sites/files/wrap/Wales%20Municipal%20Waste%20Composition%202015-16%20FINAL.pdf>

than half of the material in residual kerbside waste collections was recyclable (see figure 2).

Figure 2: Composition of kerbside collected municipal residual wastes



To address the plateau in the recycling rates and deliver on the current 70% target, it is therefore vital to encourage households to not put dry recyclables (paper, card, plastics, glass, metals, textiles) and food waste in their residual waste. Successfully doing so could result in an increase in municipal and household waste recycling rates. This is because the evidence shows that if all the recyclables and food were put in the right containers instead of the residual container, Wales' recycling rates would exceed 80%. In addition, getting more people to use the already funded recycling service will reduce the costs of dealing with the residual waste.

On the basis of this evidence, a Behaviour Change Programme has been developed to increase municipal and household recycling rates. The development of the programme has been overseen by the waste Ministerial Programme Board (MPB) comprising Welsh Government, Local Authorities, the WLGA, the Waste and Resources Action Programme (WRAP) and procured contractors.

The Behaviour Change Programme (BCP) has three components:

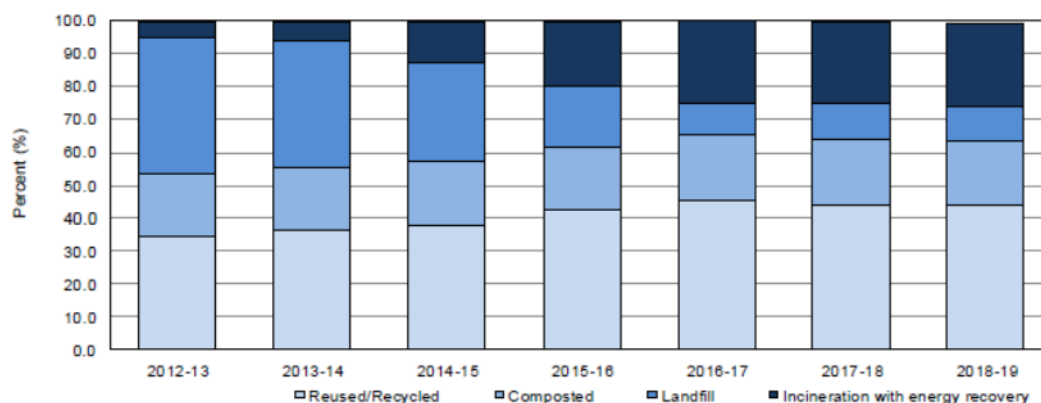
- (a) Providing clear instructional information about and promoting the benefits to householders of service changes and encouraging residents to place recyclable materials in the right bin and not in residual waste containers;
- (b) Using behavioural change techniques and communications to encourage the diversion of recyclable materials at a national, regional and local level, including by aiming to make it socially unacceptable to put recyclable materials into residual waste; and,
- (c) Encouraging the diversion of recyclable materials from residual waste containers using appropriate legislation and the potential use of enforcement.

The nature of the campaign means that it is difficult to quantify the potential outputs from a behaviour change campaign in advance. However, for illustration, if the campaign increased recycling to capture half of the recyclable material in the residual waste, this would lead to a 9.9% increase in recycling rate to over 72% with over £5.5million net savings per year. Ultimately, if Wales is successful in achieving an increase in recycling that captured 100% of the recyclable material in the residual waste, shown in figure 2, it would lead to a 17.3% increase in the recycling rate to 80% based on data from WRAP⁹.

SECTION 6: Procuring residual and food waste treatment capacity

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. There has been a significant decrease in the proportion of municipal waste disposed of via landfill, falling from 42 percent in 2013-13 to 10 percent in 2018-19 (Figure 3).

Figure 3: Municipal waste sent for treatment by management method (%), 2012-13 to 2018-19.



Source: WasteDataFlow; Welsh Government, Statistical First Release, Local Authority Municipal Waste Management, 2018-9.

⁹ Impact of Increased Residual Waste Diversion on LA Recycling Rates and Costs, WRAP Collaborative Change Unit, November 2018 – Provisional analysis

The main focus over the last decade and a half has been in ensuring the necessary infrastructure is put in place to recycle and generate renewable energy from the separately collected household food waste, and to generate partially renewable energy from residual waste. Both of these help us on our pathway to eliminate the use of landfill, which is at the bottom of the waste hierarchy as it has the worst environmental outcomes. This new infrastructure also helps significantly reduce the carbon emissions associated with the management of waste. The food, garden and paper wastes that used to be landfilled generated methane when they decomposed, a harmful greenhouse gas many times more potent than carbon dioxide.

Since the publication of the AGW/WAO report, Parc Adfer, the Energy from Waste facility serving the North Wales residual waste project, has now started operation and is currently being commissioned. The other nine contracts continue to operate as intended.

Working in partnership with local authorities, strategic investment in waste infrastructure addresses increasing affordability pressures as well as offering long-term solutions for improved service performance. In moving towards higher recycling and a zero-waste society, investment decisions will need to be made as part of a package of investments which are synergistic, rather than taken in isolation.

New projects currently in development are being planned through joint partnerships that provide regional coverage to maximise scale and minimise cost. The new programme has identified the benefits of addressing three priority materials – absorbent hygiene products (AHP), wood and plastics.

SECTION 7: Conclusion

Recycling has been a great success story for Wales; it has led the way and has a globally recognised reputation. But the challenge now is to get to the next level, with an approach that builds on the progress to date, recognising the need to drive resource efficiency and waste prevention by moving to a circular economy. This not only brings with it economic opportunities for Wales, but will make a significant contribution to addressing a climate emergency and the wider impacts of consumption on global biodiversity.

Agenda Item 7

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 – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

30 October 2019

Dear Chair

CARDIFF AIRPORT

During the evidence session on Cardiff Airport that I attended with Public Accounts Committee on 23 September, I undertook to write to you to provide further information in a number of areas. Subsequent to this, you wrote to me on 4 October seeking clarification on a number of additional points that were also discussed in the evidence session. I have addressed each of your points below.

In exploring the financial performance of the airport, the Deloitte report commented on the funding requirement and the underlying performance of the business as well as reflecting on payment terms. The report reviewed the potential structure of a loan going forward and what would be an appropriate commercial structure.

The principle of the extended loan facility of an additional £15.2m in 2017 was to consolidate the existing debt and make further funds available. The revised loan agreement was based on the same fundamentals as the original loan, but included the following additional points to ensure it was on appropriate commercial terms:

- interest was charged in line with the European Commission's framework;
- covenants were included within the loan agreement for performance measurement;
- a repayment schedule was included based on the realistic performance of the business and phased to ensure that repayments were made on a realistic cash flow basis;
- the agreement ensured that the loan was equivalent to that of a commercial lender as opposed to that of a parent and subsidiary; and
- the loan introduced additional controls over the borrowing facility.

Parc Cathays/Cathays Park
Caerdydd/Cardiff
CF10 3NQ



BUDDSODDWR | INVESTORS
MEWN POBL | IN PEOPLE Pack Page 50

Ffôn/Tel: 0300 025 6162
E-Bost/E-Mail: andrew.slade@gov.wales

Subsequent to the evidence session on 23 September, the Committee is aware that the Minister for Economy and Transport has agreed a further consolidated commercial loan facility for the airport up to a further £21.2m. We continued to apply the lessons learned and I can confirm the recently agreed loan extension is based on the same fundamental principles as the 2017 consolidated loan facility. (You raised this issue with me during the evidence session with the Permanent Secretary on 21 October. As one of the actions emerging from that session, we will write to you separately to set out the reasons for the loan, how much of the previous loan had been drawn to date, and repayment terms.)

In terms of passenger numbers, Welsh Government acknowledges that the airport is not yet at the position set out in the business plan that was agreed immediately following acquisition in 2013. There are, however, specific influencing factors which need to be taken into consideration when scrutinising against expired targets. The operating environment has changed significantly since Welsh Government bought the airport.

Brexit has caused great uncertainty. The weakening of the pound has influenced holiday makers' choices on whether they travel abroad for their holidays. We have, in recent years, had marked weather improvements over the spring and summer months – making it more attractive for families to holiday in the UK rather than travel abroad. Increases in fuel prices have driven unanticipated consolidation in the airline industry and these increased costs have been passed on to the customer by way of increased airline ticket prices. All of these factors, and others, have had a considerable combined effect on aviation passenger activity – and not just at Cardiff.

We have also seen some significant changes in the airline industry in recent years that were not foreseeable at the time that the acquisition business plan was put together. It is to the credit of the leadership team in place at the airport that we are still within touching distance of the initial plan. The airport now welcomes almost 1.7 million passengers each year, which demonstrates an impressive 65% growth in just six years.

Through Holdco, Welsh Government maintains a distinct and discrete monitoring regime and the Holdco Board is looking forward to receiving Cardiff Airport's revised business plan towards the end of this financial year, which we anticipate will continue to set out its plans for growth and expansion, in line with the ambitions of its 2040 Masterplan.

In the session on 23 September, I committed to providing some additional information in relation to the Cardiff to Anglesey Public Service Obligation (PSO), Thomas Cook, and Border Force.

A thorough review of the Cardiff to Anglesey PSO air service was undertaken prior to the procurement of the existing contract. The review, which was undertaken by external aviation experts, covered a range of scenarios for the service including withdrawing the service entirely, maintaining service provision and looking at growth and expansion options. The value to the Welsh economy was a key consideration in all parts of the study. The report was published on the aviation pages of the Welsh Government website in January 2018, and can be accessed here: <https://gov.wales/sites/default/files/publications/2018-01/review-of-the-public-service-obligation.pdf>. Prior to any re-procurement of a new four year PSO contract, a thorough review of the service is undertaken to determine its strategic and policy fit with evolving Welsh Government priorities. It is also a requirement for us to provide a business case to the European Commission each time we impose a four year PSO on the Cardiff to Anglesey route, which sets out the economic benefits of the service. The PSO passenger numbers for the last financial year (1 April 2018 - 31 March 2019) are also published on the Welsh Government website and can be accessed here: <https://gov.wales/intra-wales-air->

[service-our-role](#). We will update the passenger figures again after the end of the current financial year. The passenger numbers we report on, and publish, are based on actual passenger journeys travelled. It is worth noting that around 5-10% of passengers who book to travel simply do not turn up for whatever reason (this is normal, and particularly so for low cost ticket services). These seats, for the PSO, cannot be re-sold. We do not allow the airline to 'overbook' the way a many commercial airlines do, as this would present a real risk of the PSO being over-capacity which would result in the airport staff turning our passengers away.

With regards to the routes that Thomas Cook offered; it operated the following 10 destinations from Cardiff:

- Antalya
- Dalaman
- Enfidha
- Lanzarote
- Larnaca
- Palma
- Reus
- Rhodes
- Tenerife
- Zante

All of the above routes are also serviced out of Cardiff by Tui, and Palma has services which are operated by Vueling. Tenerife currently has services operated additionally by Ryanair (until January).

Finally, we also discussed Border Force's presence at Cardiff Airport in relation to its Brexit planning. Colleagues at the airport have informed us that Border Force has not increased its permanent establishment at Cardiff. However, along with other ports, it will have access to a roving pool of officers that it can call upon in the event of major issues. Border Force regards e-gates as an important part of its contingency planning for Brexit and has expanded the gates' use to additional groups of passport holders to further mitigate the risk of queues at key airports where there is high passenger throughput. We recognised the benefit that this would bring to Cardiff and it was a key factor in the Minister's decision to fund the five new e-Passport Gates which were installed and launched earlier this year, replacing the first generation e-gates previously installed by UKG.

Please let me know if you have any further questions.

With best wishes.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources Group