

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES TRADING SUPERVISORY BOARD**

**FUTURE WASTE CHARGES**

The States are asked to decide:-

Whether, after consideration of the Policy Letter of the States' Trading Supervisory Board titled 'Future Waste Charges', they are of the opinion:-

1. To note the States' Trading Supervisory Board's intention to increase household waste charges annually from 2022 to 2025, as set out below:-
  - a. an annual increase of RPIx plus 5% to the "pay as you throw" bag charge for general waste;
  - b. an increase of RPIx plus £5 per year to the Waste Disposal Authority's annual waste charge; and
  - c. from 2023, to introduce a "pay as you throw" bag charge for kerbside collection of recyclable materials, except for food waste and glass.
2. To note that the current self-funding model for Guernsey Waste is not currently sustainable and, given anticipated trends and expected developments in the UK and elsewhere, it is unlikely to be sustainable in the short, medium, or long term.
3. To direct the Policy & Resources Committee:-
  - a. to write off Guernsey Waste's accumulated losses, before depreciation, of £2.97 million for 2019, 2020 and 2021 combined; and
  - b. from 2022 onwards, to provide Guernsey Waste with an annual cash limit from General Revenue to cover the forecast trading deficit for each year.
4. To note the States' Trading Supervisory Board, in consultation with the Policy & Resources Committee, the Committee *for the* Environment & Infrastructure and the Douzaines, will review the current arrangements for household waste and recycling collections, to identify the optimum future arrangements; and if necessary will report back to the States setting out proposals for any required changes to the statutory Waste Management Plan and to relevant legislation

including the Parochial Collection of Waste (Guernsey) Law, 2015 and the Parochial Collection of Waste (Guernsey) Ordinance, 2018.

5. To direct the Policy & Resources Committee to take all practical steps to enable joint billing of Tax on Real Property and the Waste Disposal Authority's annual waste charges from 2023.
6. If Proposition 3 a) or b) is approved, to make any necessary amendments to the Waste Management Services (Charging) Ordinance, 2018 and other legislation relevant to waste charging to reflect the fact that full costs of the Waste Disposal Authority's waste management services would not be recouped from charges.
7. If Proposition 3 b) is approved, to direct the Committee *for the Environment & Infrastructure* to prepare, following relevant recommendations to it by the States' Trading Supervisory Board, any necessary amendments to the current statutory Waste Management Plan (WMP) to revise the arrangements for the recovery of the costs of the management of waste identified in the WMP and to submit a revised draft WMP for consideration by the States.
8. To direct the preparation of any necessary legislation to give effect to their above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

**THE STATES OF DELIBERATION**  
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**ISLAND OF GUERNSEY**

**STATES TRADING SUPERVISORY BOARD**

**FUTURE WASTE CHARGES**

The Presiding Officer  
States of Guernsey  
Royal Court House  
St Peter Port

27<sup>th</sup> June, 2022

Dear Sir

**1 Executive Summary**

- 1.1 In 2012 the States agreed a Strategy for dealing with the island's waste. It reflects a modern approach to waste management, which recognises the value of finite resources used in the manufacture, distribution and sale of everyday products, and the need therefore to extract maximum benefit from these materials.
- 1.2 This is in keeping with the strong community support for sustainable waste management, as evidenced by how keenly islanders have embraced recycling - even when it was far more convenient to dispose of items, and no financial incentive existed to do otherwise. It was also a key theme throughout the extensive public consultation in the development of the strategy.
- 1.3 The successful implementation of the Strategy has transformed the way that the island manages waste. Facilities have been developed and services redesigned to enable and encourage better use of resources. It has changed how materials are collected, how they are subsequently processed, and in the case of households, how these services are paid for.
- 1.4 As a result, the amount of material not reused, recycled or composted has fallen dramatically, and resources that would previously have been buried in landfill are now put to beneficial use, through recovery of energy and other by-products.
- 1.5 **A decade ago most of the waste the island produced was simply disposed of. Today, only a small fraction is, when it is unsuitable for other treatment.**
- 1.6 When the Strategy was agreed, it was accepted that any more modern, sustainable approach to dealing with our waste would cost more. Waste bills

would therefore rise, but a 'user pays' approach would give households greater control over how much they spend.

- 1.7 However the step change increase that was widely predicted has not fully materialised. In 2019 and 2020, households spent on average around £240 a year for all their waste and recycling services - including the parish bill for collections. That is significantly less than the £305 a year it was estimated households would spend on average once all the new services and facilities were introduced.
- 1.8 The reason households have been paying less than predicted is because far fewer bags of general waste are being produced than had been anticipated. That is due, in part, to more material being recycled than was forecast – most notably food waste. There was also a significant reduction in overall household waste, post-implementation. As a result, the cost of processing and treating household waste and recycling has also been significantly less than expected.
- 1.9 Guernsey Waste is continuing to promote waste minimisation, working with retailers, schools, and the wider community to help eliminate unnecessary waste. For example food waste, which has a direct financial saving to households, through lower grocery bills, as well as an overall saving on waste management. As with other measures that benefit the environment, such as reducing household energy use, there can be direct financial benefits to producing less waste which will ultimately translate into savings for islanders.

	<b>Annual Income vs Expenditure</b>					
	<b>(£,000s)</b>					
	<i>Modelled (20 year average)</i>			<i>Actual - 2019 to 2021 (annual average)</i>		
	Income	Expense	Margin	Income	Expense	Margin
General waste	4,329	3,608	721	1,953	1,959	(6)
Recycling*	-	1,104	(1,104)	-	1,568	(1,568)
Bulk Refuse	-	-	-	33	120	(87)
Green waste	-	-	-	0	168	(168)
Other waste	-	87	(87)	51	405	(354)
Other costs	-	868	(868)	-	1,249	(1,249)
WDA annual charge	2,290	-	2,290	2,349	5	2,344
<b>Total</b>	<b>6,619</b>	<b>5,667</b>	<b>952</b>	<b>4,386</b>	<b>5,474</b>	<b>(1,088)</b>
*Includes food waste						

*Table 1: Household waste and recycling services - comparison of modelled income & expenditure over 20 years vs. actual income & expenditure for 2019 to 2021.*

- 1.10 Household waste charges were expected to raise enough income to fund the processing and treatment costs for all household waste and recycling, and other household services and facilities provided by Guernsey Waste. However from 2019 to 2021, income from the pay as you throw charge was around £3 million a year less than originally estimated. That has resulted in a significant shortfall.
- 1.11 Income from businesses has also been less than anticipated, in part due to higher than expected segregation of materials, and charges generally being below that required to recover the full cost of commercial waste operations.
- 1.12 Cost savings, efficiencies, and new revenue opportunities are being actively pursued by Guernsey Waste. This will help reduce the current deficit. There is also scope to increase household charges, without islanders having to pay more overall than was originally envisaged.
- 1.13 However a strategy that aims to reduce waste, and at the same time recover costs through charges levied on waste being produced, has a logical limitation. If it succeeds in continually driving down waste volumes, it removes the source of funding it relies on.
- 1.14 It was always acknowledged there was a risk this approach may prove financially unsustainable in the long term. Such has been the initial success, the island may have reached that point earlier than was envisaged. Increasing bag charges now will provide greater incentive to reduce waste, and is therefore no guarantee of a corresponding upturn in revenue, as volumes diminish further.
- 1.15 A further complication is the fact that several Guernsey Waste activities involve a public service element. They include monitoring old landfill sites, which in 2021 amounted to £508,000, and managing hazardous waste, which currently incurs an annual deficit of nearly £75,000. These are significant costs that are not due to current waste producers or cannot be fully recovered through direct charging.
- 1.16 There is a strong argument that current service users should not be liable to pay these costs through their waste charges. It has the effect of inflating the required level of charges, distorting the link between how much households pay and how much they produce, and does not align with the principle of 'pay as you throw'.
- 1.17 There are other large, uncontrollable costs that are outside Guernsey Waste's control or influence. This includes specialist insurance, for which the annualised premium is currently £571,000. Ground rent of £300,000 a year is also being paid for the facilities at Longue Hougue.
- 1.18 Expenditure on just those public service and uncontrollable costs identified above is currently around £1.5 million – nearly 15% of Guernsey Waste's total operating costs (excluding inert waste). This adds to the challenge of operating commercially and puts considerable burden on the current system of charges.

- 1.19 As the focus on tackling climate change intensifies, there are concerted efforts internationally to embrace a circular economy approach<sup>1</sup>. This is likely to drive changes in product and packaging design and may move responsibility for sustainable resource management higher up supply chains.
- 1.20 Schemes planned in the UK are likely to affect the nature and volumes of waste and recycling collected from households here, and the costs incurred in dealing with these materials. This could help reduce both the financial and environmental impacts of waste, but may also further undermine the ability to recover costs through the current charging mechanisms. Exactly how these schemes will operate is still being determined.
- 1.21 In light of these developments, there is considerable risk in continuing to pursue a policy where the ability to recover costs is heavily dependent on charging for a diminishing volume of waste. The consequences of a sharp reduction is already being seen, and volumes are likely to fall further as larger jurisdictions with greater influence on manufacturers look to drive down waste.
- 1.22 The STSB is committed to building on the successes achieved to date, in terms of delivering on the objectives of the Strategy, and is taking steps to address the trading deficit. However given the extent to which Guernsey Waste has little control over its income and significant elements of its costs, the STSB is doubtful the current funding model can be sustainable in the short, medium or long term.
- 1.23 The pay as you throw element has been successful in encouraging and supporting behaviour change, but there is a limit to how much current charges can rise without imposing too high a burden on some households.
- 1.24 If current household charges were used to fully recover the current shortfall, and the accumulated deficits from previous years, the price of a bag for general waste could rise to nearly £7, assuming no further increases in the annual charge.
- 1.25 This could in part be offset by introducing a charge for recycling, which was agreed in principle by previous Assemblies and reflects the polluter pays approach. However, that too would only go part way to alleviating the current shortfall, and is also not without its risks, as there are still many unknowns.

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<sup>1</sup> “The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the lifecycle of products is extended. In practice, it implies reducing waste to a minimum. When a product reaches the end of its life, its materials are kept within the economy wherever possible. These can be productively used again and again, thereby creating further value.” (Source: EU Parliament - Circular economy: definition, importance and benefits.)

- 1.26 Even the combination of cost savings, efficiencies, new revenue opportunities, and some moderate increases in household charges is unlikely to fully address the current trading deficit.
- 1.27 The STSB believes the most appropriate way to address any remaining shortfall is through General Revenue funding. The precedent was set in 2018, when the States agreed to central funding from the Capital Reserve to cover the initial capital costs of the new infrastructure. This is also similar to the model adopted for Beau Sejour, which like Guernsey Waste primarily provides a public service.
- 1.28 The STSB therefore proposes Guernsey Waste's current accumulated operating deficit is written off, and from 2022 onwards Guernsey Waste receives an annual cash limit in line with the budgeted shortfall for that year.
- 1.29 Based on current financial forecasts this would require a cash limit in 2022 of £0.5 million. Excluding any inert waste contribution from 2023, the funding requirement would be £1.8 million next year, reducing to £1.4m from 2025 onward.
- 1.30 That assumes annual increases of £5 per year in the annual WDA charge, 5% in the black bag 2025, and a smaller charge for recycling bags. It excludes any annual RPIx adjustment in these charges, as that is currently difficult to forecast.
- 1.31 The Assembly might prefer charges to be retained at or closer to current levels, in the knowledge that would increase the requirement for other funding.
- 1.32 It is proposed this funding arrangement would be kept under annual review, taking into account any developments that affect Guernsey Waste's future income or expenditure.
- 1.33 This potential new funding arrangement would be a significant departure from the user-pays principle that underpins the operation of the trading entities.
- 1.34 The STSB has consulted the Policy & Resources Committee, and the Committee has suggested that if Guernsey Waste is to be tax-payer funded or underwritten, consideration should be given to moving it to a General Revenue committee, citing Beau Sejour as an example.
- 1.35 The Committee identified that *"such a change would enable charges to be clearly structured around the policy objectives – that is, they could be designed to promote/deliver the behaviours which are being encouraged/discouraged, rather than the commercially driven approach currently required of the STSB to seek to cover the costs of operation."*
- 1.36 If States Members agree to the recommendation for future funding of waste services, they may also wish to consider a change to the STSB's mandate in regard to its role as the Waste Disposal Authority and the operation of Guernsey Waste.

That relates to the organisation of functions and responsibilities, which is not within the STSB's mandate and is therefore outside the scope of this policy letter.

- 1.37 The Committee's initial feedback is included in Appendix 1.
- 1.38 Three years have passed since the Strategy was fully implemented. The STSB believes it is also timely to review other aspects of delivery besides the services provided by Guernsey Waste, to consider if they can be improved and efficiencies realised, which could result in lower costs to service users.
- 1.39 These include, in consultation with the Douzaines, arrangements for collection of household waste and recycling, given the benefit of experience gained in the past three years.
- 1.40 The STSB and the Committee *for the* Environment & Infrastructure (CfE&I) also propose to review whether policies in place for commercial waste are helping businesses meet the objectives of the Strategy.

## **2 Policy, strategic and legislative context**

### ***Roles & responsibilities***

#### The Committee *for the* Environment & Infrastructure

- 2.1 The Committee is responsible for development and implementation of policies for management of 'solid waste'.
- 2.2 Under the Environmental Pollution (Guernsey) Law, 2004 ["the EP Law"], the Committee is required to prepare a **Waste Management Plan**, for approval by the States<sup>2</sup>. This is a statutory document, which identifies the type and quantities of waste that need to be managed, the methods to be employed, the estimated financial costs, and arrangements for recovering those costs. It also identifies the sites which are operated, managed or funded by the Waste Disposal Authority that are to be used for processing and managing waste and recycling on-island.

#### The Director of Environmental Health & Pollution Regulation

- 2.3 Under the EP Law, the Director of Environmental Health & Pollution Regulation is an independent statutory appointee with responsibility for waste regulation.
- 2.4 The duties of the Director include the licensing of operations that pose a risk of environmental pollution, which includes the collection, removal, transportation, handling, sorting, processing, treatment, disposal and storage of waste. The Director will also decide the conditions that apply to any licence, including the type(s) of waste and processing that can take place on a site, and any limits on processing capacity, in accordance with the requirements of the EP Law.

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<sup>2</sup> The current Waste Management Plan was agreed by the States in July 2018



### The Waste Disposal Authority (WDA)

- 2.5 The States' Trading Supervisory Board (STSB) is the island's designated Waste Disposal Authority (WDA), which has a statutory responsibility to ensure the provision of waste management services and facilities for households and businesses. These must enable the delivery of the Waste Management Plan.
- 2.6 The main functions of the WDA are set out in the EP Law:-
- to make arrangements for and ensure the operation of Guernsey's public waste management system;
  - to monitor the creation of waste in Guernsey;
  - to keep under review the systems for collection, transport, sorting and recycling of waste;
  - to identify the best practical environmental options for the disposal of waste;
  - to comply with the current Waste Management Plan;
  - to make recommendations to CfE&I in connection with the preparation of draft Waste Management Plans for consideration by the States;
  - to make arrangements for the provision of facilities for the reception and recovery or disposal of waste at one or more public waste management sites, in accordance with the Waste Management Plan.
- 2.7 In addition, the WDA provides the specification for household waste and recycling collections, including the combination of materials and frequency of collections, and where the materials must be delivered to.

### Guernsey Waste

- 2.8 Guernsey Waste effectively discharges the above main WDA functions, at an operational level. Its role is in effect to:
- Implement the waste management strategy and assist CfE&I in its development;
  - Contract waste disposal services and work with suppliers to ensure that they are delivered effectively;
  - Promote sustainable waste practices within the community, and act as the public's 'single point of contact' for waste issues;
  - Monitor and report on the creation of waste on the island;
  - Ensure that the island's publicly owned waste management assets are appropriately maintained and utilised to their full potential.

- 2.9 Although there are private sector waste processing facilities run by commercial operators, given the WDA's statutory duties, Guernsey Waste effectively acts as the provider of last resort. In other words, it has to ensure continuity of the island's waste management provisions, in every eventuality.
- 2.10 All Guernsey Waste's activities must currently be funded through a combination of household waste charges or commercial waste gate fees.
- 2.11 Most of its waste and recycling operations involve a combination of material from household and commercial sources, treated together. While they have different income streams, they cannot be easily considered entirely separate.
- 2.12 Inert waste operations on the other hand involve specific materials, managed differently to other waste, at a dedicated site. They also have a distinct customer base, and different investment and infrastructure requirements. As such, they can be considered as effectively a discrete enterprise, and the expenditure and income treated separately from a financial perspective.

#### Parish Douzaines

- 2.13 Each Douzaine is legally responsible<sup>3</sup> for making arrangements for the collection (and transfer) of waste and recycling from households in their parish, in accordance with the specification provided by the WDA; and for levying an annual charge on each household to recover the cost of the collection service.
- 2.14 The parishes are therefore also responsible for enforcing the requirements on households, under the law<sup>3</sup>, relating to the setting out of waste and recycling. They have delegated this function to the WDA, and Guernsey Waste carries it out in the name of, and on behalf of, the parishes and parish officers.
- 2.15 Douzaines also have the power to admit businesses that operate from premises within their parish into their parochial collections. This is provided they are satisfied the business is likely to produce waste and recycling of a similar nature and composition as a typical household, and a similar or lower volume. They levy the same charge on businesses admitted to the service as they do on households.

#### ***Waste Strategy***

- 2.16 The island's Waste Strategy was agreed by the States in 2012. It embraces the internationally accepted principle of the Waste Hierarchy, which sets out how materials that we consume on a daily basis are best dealt with to derive maximum benefit from the resources used in their manufacture. It focuses on minimising the amount of waste generated; reusing and recycling as much as is practical; and recovering energy from the residual material that is left. This reflects the 'circular economy' approach being adopted in other countries.

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<sup>3</sup> The Parochial Collection of Waste (Guernsey) Law, 2015.

- 2.17 In 2017, the States set a target of recycling 70% of household waste by 2030, and an interim target of 60% by 2022. No similar target was adopted for commercial waste, until an appropriate methodology was identified. That is unresolved.
- 2.18 The Strategy contributes to a more sustainable island, by promoting responsible use of resources for future generations. It also contributes to the Government Work Plan recovery outcome, agreed by the current Assembly in 2021, of *“More sustainable production, consumption and management of resources”*<sup>4</sup>.

### ***Climate Change Policy***

- 2.19 Waste is the third highest source of greenhouse gas (GHG) emissions locally - after electricity generation and transport - accounting for 15% of ‘on-island’ emissions in 2020<sup>5</sup>. This is mostly in the form of methane that is released as landfilled waste decomposes. Due to the high global warming potential of this gas<sup>6</sup>, relatively small changes result in considerably larger changes in terms of carbon dioxide (CO<sub>2</sub>) equivalent - the standard measure for emissions.
- 2.20 The reduction of waste going to landfill is already contributing to the decrease in ‘locally-generated’ GHG emissions. Having peaked in 2006, emissions from waste have steadily declined, showing an overall reduction of 33% by 2020<sup>5</sup>.
- 2.21 This trend will continue, following the 85% reduction in waste going to landfill since exports commenced at the end of 2018. That will result in gradually decreasing emissions as historically landfilled waste decays, and the benefits of diverting waste away from landfill become more apparent.
- 2.22 In August 2020 the States approved the island’s Climate Change Policy and Action Plan<sup>7</sup>. A target of “net zero” emissions by 2050 was agreed, with an interim target of a 57% reduction on 1990 levels by 2030.
- 2.23 The above targets include emissions that arise due to waste that is produced in Guernsey, but treated elsewhere. This will therefore also encompass emissions arising from the transport and treatment of our waste and recycling off-island, net of any benefit that is achieved through the reduction in other emissions through the recovery of energy from waste.
- 2.24 The Policy sets out the approach to reducing emissions, which in priority order is avoid, reduce, replace, offset. This aligns with the Waste Strategy, the objective of which, first and foremost, is to prevent and reduce waste. This will give rise to

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<sup>4</sup> Government Work Plan 2021-2025, Appendix 2.

<sup>5</sup> Guernsey Annual Greenhouse Gas Bulletin 2020.

<sup>6</sup> Weight for weight, methane has 21 times higher global warming potential than CO<sub>2</sub> i.e. one kilotonne of methane is equivalent to 21 kilotonnes of CO<sub>2</sub>.

<sup>7</sup> Billet d’État XVI of 2020: Mitigate Climate Change – States of Guernsey Climate Change Policy and Action Plan.

reduced emissions, both on-island and off-island, that are within the scope of the net zero target. There will be additional reductions through decreased demand for resources to produce new materials, which is currently out of scope of local reporting requirements but will nevertheless result in a net benefit.

- 2.25 Modelling by Aether, who compile the annual GHG Bulletin, has forecast that under the current strategy on-island emissions arising from landfill will fall by more than 90% by 2050. Once emissions arising from off-island transport and treatment are accounted for, there will still be a net reduction of more than 75%.

### ***Paris Agreement***

- 2.26 The Paris Agreement is the international treaty adopted in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC), which aims to reduce GHG emissions. It provides the instrument through which reduction targets beyond 2020 would be set, with the aim of limiting global warming to 1.5°C to 2°C above pre-industrial levels.
- 2.27 The current Assembly has approved the extension of the UK's ratification of the Agreement to Guernsey as a priority in the Government Work Plan. In November 2021 it was announced this has been agreed in principle<sup>8</sup>, subject to a formal request from Guernsey once the reporting requirements are fully understood.
- 2.28 Under the Agreement, each country is responsible for determining its own plan, with regular reporting. There are no specific requirements for the emission reduction targets other than they should go further than previous targets and reflect each party's highest possible ambition.

## **3 Background**

- 3.1 For decades, the island's preferred option for disposing of waste was to bury it in old quarries. That had provided a relatively cheap method, in financial terms, but over time it became an increasingly unsustainable choice, as the volume and nature of materials being landfilled changed, and the impact on the planet of waste and resource use became better understood.
- 3.2 Finding an alternative approach was a subject of protracted debate, including two attempts to procure an on-island 'energy from waste' plant. Following extensive public consultation, in 2012 the States agreed an export-based solution.
- 3.3 This was not an altogether new approach. For many years Guernsey has exported recyclable materials that islanders voluntarily separate from their general waste, for which there is no means to reprocess them locally. The Strategy has extended that already established practice to material not being recycled, because maximum benefit can be derived most practically and cost-effectively off-island.

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<sup>8</sup> Guernsey agrees terms for extending the Paris Agreement (gov.gg).

- 3.4 The Strategy, however, does not focus solely - or primarily - on 'end treatment'. It prioritises waste prevention and reduction, followed by reuse, recycling, and then recovery of energy and disposal.
- 3.5 Existing waste services have therefore been redesigned and new facilities developed to help islanders manage their waste more sustainably. They include switching to fortnightly collections of general waste and the introduction of kerbside collections for all the main household recyclables, and for food waste. It is no longer more convenient to dispose of items than to recycle them, and these new collection arrangements have proved popular<sup>9</sup>.

### ***The role of Guernsey Waste***

- 3.6 In performing the service delivery function of the WDA, Guernsey Waste is responsible for the operation of all States-owned waste sites. These comprise:-
- The Waste Transfer Station at Longue Hougue, where food waste, general waste, and glass are processed in preparation for export.
  - The Household Waste & Recycling Centre (HWRC) at Longue Hougue, which accepts materials for reuse, recycling or disposal. This includes anything from large domestic appliances and small electricals, to scrap metal and furniture.
  - The Mont Cuet landfill site, which provides:
    - Disposal of some hazardous wastes
    - Disposal of materials unsuitable for processing into RDF (e.g. fibreglass)
    - Management and disposal of road-sweepings and gully sludges
    - Green waste composting to produce a soil conditioner.
  - The Chouet green waste site, where households can take their garden waste.
  - The Longue Hougue land reclamation site, which receives inert construction and demolition waste.
- 3.7 Guernsey Waste charges householders for the services '*provided, managed, arranged, operated or funded by or on behalf of the WDA*'<sup>10</sup>. That includes initiatives that aim to support islanders in reducing waste and encouraging reuse and recycling. It also includes facilities that are largely free for households at the point of use, such as the HWRC, green waste site, and bring banks. Commercial users are charged by means of gate fees at public waste management sites.

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<sup>9</sup> Island Global Research (September 2021). In a survey of 1,848 islanders, 77% said they were satisfied with the collections - including 46% who were very satisfied. 10% were either dissatisfied or very dissatisfied.

<sup>10</sup> The Waste Management Services (Charging) Ordinance, 2018 - section 2.

### Commissioning model

- 3.8 Guernsey Waste's current operating model is essentially one of a commissioning body, which contracts out the core provision of all its various responsibilities.
- 3.9 While it is responsible for the provision and management of all the above sites, the operational delivery is contracted to States Works.
- 3.10 Sorting and processing of household recycling from kerbside collection and bring banks is contracted separately, to a local company, which is also responsible for the subsequent export and onward reprocessing. Other companies are similarly contracted to manage and process items collected through the HWRC (e.g. mattresses, scrap metal, rigid plastic, TVs), as well as 'end of life' vehicles.
- 3.11 Although Guernsey Waste carries out enforcement functions on behalf of the parishes, this is largely in an administrative, co-ordinating capacity. It acts as first point of contact for reports, monitors non-compliance, and issues warnings and fixed penalties as required. Operational elements, including checking compliance with set out requirements and following up non-compliance incidents, is largely done by other parties, contracted by the parishes or Guernsey Waste.
- 3.12 One area Guernsey Waste is actively engaged in is the promotion of waste minimisation. It is working with retailers, schools, and the wider community to help eliminate unnecessary waste.
- 3.13 This includes, for instance, highlighting the issue of food waste, and in particular the cost to consumers. Less food waste leads to lower shopping bills and reduces the cost of processing this material, helping minimise future waste bills. Similarly, home composting is being promoted, which can also reduce the amount of food waste requiring collection and processing.
- 3.14 Like other measures which benefit the environment, such as reducing household energy use, producing less waste can have financial benefits that ultimately will translate into savings for the consumer.

### ***Household waste charges***

- 3.15 To support the objectives of the Strategy and encourage behaviour higher up the Hierarchy, a key element has been the adoption of a user pays approach.
- 3.16 Under the previous system, Guernsey Waste's predecessor – the Public Services Department – funded the provision of waste and recycling services primarily through income from gate fees at States-run waste sites. That included charging parishes for disposal of general waste they collected from households. Commercial waste was subject to similar per tonne gate fees at the sites.
- 3.17 Income from landfill charges at Mont Cuét was sufficient to fund all household waste services provided by the States. That included sorting, export and

processing of materials from bring banks and kerbside recycling. It also included the subsidised bulk refuse service; the Chouet green waste site and subsequent processing of household garden waste; the original reuse and recycling facility at Longue Hougue; and initiatives to promote good waste practice.

- 3.18 Households in turn paid for these services through an annual bill from their parish. This was how the Douzaines recovered the costs that they incurred for collection and disposal of general waste.
- 3.19 The parish bills were calculated based on Tax on Real Property (TRP) values. How much each household paid depended on the size of the property where they lived, not how much waste they produced or how they chose to deal with it. That was unpopular with most islanders<sup>11</sup>.

#### Current charges

- 3.20 The current system was introduced in 2019, and established a link between how much waste households produce and the amount they pay towards the processing and treatment of their waste and recycling.
- 3.21 There are three elements:-
1. Douzaines charge households in their parish an annual fee to recover the cost of their collection contract. This is levied at a flat rate per household but varies between parishes. It only covers the element Douzaines are directly responsible for, which is kerbside collection of waste and recycling from households (and small businesses who are admitted into parish collections).
  2. Guernsey Waste also levies an annual WDA charge on all households. This is charged at a flat rate, which in 2021 was £90 (2019 & 2020: £85)
  3. There is also a WDA 'pay as you throw' sticker charge, the income from which is received by Guernsey Waste. This can be levied on any receptacles for waste or recycling, but currently only applies to general waste.
- 3.22 The parish charges are calculated annually by each parish in accordance with the relevant legislation<sup>12</sup>.
- 3.23 The annual charge and pay as you throw charges made by the WDA are set out in an Ordinance<sup>13</sup> and can be amended by Regulations.

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<sup>11</sup> Island Analysis (2011). In a survey of 1,018 islanders, 58% agreed that households should be charged according to how much waste they produce. Only 30% disagreed.

<sup>12</sup> The Parochial Collection of Waste (Guernsey) Law, 2015 and the Parochial Collection of Waste (Guernsey) Ordinance, 2018 (Part I).

<sup>13</sup> The WDA household charges are set out in the Schedule to the Waste Management Services (Charging) Ordinance, 2018.

- 3.24 There is a different charging arrangement for commercial waste. Guernsey Waste charges a per tonne 'gate fee' at its various sites, which varies depending on what subsequent processing and treatment is required, and where that sits within the Waste Hierarchy. For example, separate food waste, for recycling and energy recovery, has a lower gate fee than general mixed waste that is destined for energy recovery and disposal. Commercial gate fees are set out in Regulations which are amended annually.

#### Central funding

- 3.25 It was originally intended that development costs for the infrastructure elements of the Strategy - namely the transfer station and HWRC - would be funded by a loan from the proceeds of the States of Guernsey Bond Issue. This was to be repaid through waste charges over the life of the Strategy, in line with the user pays principle. That approach was agreed by the States in 2014, and again in 2017.
- 3.26 In April 2018, the States agreed to fund the initial development costs of up to £32 million for these facilities from the Capital Reserve<sup>14</sup>. This was with the express intention of reducing the amount to be recovered through future household waste charges. In doing so, they accepted the principle that some of the cost of providing waste and recycling services could reasonably be funded centrally, to reduce the direct cost to households.

#### Financial modelling

- 3.27 Extensive financial modelling was carried out before the new services, facilities and charges were introduced. The objective was to enable Guernsey Waste's income and expenditure break even, at an operating level, over the 20-year life of the Strategy.
- 3.28 Given the Strategy aims to reduce waste, the modelling assumed the volumes that required processing and treatment would diminish over time, while the amount reused and recycled would initially increase. There would be a step change following the initial transition, followed by a more gradual trend.
- 3.29 The overall cost of processing waste and recycling would therefore vary year to year, but would reduce as waste volumes declined. So too would income from household waste charges, as it is linked to the amount of waste being produced.
- 3.30 The introduction of a pay as you throw charge was expected to result in fewer (and fuller) bags of general waste. What could not be accurately forecast was the precise number that would now be set out. It was especially difficult as the new charging arrangements were coupled with an entirely new collection system, the impact of which had yet to be seen. An assumption therefore had to be made.

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<sup>14</sup> Billet d'État XI of 2018: Waste Strategy - Household Charging Mechanisms.



### Cost recovery - risks

- 3.31 The balance between the WDA fixed charge and the bag charge was a key point of debate when the States set the initial charges.
- The fixed charge provides some income certainty, and reflects the fact that some costs of providing various services are fixed, irrespective of how much households use them. It also mitigates against bag charges having to be so high as to make the service unaffordable to some. However it has no link to an individual household's 'waste behaviour', so does not encourage them to reduce waste or recycle more. Arguably, it provides a disincentive. Recovering a significant proportion of costs through fixed charges can also disproportionately affects those on lower incomes.
  - The bag charge provides a link to waste behaviour, giving households greater control over how much they pay. However, it provides very little income certainty – as has been demonstrated. Also, the higher the charge, the more likelihood some may seek to avoid it, resulting in loss of income and, potentially, some antisocial behaviour, which although not widespread can be costly to address.
- 3.32 The previous Assembly sought to strike the right balance between the charging elements. The initial annual fixed charge was set at £85 per household, and the bag charge at £2.50 for general waste, with zero charge for recycling. There was an expectation this would raise sufficient income to cover the cost of household waste and recycling services provided by Guernsey Waste. However it was acknowledged that some adjustment might be required once the new services and charging arrangements were in place.
- 3.33 The policy letter<sup>14</sup> also highlighted the risk to Guernsey Waste of over-reliance on volume-based bag charges, the income from which would be variable:-
- “7.2 These risks are magnified at this point, given the uncertainty around some of the initial assumptions and, more broadly, the outcomes in terms of the desired behaviour change. The implementation of the new collection services and charging arrangements represent a fundamental shift in how households will both manage and pay for their waste, the immediate effects of which are as yet unknown.*
- 7.3 .... A higher than anticipated reduction in the number of refuse bags produced (which does not necessarily translate to an equivalent overall tonnage reduction) may result in a shortfall in income from pay as you throw charges.....”*
- 3.34 That issue has materialised. The assumption made for the number of bags that would be generated significantly underestimated the extent to which islanders

would embrace the new arrangements. As a result, the amount raised through bag charges is much less than anticipated, leaving a shortfall between Guernsey Waste's income from households and the cost of managing their waste.

- 3.35 The impact of the new services and higher charges on waste behaviour in the commercial sector could also not be fully anticipated at the outset. Currently, income from commercial waste received at the transfer station is significantly less than was modelled, further contributing to Guernsey Waste's operating deficit.
- 3.36 All estimates for income, expenditure, and tonnages before the new services and charges were introduced relied on a number of assumptions. They included the anticipated volumes for different waste and recycling streams, and the subsequent processing costs, for which some contracts were still to be finalised. The initial pricing decisions were therefore based on many key, unknown factors.
- 3.37 Comparisons now with actual income, expenditure, and waste volumes since the changes are largely immaterial. What we know from experience is different, understandably, to what was assumed based on unknown human behaviour. However comparisons are still useful in highlighting factors contributing to the trading deficit, and some major challenges with the current funding model.
- 3.38 The original assumptions were also based on the volumes of the different waste streams that existed before the new collection and charges were implemented, adjusted to account for anticipated behaviour change. They therefore also provide a good indicator of the impact of the changes.

#### **4 Impact of new collections and charging**

- 4.1 Designing new services and facilities to support the Strategy objectives has been a key factor in changing behaviours, with the pay as you throw charge helping drive that change.
- 4.2 This combination of measures has had a positive impact on the amount of household waste produced. Total household waste (including 'dry recycling' materials collected through kerbside, bring banks and the HWRC, but excluding household green waste) fell by around 10% following the changes to collections and charges<sup>15</sup>. Consequently, the cost of managing this waste was less than anticipated (as set out in paragraphs 4.15 to 4.17).
- 4.3 Take up of food waste collections has also far exceeded expectations. The modelling assumed around 60% of households would use the service, based on

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<sup>15</sup> 2020 subsequently saw a 9% increase, compared to 2019. However some of that increase is likely to reflect the impact of the first COVID-19 lockdown, and how this affected the nature of waste and recycling arising in the home.

participation in the initial kerbside scheme for dry recycling materials. There was limited available data on food waste collections in other locations, but 60% was considered an ambitious but realistic medium-term goal. Soon after the service was launched locally, participation was recorded at more than 90%. That too has had a positive impact on the overall costs of managing household waste.

- 4.4 Recycling of other common household materials is also high, with more than 90% of households regularly using the kerbside collection service (see Table 2). A further 2% report using the bring banks for most of their household recycling<sup>16</sup>.
- 4.5 This success is likely due to a combination of factors, including strong community engagement in managing waste sustainably. Other factors are efficient roll out of the new services and charges, effective communication of the changes, and the incentive of a charge for general waste.
- 4.6 In 2019, the year the Strategy was fully implemented, the island achieved its 2030 goal of recycling 70% of household waste.

Recycling materials	Proportion of households setting out <sup>17</sup>		
	Before changes to collections/charges <sup>18</sup>	After changes to collections <sup>19</sup>	After introduction of new charges <sup>20</sup>
Blue bags	68%	84%	94%
Clear bags	67%	82%	92%
Food waste	-	87%	93%
Glass	-	55%	69% <sup>21</sup>
<b>Overall</b>	<b>74%</b>	<b>95%</b>	<b>99%</b>

*Table 2: Kerbside recycling collections – household participation rates*

<sup>16</sup> Island Global Research (September 2021). In a survey of 1,848 households, 2% used bring banks when recycling paper, plastics, tins/cans, and cartons, 3% for cardboard and 8% for glass.

<sup>17</sup> The kerbside participation survey studies more than 1,000 households in St Peter Port and Castel, over a four week period. Households are deemed to participate in a particular 'stream' (blue/clear/glass/food) if they set out those specific materials at least once during the four weeks. The 'overall' kerbside recycling rate is the percentage of households that set out at least one recycling stream during the four weeks.

<sup>18</sup> Survey conducted in June 2018.

<sup>19</sup> Survey conducted in December 2018.

<sup>20</sup> Most recent survey conducted in June 2020.

<sup>21</sup> Observed behaviour is likely to understate actual participation in glass collection, as households that set out less frequently than every four weeks may not be recorded.

### **Cost to households**

- 4.7 When the Strategy was agreed, it was understood that a more modern, sustainable approach to dealing with our waste would cost more. Consequently, household waste bills would rise.
- 4.8 **While that has been the case, the step change increase in the amount households have to pay that was widely predicted has not fully materialised. Households have instead been paying significantly less than was forecast.**
- 4.9 When the original charges were set, it was estimated that households would pay, on average, around £305 a year (equivalent to around £5.85 per week) once all the new services and facilities were fully operational. That included the annual parish charge to cover collections, which it was estimated would be around £85 (Note: the average in 2021 was £84).
- 4.10 The remaining £220 (equivalent to £4.25 per week), were the charges to be levied by Guernsey Waste to cover the waste and recycling services it provides.
- 4.11 That £220 estimate was an average over the full 20-year life of the Strategy. The modelling assumed that in the early years the volume of general waste would be at its peak, and the amount raised through bag charges would be at its highest. It was therefore expected that households would pay more than £220 at the outset, but it would gradually diminish as waste reduced and more was reused, recycled or composted.
- 4.12 Guernsey Waste would therefore achieve a surplus in the early years, which would offset a deficit in later years, as the income from bag charges fell.
- 4.13 However between 2019 and 2021, households paid on average around £160 a year in WDA charges (i.e. excluding collection), or less than £3.10 a week.

	<b>Average weekly cost per household</b>	
	<i>Modelled (20 year average)</i>	<i>Actual (2019 to 2021 average)</i>
Annual charge	£1.62	£1.67
Bag charges	£2.60	£1.39
<b>WDA Total</b>	<b>£4.22</b>	<b>£3.06</b>
Parish charge – collection	£1.63	£1.58
<b>Total</b>	<b>£5.85</b>	<b>£4.64</b>

*Table 3: Household waste and recycling charges - modelled vs actual in 2019-21*

- 4.14 Therefore even at the point when Guernsey Waste was expected to make a surplus, the income from WDA charges was significantly below the average of £4.25 per week that it was anticipated would be required to break-even over the life of the strategy.

#### ***Lower expenditure***

- 4.15 While the income that was expected has not materialised, the cost of dealing with household waste and recycling has also been less than was forecast. This is the result of improved terms being secured for some contracts, and more material being diverted away from general waste than was anticipated.
- 4.16 Between 2019 and 2021, processing costs for household waste and recycling were on average around £1 million less than originally anticipated (Table 4).

<b>Expenditure for 2019 to 2021 (£,000s)</b>				
	Modelled <sup>22</sup>	Actual	Difference	
General waste <sup>23, 24</sup>	3,766	1,959	↓	<b>1,807</b>
Paper and cardboard <sup>25</sup>	598	553	↓	<b>45</b>
Plastics, Tins & Cans, Cartons <sup>25</sup>	152	287	↑	<b>135</b>
Food	255	538	↑	<b>283</b>
Glass <sup>25</sup>	105	190	↑	<b>85</b>
Bulk Refuse	-	120	↑	<b>120</b>
Green Waste	-	168	↑	<b>168</b>
Other Waste	349	405	↑	<b>56</b>
<b>Sub-Total</b>	<b>5,225</b>	<b>4,220</b>	<b>↓</b>	<b>1,005</b>

*Table 4: Household waste and recycling costs for key waste streams – modelled compared to actual from 2019 to 2021.*

- 4.17 The cost of managing each waste stream reflects the processing requirements and export and treatment costs. It ranges from nearly £300 a tonne for Refuse

<sup>22</sup> The modelled costs in Table 4 and Table 5 are based on the anticipated annual expenditure and tonnages for 2019-21. This provides the best illustration of the variation between expected costs and actual costs for these three years. It differs from the modelled expenditure in Table 1, which shows the 20 year average.

<sup>23</sup> Includes an apportionment of the Waste Transfer Station insurance and ground rent

<sup>24</sup> Includes 'black bag' waste and material delivered to the HWRC for disposal.

<sup>25</sup> Material collected through kerbside, bring banks, and the HWRC.

Derived Fuel (RDF), to less than £100 a tonne for glass - as shown in Table 5. Actual costs are different to what was modelled, primarily due to variations in the assumed and actual tonnages for each waste stream, and in some cases improved contract terms compared to what was expected.

	Cost per tonne for 2019/20 (£)	
	Modelled <sup>22</sup>	Actual
General waste <sup>24</sup>	339	289
Paper & Cardboard <sup>25</sup>	169	162
Plastics, Tins & Cans, Cartons <sup>25</sup>	170	186
Food	217	160
Glass <sup>25</sup>	56	84

*Table 5: Household waste and recycling - processing and treatment costs in 2019 and 2020 for main household materials, modelled vs actual*

#### Non-financial benefits

- 4.18 As well as reducing overall expenditure, the higher than expected volume of material being diverted from general waste has non-financial benefits.
- 4.19 For example, source-separated food waste goes through a process known as anaerobic digestion<sup>26</sup>, which produces renewable energy and compost. That is considered a more sustainable treatment method than including it in general waste. Material being exported as RDF also has lower food content as a result, and is therefore dryer and has higher calorific value, improving energy recovery.
- 4.20 Similarly, increased recycling of other dry materials is helping maximise resources and contributing to more sustainable waste management.
- 4.21 While that is central to the Strategy, the policy is not to pursue recycling at any cost. A good example is 'expanded' polystyrene, which is no longer recycled locally due to the high cost (c. £3,000 a tonne). When the island was reliant on landfill, that was justified because the priority was to preserve valuable void space and diverting this very lightweight but bulky material away from Mont Cuét helped achieve that. That is no longer a requirement, and polystyrene is therefore now included in residual waste for processing and export as RDF.

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<sup>26</sup> Anaerobic digestion is a natural process in which micro-organisms break down organic matter in the absence of oxygen, to produce biogas (around 60% methane) and a nitrogen rich fertiliser. The biogas can be burned directly to produce heat and electricity, or as a natural gas alternative or vehicle fuel.

### ***Fixed vs variable costs***

- 4.22 As the below forecast expenditure to date has demonstrated, lower volumes of waste can reduce overall costs. However not all costs incurred by Guernsey Waste are directly tonnage-based.
- 4.23 Costs can generally be broken down into three types:-
- ‘Absolute fixed’ costs are incurred even if the volume of waste is significantly reduced. Examples may include minimum staffing for the transfer station and HWRC, ground rent for these facilities, and annual insurance premiums.
  - ‘Stepped’ costs are essentially tonnage-based but within a range and can be subject to increases or decreases if the volume processed exceeds an upper or lower end. They therefore have both a fixed and variable element. Examples may include the contracts for off-island energy recovery.
  - ‘Absolute variable’ costs are directly based on tonnage. Export costs is one example.
- 4.24 In reality, the proportion of costs that are absolute fixed or absolute variable is relatively low. The majority of expenditure is based on ‘stepped’ cost terms, so it does not necessarily follow that lower tonnages will translate into proportionately lower costs. Nevertheless, further reductions in waste should continue to see the overall cost of waste management reduce.

## **5 Current financial position**

- 5.1 Guernsey Waste reported annual deficits, before depreciation<sup>27</sup>, of £1.4 million in 2019, £1.0 million in 2020, and £0.6 million in 2021.
- 5.2 Inert waste activities made a positive contribution of £0.8 million in 2019, £1.2 million in 2020, and £1.4 million in 2021. This reduced the overall trading deficit but cannot be relied on in future as a new solution for managing this material is required once the current Longue Hougue Land Reclamation site is full.
- 5.3 Excluding inert waste, Guernsey Waste has recorded an annual deficit (before depreciation) of between £2.0 million and £2.2 million in each of the last three years. This was roughly evenly split between household and commercial waste and was due to a number of factors.

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<sup>27</sup> With the exception of very minor capital expenditure, the depreciation charge in Guernsey Waste relates to the transfer station, which was funded from the Capital Reserve and is not funded through fees and charges levied on current waste producers. Therefore the requirement for the Strategy to break even over its lifetime is calculated before depreciation, which is in effect its operating deficit/surplus after adjusting for other charges such as interest expense.

- 5.4 A similar deficit, excluding inert waste and depreciation, is forecast for 2022.
- 5.5 For households, the amount raised through bag charges has been significantly less than anticipated, due to the inaccurate assumption of the number of bags that would be generated. That was in large part because the uptake of food waste collections has been higher than expected, as well as increases in other recycling waste streams. As outlined in Section 4, actual expenditure was less than anticipated, but not to the extent to cover the income shortfall.
- 5.6 The revenue being received from businesses has also been less than was anticipated in the original modelling. The reasons for this include better segregation of food waste and glass, for which lower gate fees apply, and gate fees generally being below the level required to recover full costs given the volumes currently being received.
- 5.7 Guernsey Waste's current funding arrangements are further complicated because it is responsible for activities that involve a public service element.
- 5.8 For instance, several former landfill sites have to be monitored for decades to come, as they are a potential source of pollution. This is a regulatory requirement that Guernsey Waste has inherited, as holder of the waste licence for these sites, and costs around £508,000 a year. In the past it could be funded from the surplus generated from waste charges. However, it is a legacy arising from the disposal of waste by past producers, dating back generations.
- 5.9 Another example is hazardous waste. Some materials, such as asbestos, continue to be landfilled at Mont Cuet, while certain other chemicals are exported for safe disposal. Given the risk to health and/or pollution that would arise from improper disposal, these services do not operate on a full cost recovery basis. For chemicals, disposal is free to households, and businesses are not charged the full cost of collection and export. The gate fee for hazardous waste landfill, although higher than gate fees for other non-hazardous materials, is also capped.
- 5.10 These activities have a significant cost, which either cannot be fully recovered from the service user or is not directly linked to current waste producers. Under the present funding model, the cost has to be recovered through the existing waste charging mechanisms – either from households or businesses.
- 5.11 There is a strong argument that current service users should not be liable to pay these costs through their waste charges. It has the effect of inflating the required level of charges, distorting the link between how much households pay and how much they produce, and does not align with the principle of 'pay as you throw'.
- 5.12 Guernsey Waste also incurs large, uncontrollable costs. An example is insurance for the transfer station and HWRC, which is specialist cover, for which premiums reflect the general market for similar facilities elsewhere at any particular time.



It was therefore difficult to forecast accurately in the original financial modelling, and premiums are significantly above the pre-commissioning estimates.

- 5.13 For 2019, Guernsey Waste paid £201,000 to secure cover for the transfer station building and business interruption. Premiums increased significantly for 2020, to £359,000, and rose again in 2021, to £543,000 for a reduced level of cover. The annualised charge is currently £571,000.
- 5.14 These premiums will continue to depend on factors that are outside Guernsey Waste's control or influence, which adds to the challenge of maintaining the business on a viable commercial basis.
- 5.15 In addition, Property Services currently charges £300,000 a year ground rent for the land occupied by the transfer station and the HWRC. That is on the basis that Guernsey Waste is a commercial trading business and generates income to fund the provision of its services. At present the rental cost is contributing to the significant trading deficit.
- 5.16 All these costs being incurred for public service elements and uncontrollable items currently have to be met through waste charges, in addition to the processing, export and treatment costs for the island's waste and recycling. This puts considerable burden on the current household charging mechanisms.

## **6 Review of pricing, potential savings, and new revenue opportunities**

- 6.1 Guernsey Waste has already begun to address the trading deficit and is not solely focused on raising household waste charges. It is looking to reduce expenditure and identify potential new service offerings to raise additional revenues. Both will minimise the requirement to increase prices.
- 6.2 Key supplier contracts are under continual review, to identify potential efficiencies and cost savings. In 2020/21, the processing contracts for RDF and food waste were renewed at improved terms.
- 6.3 In terms of new revenue streams, the viability of a garden waste collection is currently being assessed. Many UK local authorities provide this service, typically for a charge of around £50 to £80 a year. Research carried out for Guernsey Waste<sup>28</sup> suggests up to half of local households might use this service, on an opt-in subscription basis. Further work is now being carried out to determine if this could be operated cost-effectively on the island, and whether it could provide other, potentially non-financial benefits.
- 6.4 Kerbside collection is now the preferred recycling option for the vast majority of islanders, as shown in Figure 1. Only around 2% of households<sup>28</sup> still rely on bring

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<sup>28</sup> Source: Island Global Research survey of 1,848 households, September 2021.

banks for all their recycling, and closure of the remaining sites at Rohais, Salerie Corner, and Longfrie will save up to £100,000 a year. For materials most frequently taken to these facilities - bulky cardboard, glass and textiles - alternative provisions are available at the HWRC and could be provided elsewhere if necessary. Guernsey Waste is currently reviewing the existing facilities with a view to implementing changes during 2022.

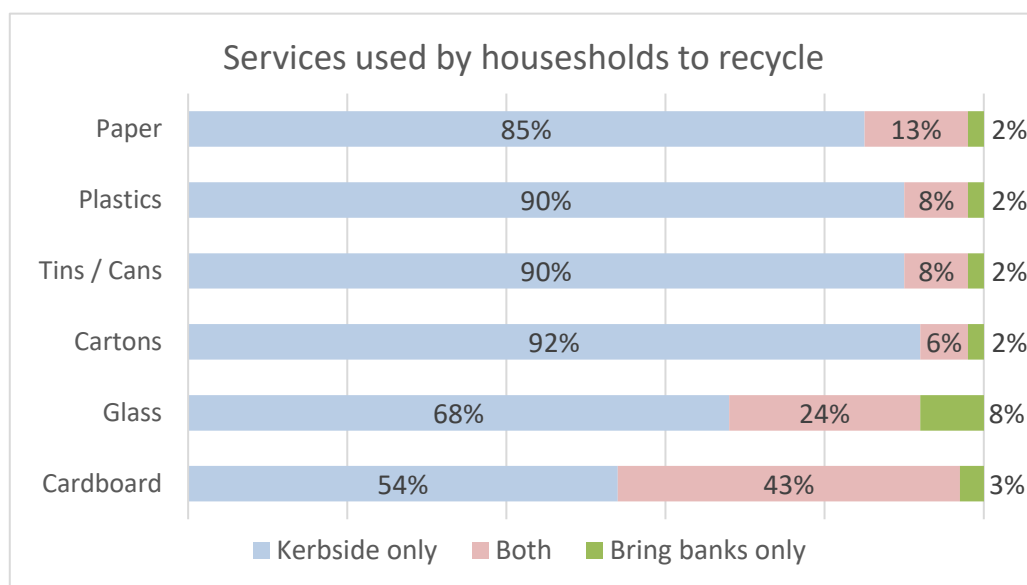


Figure 1 – Household recycling preferences<sup>28</sup>.

- 6.5 Notwithstanding the scope for reducing costs and generating new revenues, it was always envisaged that some adjustment to the initial household waste charges might be required, based on experience once all the changes had been made. The STSB believes that given the current income shortfall, and the extent to which this is due to current average household expenditure being significantly lower than was anticipated, these charges should rise.
- 6.6 In 2020, the STSB resolved that moderate above inflation increases in household waste charges should be spread over five years, with the annual charge rising by RPIx plus £5 each year and the pay as you throw charge by RPIx plus 5%.
- 6.7 The first increases were implemented in January 2021, when the annual charge increased from £85 to £90, and the pay as you throw charge for general waste rose from £2.50 to £2.70<sup>29</sup>. This was equivalent to a rise, on average, of around £10 per household for the year.
- 6.8 The STSB has agreed a further increase for 2022, which will see the annual WDA charge rise to £97.97, and the bag charge<sup>29</sup> rise to £2.92 from 1 July. The average cost to households rise by around £13 for the year.

<sup>29</sup> Charge for a standard bag, up to 90 litre capacity.

- 6.9 In terms of commercial waste, the amount of waste received is likely to be highly price sensitive if there is potential within the private sector to process more of this material, which is not within the WDA's control. That would potentially see the deficit worsen. The STSB therefore agreed that gate fees should rise in line with RPIx, while Guernsey Waste explores opportunities to increase the amount being received at the transfer station.
- 6.10 In 2021, the gate fee charged at Mont Cuët for road sweepings and 'gully sludges' also increased from £50 to £260 per tonne to be more reflective of handling and disposal costs. This material from road-sweeping and drain clearance is a mixture of liquids, organic matter, litter and grit, and is currently disposed of in landfill. The increase addressed an anomaly in the previous charges and generated an additional £432,000 in 2021. That increase is primarily being met by the CfE&I, which is responsible for road cleaning. Guernsey Water and drainage companies will also have higher disposal charges. The method of dealing with this waste stream needs to be reviewed to ensure it is sustainable, which will influence future costs and revenues.

***Proposed increases in household waste charges***

- 6.11 Under the policy outlined in paragraph 6.6, net of any RPIx increase in future years, by 2025 the annual charge will be around £113, and the bag charge will be around £3.40. Under that scenario, based on current set out rates the average household would spend around £3.85 per week in WDA charges that year.
- 6.12 The STSB considers that is not unreasonable, given the cost of dealing with household waste and recycling. The average cost in 2025 would still be less than the original forecast of £4.25 per week (excluding collections).
- 6.13 Waste charges are set annually by Regulation. The Assembly therefore has the opportunity to reject the proposed increases when those Regulations are laid before the States by STSB. The additional revenue that these increases are forecast to raise would then have to be found through alternative means, other than waste charges.
- 6.14 The application of bag charges always carried a risk that some households may try to avoid the cost. However non-compliance has been very low, and it is felt that a charge in the order of £3.40 is unlikely to lead to a significant increase in avoidance. Especially given how few bags households set out (currently around ½ bag per week, on average). Smaller households, who tend to generate lower amounts, are likely to be impacted least.
- 6.15 The higher charge will however provide a greater incentive for all households to reduce waste and recycle, which is in line with the objectives of the Strategy. This will help households to minimise their charges and reduce the overall cost of processing and treating these materials.

## **7 External factors – potential impacts of UK developments**

- 7.1 In the UK, HM Government and the Devolved Administrations have separate responsibilities for waste policy in England, Scotland, Wales and Northern Ireland. All have plans<sup>30</sup> to transition to a circular economy, which minimises waste and maximises the efficient use of resources.
- 7.2 In England, for example, the Government has committed to working towards eliminating avoidable plastic waste by 2042 and achieving zero avoidable waste by 2050. Specific measures to support these aims are contained in legislation<sup>31</sup> that was enacted in late 2021 and is now partly in force.
- 7.3 They include plans for a nationwide scheme to make producers pay for dealing with the packaging materials they produce (known as Extended Producer Responsibility, or EPR). Obligated producers will not only be manufacturers, but brand owners, importers, distributors, online marketplaces, sellers, distributors and others in certain circumstances.
- 7.4 Similarly, there are proposals to require retailers to apply ‘take-back’ deposits on drinks containers (Deposit Return Schemes, or DRS). Such a scheme is shortly to be implemented in Scotland, with the other UK administrations currently consulting on similar measures.
- 7.5 Through these measures, the UK is exerting pressure on manufacturers and their supply chains. That rightly moves some responsibility onto producers, to support individuals in managing their waste sustainably. The latest information is that both the EPR and DRS schemes are likely to be implemented UK-wide from 2024.
- 7.6 Considerable progress is also being made to improve the recyclability of items such as carrier bags, bread bags, polythene, and crisp packets. Until now these have been difficult to recycle, and therefore currently are supposed to go into general waste. However that could change in future as capacity to reprocess these materials is expected to improve significantly.
- 7.7 These are significant developments, intended to drive societal change, and will alter how packaging and other products are designed and managed throughout their lifecycle, from manufacture to end of use treatment.

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<sup>30</sup> HM Government - A Green Future: Our 25 Year Plan to Improve the Environment; Resources and Waste Strategy for England; Welsh Assembly: Beyond Recycling; Scottish Government: Developing Scotland's Circular Economy; Northern Ireland Executive - Delivering Resource Efficiency.

<sup>31</sup> UK Environment Act 2021.

### ***Local implications***

- 7.8 Under the UK EPR proposals, charges levied on obligated packaging producers<sup>32</sup> will be used to cover the cost of managing these materials, whether through recycling or other means. It is intended to achieve full cost recovery, with income from charges distributed to collection authorities and processors.
- 7.9 Full details of how this and DRS will work in the UK are still to be announced, so it is currently unclear how local retailers might be affected. When more details are available, it will be possible to assess the potential benefits, implications, options and costs of adopting similar schemes in the island. It is likely this would require legislation, which as a policy matter sits within the mandate of the CfE&I. Guernsey Waste is liaising with the Committee regarding potential implications, pending further details.
- 7.10 While there are currently no plans to adopt similar proposals in Guernsey, even if we do nothing these schemes could still have a significant impact. Most of our main retailers are either part of or closely linked to major UK chains. We therefore share the same supply chains and the same producers for most everyday products, groceries, and other goods.
- 7.11 The initiatives being developed in the UK should reduce waste and improve recyclability. This could affect the volumes and type of materials Guernsey Waste has to deal with, and the costs that it incurs. It will also potentially further erode the ability to recover costs through charges for general waste.
- 7.12 In other words, developments in the UK may mean Guernsey Waste has a still diminishing number of bags of waste and/or recycling through which to generate income under the current charging arrangements. The reliance on black bag charges to recover a significant proportion of costs may become even more unsustainable, which the addition of recycling charges alone may not resolve.
- 7.13 It is difficult to predict with any certainty what the financial implications will be. This is further complicated by the fact that, for practical reasons, pay as you throw charges are volume-based (i.e. per bag), but subsequent export and treatment costs are weight-based.
- 7.14 By way of illustration, plastic film is lightweight but may currently account for a significant volume of black bag contents. Increased recyclability may reduce the (weight-based) cost of treating general waste but will result in fewer bags. The balance is currently uncertain, but a 5% reduction in weight and 30% reduction in volume, based on current charges, would leave Guernsey Waste with an additional annual deficit of around £600,000.

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<sup>32</sup> Under the proposals being consulted on, obligated producers will include brand owners, importers, distributors, online marketplaces and service providers.

- 7.15 However EPR and DRS have the potential to transfer certain costs currently being incurred by processors (those disposing of the goods) onto producers, and therefore onto products themselves. This more closely reflects a 'polluter pays' approach, in the sense that every individual will be more responsible for the costs of the products they choose to purchase and consume.

## **8 Addressing the ongoing deficit**

- 8.1 Compared to 2021, the planned increases in household charges outlined in Paragraph 6.6 could generate additional income of around £1.0 million a year by 2025, excluding RPIx.
- 8.2 Based on current expenditure, these increases alone will not be sufficient to address Guernsey Waste's current operating deficit of around £2 million a year (excluding inert waste and before depreciation). Nor will they address the ongoing accumulated deficits, which by 2025 are estimated will total around £10 million. They are also highly dependent on the number of bags of general waste being set out, which is still subject to considerable uncertainty.
- 8.3 It is unlikely sufficient cost reductions or new revenues can be realised to close the ongoing deficit that is forecast from 2025. Therefore, under the current cost recovery model, further increases in household waste charges will be required.
- 8.4 There are several variables that could determine how far charges would have to rise for Guernsey Waste to achieve a break-even position over the lifetime of the Strategy. They include how much contribution commercial waste makes to the overall operating costs. That might improve in future, but that cannot be guaranteed as there is significant private sector involvement. If the amount of commercial waste being received at the transfer station does not increase significantly, households will be left to cover a higher proportion of Guernsey Waste's operating costs than originally anticipated.
- 8.5 Another very significant factor is the potential further reduction - or increase - in the number of bags of general waste. That is difficult to forecast for the immediate future, particularly given the growing focus on waste reduction internationally, the impact of which is currently unknown.
- 8.6 It is possible however to calculate what the household charges need to be, based on current costs and set out rates, if they are to be used to recover the deficit.
- 8.7 To fully recover the accumulated deficit and achieve breakeven by 2039 (i.e. within the 20 years of the strategy), every household will have to pay an additional £95 a year from 2023 onwards. The average cost would then be around £320 a year in WDA charges, which is broadly in line with the original estimate of £305 – having been significantly below that for the first four years.
- 8.8 Under this scenario, households will also be contributing to addressing the shortfall in anticipated income from commercial waste, both in the accumulated

deficit and in future years. As such, they may not continue to see the benefit of the reduction in overall costs that have been achieved.

- 8.9 Figure 2 shows the respective charges required to address the anticipated ongoing deficit, ranging from all the additional income being recovered through the current bag charge to the whole shortfall being placed on the fixed charge.

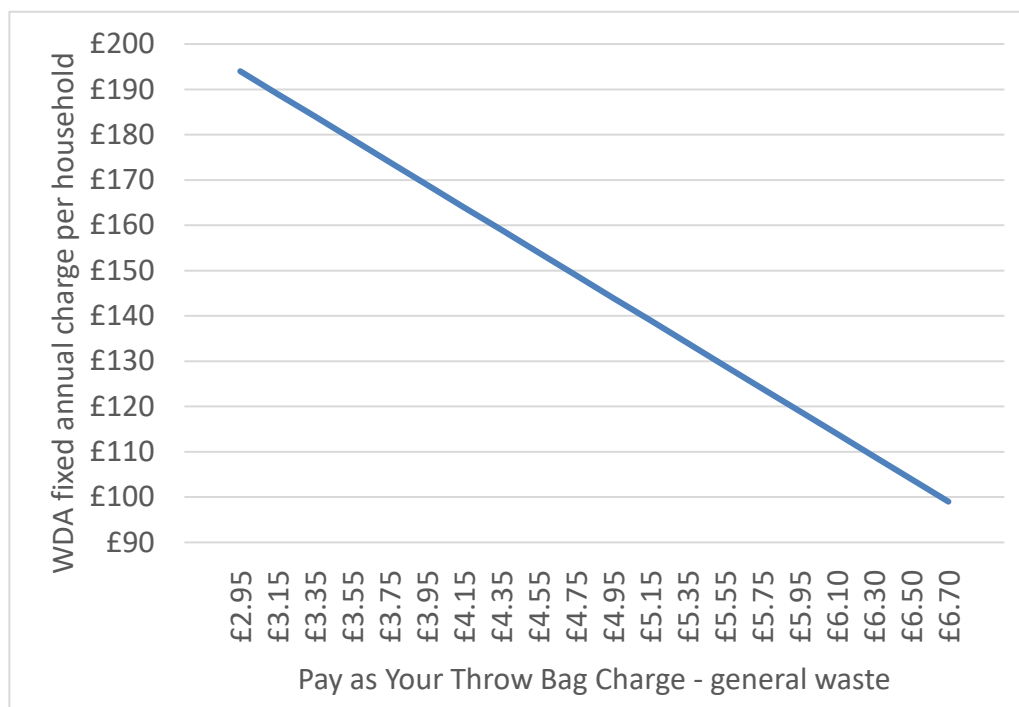


Figure 2 - WDA fixed charge vs bag charges to recover current full deficit

- 8.10 The line on the graph illustrates the balance of charges required based on current forecast costs and existing charges only:-
- If the annual WDA waste charge remained at the proposed 2022 level of £97.97 for the remaining years, the pay as you throw charge for general waste would have to rise to around £6.70 per bag from 2022 onwards.
  - If the pay as you throw charge for general waste was fixed at the proposed 2022 charge of £2.92 for general waste, and the full increase was applied to annual charge, that would need to rise to around £195 in 2023.
  - Alternatively, splitting the additional income between the two elements, the annual charge would rise to around £145 in 2023, and the pay as you throw charge for general waste to around £4.75 per bag.
  - If these increases are not implemented in 2023, the accumulated deficit will continue to grow. Therefore, to achieve a break-even position by 2037 would require an even higher rise in the bag charge, the annual charge, or both.

8.11 These estimates include a number of assumptions:-

- The number of bags of general waste set out continues at current levels;
- Commercial tonnages received at the waste transfer station continue at current levels;
- There is no 'pay as you throw' charge for recycling, which is permitted within the charging legislation

8.12 There is of course a significant risk in assuming the number of bags of general waste being set out will not continue to decline, particularly after price increases. The consequences of further reductions could be more acute than the impact to date, as it is starting from a relatively low base.

8.13 The fact that plastic film, which accounts for a large proportion of the current volume of waste, is likely to become more recyclable could also be a significant driver towards further reductions in the number of bags being set out.

8.14 Clearly if the whole deficit is to be recovered through an increase in the bag charge, it would be a very significant shift – two and half times the present level. It is difficult to conceive this not having a marked impact on behaviour – whether that be a further reduction in waste volumes (or increase in antisocial avoidance). Experience to date with what is, by comparison, a fairly modest bag charge would support that. As such, it is questionable whether it would result in anything close to the required income to make up the current shortfall.

8.15 Therefore, while the STSB considers the increases proposed in Paragraph 6.6 are reasonable, to recover an additional £95 per household through the existing charging mechanisms, given the current volume of waste (and recycling), would pose significant challenges.

#### Other charges/revenues

8.16 The need for such increases could be offset to a degree by the introduction of a pay as you throw charge for recycling or other new revenue opportunities, as well as by efficiencies resulting in cost reductions.

8.17 In Figure 3, the lower line on the graph shows the range of potential fixed charge and bag charge combinations based on Guernsey Waste reducing costs or increasing other revenues by £400,000. These figures are all illustrative, as there are numerous variables which will affect the actual income and costs.

8.18 A net increase in revenue/reduction in costs of £400,000 a year could reduce the pay as you throw charge for general waste by around 70p per bag, or the annual charge by £15.



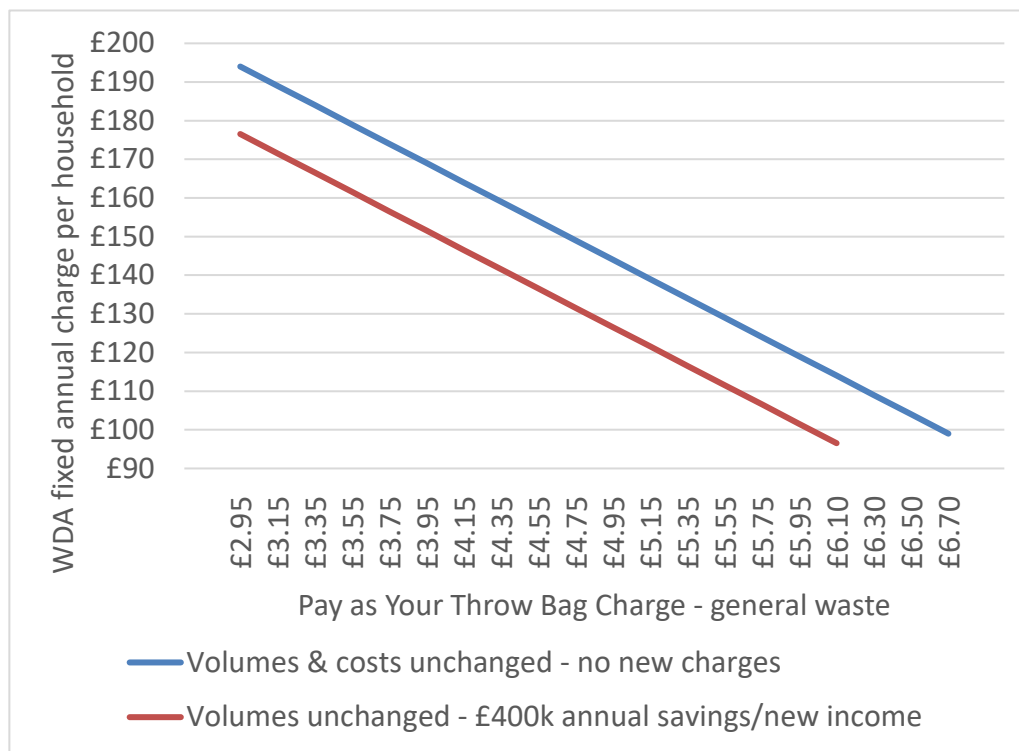


Figure 3 - WDA fixed charge vs bag charges to recover current full deficit

### Recycling charges

- 8.19 The fact that recycling facilities and services have always been free to households, at the point of use, can give rise to a misconception they provide a revenue for the States, or are at least cost-neutral. That is incorrect.
- 8.20 Guernsey Waste around currently spends around £2.2m a year on providing recycling facilities and services for households. That includes sorting, processing and export of materials collected through kerbside 'dry' recycling, bring banks, and the HWRC. Currently, that cost is expected to be covered by income raised through the annual charge and the pay as you throw charge for general waste.
- 8.21 Under the current legislation<sup>33</sup>, a charge can also be applied to any of the household recycling waste streams. That is entirely in keeping with both the 'polluter pays' principle and the Waste Hierarchy, which places prevention ahead of recycling in order of priority.

### Chargeable recycling streams

- 8.22 Applying a recycling charge would be most straightforward for materials currently collected in blue and clear kerbside bags. This would be either by way of a charge for the bags themselves, or the application of a sticker as used for general waste.

<sup>33</sup> Waste Management Services (Charging) Ordinance, 2018.

- 8.23 There are some practical issues that would need to be overcome. For instance, a new charge may encourage households to overfill bags, to the point that they become too heavy for collection contractors to safely lift. That could be a problem with clear bags containing primarily paper.
- 8.24 Food waste and glass are far less straightforward, as both require a returnable container.
- A regular payment could be applied through some form of adhesive label, but unlike the current stickers they would have to be easily removable before the container is returned. That presents issues with stickers being stolen or becoming accidentally or deliberately detached.
  - Requiring contractors to remove a payment label from food caddies (weekly) and glass bags (fortnightly) would also be onerous, given the very high participation levels. It is therefore likely to be unworkable and would be certain to slow collection times significantly and therefore increase costs.
  - For both glass and food waste, the containers provided are industry standard for separate collections of these materials. Alternate, 'non-returnable' containers, such as the blue and clear bags used for kerbside dry recycling, are not viable. Food waste requires a sturdy, vermin-proof, container, and plastic bags for glass would contaminate the material.
  - It is preferable if households set out food waste weekly. A charge every time a caddy is emptied may discourage many from setting out until full, which poses hygiene risks and amenity issues if waste is stored for long periods.
  - Charging on a less frequent basis, for instance an annual, quarterly or monthly charge effectively becomes a fixed charge. It would therefore be more cost-effective to retain that within Guernsey Waste's existing annual charge, rather than create a separate one.
- 8.25 For these reasons, it is considered impractical at this stage to introduce a pay as you throw charge for food waste or for glass.
- 8.26 In principle, subject to further consultation on the potential issues and operation, the STSB supports the introduction of a charge for current recycling bags from 2023. This would provide an additional revenue stream for Guernsey Waste, to reduce the current reliance on the bag charge for general waste.

#### Key challenges

- 8.27 Any new charge for recycling may be unpopular, particularly given the perception that 'free' recycling represents an income stream to the States, rather than a cost. Islanders have also generally felt they should not be penalised financially for 'doing the right thing' in waste terms. That is a communication challenge.

- 8.28 To date, compliance with requirements for setting out and paying for general waste is very high. That suggests a charge for recycling is unlikely to result in widespread avoidance. Nevertheless, it should be acknowledged that any increase in direct charges adds to the risk of some households looking to evade the cost – as opposed to reducing their waste/recycling, as intended. That risk has to be balanced against the anticipated benefits and potential returns.
- 8.29 The only way to avoid this risk of increased antisocial behaviour, such as burning of waste and recycling materials, abuse of public litter bins, or fly-tipping, would be to not introduce a new charge.
- 8.30 In addition, the current trading deficit is, in large part, the result of inaccurate estimates being made of the revenues that would be raised through the charge for general waste. That includes not being able to predict the impact on household behaviour, in terms of the number of bags that would be produced.
- 8.31 The estimates for the number of recycling bags currently being set out have taken some account of the fact that most are only partially full when set out for collection. The introduction of a charge will be an incentive for households to only set out when full, to minimise the cost to them, and an adjustment has been made to reflect this.
- 8.32 Even so, there are a number of reasons why any assumptions of future set out may still be inaccurate:-
- The studies were based a selection of households, in areas chosen to represent a cross-section of the island. The results showed considerable variation in set out (and content) of recycling bags in different areas, which in part reflects both household composition and recycling behaviour. If the study areas were not fully representative of the island as a whole, the calculations could significantly over-estimate average set out rates.
  - The assessment of how full bags were relied on a visual inspection. Although done consistently, this method has considerable margin of error. Also, no effort was made to compress the contents, which would be encouraged by a new bag charge. This could again lead to a significant over-estimate of the equivalent number of full bags.
  - As demonstrated by the introduction of pay as you throw for general waste, it is impossible to accurately predict the impact a new charge will have on actual behaviour.
  - No matter how accurate the assumptions and calculations at the outset, the content of recycling bags could be significantly altered by future developments in packaging and product manufacturing.

- 8.33 If Guernsey Waste is to rely on a new recycling charge to make a significant contribution to its costs, a more in-depth analysis of future set out rates should be carried out. This should enable a more accurate forecast of the revenue likely to be raised, and lessen the risk of it being overestimated from the outset. However, as noted above, current and future developments in the UK (and further afield) would still have the potential to significantly alter the volume and composition of waste and recycling, making the long term income uncertain.

#### Application of a recycling charge

- 8.34 Surveys<sup>34</sup> in 2020 and 2021 indicate households currently set out, on average, the equivalent of 1.2 full blue bags and 1.0 full clear bags per fortnight. Island-wide, this would equate to approximately 1.6 million full bags per year.
- 8.35 To reflect the waste hierarchy, which prioritises recycling above recovery and disposal, any charge for recycling would have to be significantly less than for general waste (currently £2.70 per bag). That will also ensure there remains an incentive to encourage sustainable waste management.
- 8.36 Based on current estimated set out, a charge of between 50p and £1 a bag could raise between £800,000 and £1.6m a year. For practical reasons, it may be preferable to target a smaller charge of around 25p a bag. That could raise in the region of £400,000 a year, which may be more certain as a smaller charge could mitigate some of the risks highlighted. It also maintains a very significant differential between the cost to the household for general waste and that for recycling, so there remains a clear financial incentive for them to recycle as much as possible, and a further incentive to reduce their waste overall.
- 8.37 This could be applied through a charge for the bags themselves, rather than for a separate sticker (with bags continuing to be free). This would avoid collection contractors having to check for additional payment labels. It would also be a more straightforward for households, as it would avoid having to purchase different stickers for different waste streams.
- 8.38 For the avoidance of doubt, if a new charge were to be implemented in this way, the colour of the bags would be changed from the current clear and blue designs. This would avoid the prospect of households amassing large supplies of free bags in anticipation of avoiding future charges.
- 8.39 The STSB recommends that whatever mechanism is chosen, the initial target for a new recycling charge should be £400,000 (around 25p per week per household). However, the introduction of such a charge may not, in itself, make the current charging model sustainable, particularly given some of the risks highlighted above.

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<sup>34</sup> The waste composition analysis studied recycling bags from around 210 households, and the kerbside participation survey sample 1,016 households.

### ***Future funding***

- 8.40 As outlined above, any measures aimed at raising additional revenue through waste charges are far from guaranteed to succeed. Experience to date has demonstrated that the ability to reduce waste – or find alternative means of disposal – is encouraged by direct charging. Increasing those charges can only serve to increase those pressures.
- 8.41 Even if the current deficit can be addressed in full in the short term, there are potential challenges ahead that could further undermine this recovery. The island is subject to external factors beyond its control, as outlined in Section 7.
- 8.42 Therefore notwithstanding the efforts that are being made to address the trading deficit, given the degree to which Guernsey Waste has little control over its income and significant elements of its costs, the STSB is doubtful that the current funding model is sustainable in the short, medium or long term.
- 8.43 The STSB believes it is appropriate to retain a pay as you throw element of charging, which has proved extremely successful in encouraging and supporting behaviour change. However it also believes that the proposed increases outlined in Paragraph 6.6 represent a realistic limit to how much household waste charges can rise in the immediate future, balanced against the risk of unintended consequences. Coupled with the introduction of a reasonable charge for recycling materials, this will go some way to reducing the deficit.
- 8.44 In reality, most of Guernsey Waste's operations are effectively providing a public service, which make an important social and environmental contribution to the island. In that respect, it is similar in many ways to Beau Sejour.
- 8.45 Although the leisure centre charges for use of its facilities, its primary purpose is to provide a public facility where islanders can enjoy sports and fitness activities. This promotes and enables more active, healthier lifestyles, which is beneficial to islanders' physical and mental wellbeing, and has wider benefits to the community as a whole. This in turn can realise financial and economic benefits, through reduced spending on health services, and reduced sickness absence.
- 8.46 Without Beau Sejour, many islanders would not have easy access to these kinds of facilities. However if charges were set at such a level to fully recover all its costs, many current users of the centre might be deterred from doing so, to the detriment of those individuals and the wider community. Charges therefore recover some costs, and the deficit of around £600k a year is made up from the proceeds from the Channel Island Lottery.
- 8.47 Without that central funding, it is doubtful Beau Sejour could operate commercially, and the community would not benefit from its provision. Guernsey Waste is similarly challenged in operating commercially, and at the same time

maintaining a charging system that is fair and affordable to all. And just as investment in the community's physical and mental wellbeing has wider benefits - including financial – so too does the efficient management of the island's waste.

- 8.48 The STSB therefore believes the most appropriate way to address any remaining shortfall is through General Revenue funding. This is in keeping with the precedent set in 2018, when the States agreed to provide funding from the Capital Reserve to cover the initial infrastructure development costs.
- 8.49 The STSB therefore proposes that the Policy & Resources Committee writes off Guernsey Waste's accumulated deficit, before depreciation, of £2.97 million (2019 to 2021).
- 8.50 It is also proposed that from 2022 onwards, the Policy & Resources Committee provides Guernsey Waste with an annual cash limit, in line with the budgeted shortfall for that year, excluding inert waste and depreciation.
- 8.51 Based on current financial forecasts, including proposed changes to the current waste charges, this would require an annual cash limit of around £0.5 million for 2022. This would rise to £1.8 million in 2023 (following removal of any contribution from inert waste operations from 2023), then £1.6 million in 2024, and £1.4 million per annum from 2025 onwards.
- 8.52 This funding arrangement would be kept under annual review, taking account of any potential developments in waste and recycling, including from external factors (as outlined in Section 7) and commercial waste policy (as outlined in Section 9), and the likely impact of these on Guernsey Waste's future income or expenditure.

### ***Legislation changes***

- 8.53 The Waste Management Services (Charging) Ordinance, 2018 sets out the basis on which charges levied by the WDA for household waste services are calculated. The Ordinance currently provides for charges to be calculated on the basis of the projected total cost to the Waste Disposal Authority (in effect Guernsey Waste) and the States of providing waste management services in the particular year, subject to certain provisions allowing for costs to be spread between years. Therefore, if an annual cash limit is provided for part of the cost any necessary amendments to the Ordinance will need to be considered.
- 8.54 Adjustments may also be needed to the annual Regulations relating to gate fees at Guernsey Waste sites for commercial waste. However, the powers under which those gate fees are made in section 32(3) and (4) of the EP Law<sup>35</sup> do not require a full recovery but do require Guernsey Waste to have regard to the statutory Waste Management Plan (WMP) in exercising the charging power.

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<sup>35</sup> Environmental Pollution (Guernsey) Law, 2004

- 8.55 The WMP, made under the EP Law, is required to identify arrangements for recovery of the costs of providing waste management services. Currently, it refers to cost recovery through charges, which will require revision if the recommendation for an annual cash limit is approved.

## **9 Commercial waste policy**

- 9.1 The Strategy applies to both households and businesses. While different approaches may be adopted, the same priorities and objectives apply – to reduce waste and maximise the benefit derived from valuable resources.
- 9.2 Nevertheless, the levers and mechanisms that have been developed to drive these priorities are very different.
- 9.3 For households, the States has overseen a major overhaul of waste services - from collections to treatment methods and charging mechanisms. That included changing legislation to give effect to the policy and operational drivers. As a result, while it has no involvement in collections, Guernsey Waste is able to specify how materials should be set out and the facilities they are to be delivered to. In effect, it has control over how household waste is managed.
- 9.4 No such controls exist with the commercial sector. Historically, while the States has provided waste segregation and disposal facilities for commercial waste, a significant proportion of material arising from businesses has been dealt with through the private sector. There is currently one dominant operator.
- 9.5 Guernsey Waste's facilities are enabling commercial waste to be managed more sustainably. Businesses are now able to separate food waste, because a route is provided for separate treatment. Take up has exceeded expectation.
- 9.6 However successive Assemblies have sought not to interfere with the operation of the private sector, in respect of providing services and facilities to manage commercial waste. The STSB fully supports that approach.
- 9.7 Nevertheless, the States has previously acknowledged the need to ensure the viability of the island's key waste management infrastructure – in particular the Waste Transfer Station. The Director of Environmental Health & Pollution Regulation has to take account of this in considering certain licence applications.
- 9.8 While there was no intention to interfere with the private sector, when the Strategy was agreed there was an expectation commercial operators would continue to sort and process materials, but any residual would be delivered to the Waste Transfer Station, to be processed into RDF and exported.
- 9.9 However subject to meeting the necessary licence and legislative requirements, commercial operators can now process and export waste in the same way as Guernsey Waste. In effect, private facilities are free to compete with the Waste Transfer Station.

- 9.10 The private sector also has the freedom to target waste that it can manage most profitably, while always relying on Guernsey Waste, as provider of last resort, to deal with any materials that are unprofitable. While that is not unreasonable, it is important the commercial sector makes an appropriate contribution to the full cost of managing its waste, and households are not left to meet the burden.
- 9.11 There is also a need to consider what targets are appropriate for commercial waste, and whether any additional measures are required in order that the private sector can meet the objectives of the Strategy.
- 9.12 For instance, in 2021 71% of household waste was recycled, but only 53% of commercial waste.
- 9.13 While the target of 70% recycling by 2030 originally applied to all wastes, in 2017 this was agreed only as a household target. The reason being that the nature and composition of some waste arising within the commercial sector is different to that from households. Guernsey Waste has in-depth understanding of household waste, as it receives all this material. That is not the case with commercial waste, much of which is dealt with in the private sector. Therefore while 70% was considered realistic (and at the time ambitious) for households, further work was required to identify an appropriate target for commercial waste.
- 9.14 As a policy issue, this will be a matter for the CfE&I to progress, and in that regard Guernsey Waste has had some initial engagement with the Committee.

## **10 Other matters**

### ***Billing of Parish and WDA fixed charges***

- 10.1 Douzaines are responsible for arranging household waste and recycling collections, according to the specification provided by the WDA. The collection contract is between each parish and its chosen contractor, and the Douzaines are therefore liable for the cost of the service. They recoup this from service users – parishioners – through the ‘waste rate’, which is included in the annual parish rates bill.
- 10.2 The WDA, similarly, recoups a proportion of its costs for the processing and treatment of waste and recycling through its annual charge, which in 2021 was £90 per household.



- 10.3 The respective responsibilities and charging powers of the Douzaines and the WDA are contained within different pieces of legislation<sup>36</sup>. For that reason, each household currently receives two separate bills for their waste and recycling services (in addition to bag charges).
- 10.4 It is illogical from the household's perspective to receive separate charges from two different entities for what, to them, is one service. It is in effect like visiting a restaurant and receiving a bill from the waiter and another from the chef. Waste and recycling is no different – households set out materials not just for collection, but for all the processing and treatment.
- 10.5 However, given the separation of roles, responsibilities, and charging powers, there are inevitably two distinct elements in the costs being levied.
- 10.6 Both the STSB, in introducing the new charging arrangements, and previously the Public Services Department, which devised the mechanism, sought to address this by encouraging the Douzaines to consider combining charges into a single bill. This would be simpler to understand, more transparent, and more customer-friendly. However, while it was at the discretion of each parish, it would need to apply island-wide, otherwise it would be administratively complicated and confusing for households.
- 10.7 There was considerable engagement with the parishes between the time the charging mechanisms were agreed, in 2014, and implemented in 2019. However, the majority of Douzaines were not in favour of a combined bill. In part, this was due to concerns they had in terms of dealing with any additional enquiries and potential debt management issues, with limited resources.
- 10.8 Given the significant other challenges in the roll-out of an entirely new waste management system, the STSB opted to proceed with an arrangement that is less than ideal, and to seek to revisit it post-implementation.
- 10.9 Guernsey Waste therefore currently contracts the States Central Customer Services to provide the billing, income management and debt recovery function. This includes generating and sending out the annual bills, providing arrangements for payment, and following-up any non-payments - including where necessary pursuing claims through Petty Debts.

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<sup>36</sup> The Douzaine responsibilities and charging powers are provided under the Parochial Collection of Waste (Guernsey) Law, 2015 and the Parochial Collection of Waste (Guernsey) Ordinance, 2018. The WDA duties and charging powers are provided by the Environmental Pollution (Guernsey) Law, 2004, with the household charges set out in the schedule to the Waste Management Services (Charging Ordinance), 2018 which is amended by Regulations.

- 10.10 Other options that could avoid a separate bill for the WDA annual waste charge were investigated. They included combining it with an existing States invoice, most notably for Tax of Real Property (TRP). That was the logical choice, as the bills for both WDA annual charge and TRP are sent to property owners. That is not the case with, for instance, with utility bills, which are sent to occupiers.
- 10.11 Previous States Reports do not give details of why that option was not pursued. It is believed there may have been some resistance due to the ongoing political - and public – concerns regarding the chosen waste solution. However, it was probably also not properly understood at the time the likely cost and resource requirements in having to progress a standalone bill.
- 10.12 STSB believes that if an annual WDA charge is to be retained in future, it should be combined with TRP bills. This will avoid duplication and should reduce administration costs.

#### ***Review of parochial collection system***

- 10.13 All 10 Douzaines and their collection contractors have played a key role in the successful implementation of the Strategy. This involvement began long before the roll-out of the new services, with representatives of the parishes fully engaged in developing the waste strategy from the outset and subsequently helping to inform new policies, legislation, roles and responsibilities, and design of the new collection arrangements. This required considerable commitment on the part of parish volunteers over an extended period, at numerous workshops, presentations, and implementation working parties, and deserves great credit.
- 10.14 It is impossible to overstate the significance of the changes to the collection arrangements for household waste and recycling in delivering the achievements to date. It is also reasonable to reflect that without the involvement of the Public Services Department, and latterly the STSB, it is unlikely the system would have evolved in the way that it has. It is a matter of record that Douzaines were, on occasions, sceptical about the changes to collection arrangements and the proposed approach to waste management more generally.
- 10.15 That scepticism, at least in part, reflected broader community concerns over the future direction of the island's waste management, given the long and fractious history of this issue. There was no evidence of consensus among all 10 parishes on the best way forward, therefore a consistent, island-wide approach required to deliver significant change was unlikely to have occurred naturally. However, it also has to be acknowledged this was a considerable upheaval to the status quo.
- 10.16 The successful roll-out of the new services, the very high levels of participation in the new arrangements, and the subsequent achievement of key Strategy targets, are evidence of the strong and, ultimately, effective collaboration between all the parties. This has delivered a consistent, high quality collection service that aligns with the broader strategy goals.

- 10.17 While the parishes retain responsibility for arranging collections, the WDA provides the specification for these services. That includes the combinations of materials to be collected, and the frequency of these collections to align with the Strategy objectives. This ensures waste and recycling are delivered to the various processing facilities in the correct manner and quality.
- 10.18 Whatever the misgivings and concerns prior to the changes to collections, the current services have proved popular with households<sup>37</sup>.
- 10.19 Prior to setting the specification, Guernsey Waste undertook detailed modelling of different scenarios, to identify the most practical and cost-effective method of delivering the strategy objectives. These included different combinations of materials and frequencies, collection vehicle type, and island-wide versus parish-based rounds.
- 10.20 This identified an optimal, most efficient arrangement involving 'split body' collection vehicles, with separate compartments to enable different waste and recycling streams to be collected in a single pass. It also suggested that organising routes on an island-wide basis could enable overall savings of £150,000-£200,000, by rationalising routes and subsequent fleet and crew optimisation.
- 10.21 It must be stressed these were modelled costs, not a tendered contract price, but the potential opportunity for cost savings warranted further investigation.
- 10.22 The initial collection specification did not seek to impose island-wide arrangement for collection rounds. Douzaines were instead encouraged to seek efficiencies through potential joint working.
- 10.23 In the event, with the exception of one operator who retired, all parishes retained the contractor who provided their collections prior to the changes, and rounds continue to operate largely on a parish basis. A number of Douzaines are understood to have signed long-term contracts prior to the roll-out of the new arrangements in 2018, believed to be for terms of up to seven years.
- 10.24 With the benefit of more than three years' experience, it is timely to review the current operations to explore scope for further improvements and efficiencies.
- 10.25 **This is not, in any way, a negative reflection on the way that parishes have continued to organise their affairs or the service their contractors provide. In fact, it should be acknowledged that throughout the Covid-19 disruption, all household waste collections continued without interruption.**

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<sup>37</sup> Island Global Research (September 2021). In a survey of 1,848 islanders, 77% said they were satisfied with the collections - including 46% who were very satisfied. 10% were either dissatisfied or very dissatisfied.

- 10.26 Nevertheless, these services involve significant contracts, which in 2022 amounts to £2.4 million. This cost is passed on to islanders, and it is therefore incumbent on all parties to demonstrate value for money and ensure services are being delivered in the most cost-effective manner.
- 10.27 There is also considerable variation in the collection charge in different parishes, as shown in Table 6. In 2022, the average is £88, but there is a 54% difference between the lowest, St Sampson, and the highest, Torteval. Three quarters of all households will pay £83 or less, while 17% will pay more than £110.
- 10.28 Some of that variation can be attributed to the different nature of the parishes, with collections in the smaller rural ones logically being more time-consuming than in built up areas. However, it is questionable whether it is reasonable for a household in Torteval to be paying 70% more than a household in a rural part of Castel, for what is essentially the same service.
- 10.29 This is a challenge for the parishes, as each Douzaine will naturally want to secure best value for its parishioners. However what currently represents a good deal for the majority who pay less than £83 a year is not so good for the one in six households paying more than £110.

<b><u>Parish</u></b>	<b><u>No. of households<sup>38</sup></u></b>	<b><u>2022 Refuse Rate</u></b>
Castel	3,561	£ 81.13
Forest	635	£113.13
St Andrew's	933	£99.65
St Martin's	2,778	£ 110.32
St Peter Port	9,004	£ 82.95
St Pierre du Bois	888	£ 115.26
St Sampson	3,970	£ 77.00
St Saviour's	1,179	£ 107.88
Torteval	407	£ 118.81
Vale	4,016	£ 82.51

*Table 6 - 2022 Parish waste & recycling collection charges*

- 10.30 Guernsey Waste enjoys a constructive relationship with all three parish collection contractors. That has been fostered since the establishment of parish/contractor working groups in preparation for the introduction of kerbside recycling in 2014, and they continue to meet quarterly. However Guernsey Waste is not party to the contractual and financial arrangements between the parishes and their contractors.

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<sup>38</sup> Domestic property units by parish, December 2021. Source: Guernsey Annual Residential Property Stock Bulletin 2021.

- 10.31 For the avoidance of doubt, consideration of an island-wide model does not, of itself, imply responsibility for collection arrangements being taken from the parishes. It also does not necessarily require a reduction in the number of current operators, who provide an excellent service. What it would seek to do is identify how collections can be delivered most effectively.

#### Commercial collections

- 10.32 The Parochial Collection of Waste Law allows for parishes to admit small businesses into the parish system provided the amount and type of waste and recycling they produce is similar to that of a household. They are then subject to the same charging arrangements as households.
- 10.33 That admission arrangement is at the discretion of each parish, which is a provision included in the legislation at the request of Douzaines. Some believed the administration may prove too burdensome, given their limited resources. However most have now allowed small businesses in their parish to be admitted.
- 10.34 The main exception currently is St Peter Port, which ironically is where eligible commercial operations are most likely to be. Some businesses may be setting out materials now for collection by the parish but avoiding the annual charges that would apply if they had the opportunity to be admitted. Nevertheless, admission is at the Douzaine's discretion under the current legislation.
- 10.35 Whether that discretion is working as intended should be part of any review of the current parish collections arrangements. It should also consider the scope and potential benefits, including financial, of expanding the current household collections to include not just small businesses but also medium-sized businesses. This would be similar to arrangements in the UK and mainland Europe, where collection authorities tend to provide services for municipal waste – a combination of both domestic and commercial sources.
- 10.36 For households, this has the potential to spread the fixed costs of the collection service more widely. For businesses, it could be an opportunity to be part of a collection round that already passes their premises, rather than having to make separate arrangements.
- 10.37 There will still be opportunities for waste contractors to offer a dedicated commercial collection service, if this is a more cost-effective or efficient option for businesses. For instance, where more frequent pick-ups are required.

#### Enforcement powers

- 10.38 The Parochial Collection of Waste Law allows Douzaines to specify requirements for households in setting out their waste and recycling – primarily the time and day of collection. It also gives them the duty to enforce these requirements, and those set by the WDA, which stipulate what materials can be set out in each container, and the payment arrangements.

- 10.39 All parishes have opted to use the power in the Law allowing them to delegate their enforcement functions to the WDA – effectively Guernsey Waste – to carry out on their behalf.
- 10.40 Persistent instances of non-compliance can result in a civil fixed penalty of up to £60. This is unlike fixed penalty notices for certain other offences, because households must first be served with warning notices.
- 10.41 This is in line with the original intent when enforcement arrangements were first debated by the States, when the waste charging policy was approved in December 2014. That policy letter<sup>39</sup> stipulated:-
- “3.23 The [fixed] penalty will not be applied before the third (or subsequent) breach of the requirements. The first breach will result in a sticker or an advisory notice, and the second breach in a warning notice.”*
- “3.28 Given the firm intention to change behaviour by way of education, it is unlikely that large numbers of civil fixed penalties will be issued.”*
- 10.42 The review of the current parish collection arrangements should also consider whether the enforcement arrangements are appropriate, in light of experience gained over the last three years.
- 10.43 The review would also have to consider whether any recommendations made would necessitate any amendment to the statutory Waste Management Plan which reflects the current policies for the management of waste.

## **11 Compliance with Rule 4**

- 11.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 11.2 In accordance with Rule 4(1):
- (a) By addressing the current Waste Strategy funding requirements, the propositions will:
- help realise the benefits of the Waste Strategy, through further reduction of waste and more sustainable use of resources;
  - contribute to the Climate Change Policy target of net zero emissions by 2050;
  - contribute to the Government Work Plan recovery outcome *“More sustainable production, consumption and management of resources”*;

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<sup>39</sup> Billet d’État XXVI, 2014. Waste Strategy – Household Waste Charging Mechanisms.

- contribute to the Government Work Plan priority action of “*Secure extension of the Paris Agreement on climate change and ongoing compliance*”.

(b) The Committee *for the Environment & Infrastructure* and the Policy & Resources Committee have been consulted in the preparation of the propositions.

(c) The Propositions have been submitted to Her Majesty’s Procureur for advice on any legal or constitutional implications.

(d) The financial implications of the Propositions are included in Paragraphs 8.49 to 8.51.

11.3 In accordance with Rule 4(2):

(a) The Propositions relate to the mandate of the STSB in respect of its statutory role as Waste Disposal Authority, and the functions of that role as set out in the Environmental Pollution (Guernsey) Law, 2004:-

- Section 30. (1)(a) to make arrangements for and ensure the operation of Guernsey's public waste management system; and
- Section 30. (1)(c) to keep under review the systems for collection; transportation, sorting and recycling of waste;

(b) The Propositions have the unanimous support of the STSB.

Yours faithfully

P J Roffey  
President

C N K Parkinson  
Vice-President

N G Moakes

S J Falla, C.B.E.  
Non-States Member

S Thornton  
Non-States Member



The President  
States Trading Supervisory Board  
Brickfield House  
St Andrews  
GUERNSEY  
GY6 8TY

Sir Charles Frossard House  
La Charroterie  
St Peter Port  
Guernsey  
GY1 1FH

+44 (0) 1481 227000  
policyandresources@gov.gg  
www.gov.gg

23 June 2022

Dear Deputy Roffey

### **FUTURE WASTE CHARGES**

Thank you for your letter dated 7 June 2022 notifying the Committee of your intention to publish the Future Waste Charges policy letter for debate at the September States meeting.

As you will recall, I wrote to you on 11<sup>th</sup> March following consideration of an earlier draft and the Policy & Resources Committee and States Trading Supervisory Board met to discuss the issues covered in the policy letter on 26<sup>th</sup> April. The Policy & Resources Committee is grateful for the opportunity to feedback on the proposals in the policy letter.

The Committee recognises that the original proposal – namely that all waste matters in future be dealt with by a trading entity called Guernsey Waste which would raise income through charging customers sufficient to cover all costs of operation – is not a model which has worked in practice. However, Members are concerned at the proposal that Guernsey Waste's accumulated trading deficit (£2.97million) is written off and annual deficit funding, estimated to be £1.8million in 2023, falling gradually thereafter, provided to Guernsey Waste from General Revenue since this has a material impact on the financial position of the States at a time when a structural deficit is already being run. Members noted that this has not been identified as a priority within the Government Work Plan 2021 - 2025 and no funding provision has been made within the Funding & Investment Plan. This would mean that funding would need to be diverted from other areas that have been prioritised.

The Committee also considers that this suggested funding arrangement would be a significant departure from the "user-pays" principle that underpins the operation of trading entities to one of being "tax-payer" funded or underwritten. Members' initial view is that if delivery of the States of Guernsey's waste policy is not compatible with operating as a trading entity seeking to, as a minimum, recover its costs and taxpayer funding is required, then consideration should be given to dismantling the trading structure (with separate management layer, separate accounts, separate audit, etc all leading to additional costs). Instead, the functions carried out by Guernsey Waste could be incorporated within a

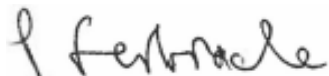


General Revenue committee budget which will then commission services with the contractors – States Works, etc.

The draft policy letter recognises (paragraph 3.8) that *“Guernsey Waste’s current operating model is essentially one of a commissioning body, which contracts out the core provision of all its various responsibilities.”* Such a change would enable charges to be clearly structured around the policy objectives – that is, they could be designed to promote / deter the behaviours which are being encouraged / discouraged rather than the commercially driven approach currently required of the States’ Trading Supervisory Board to seek to cover the costs of operation. This funding arrangement would be similar to that in place for Beau Sejour which is within the Committee for Education, Sport & Culture’s budget.

Members reluctantly recognise that it will be necessary for General Revenue to pick up the accumulated deficits built up by Guernsey Waste since inception and provide ongoing funding. However, the Committee believes that the future of Guernsey Waste should be examined as part of the work to propose the future model for the machinery of Government, to determine where best this function sits.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'P Ferbrache', written in a cursive style.

Deputy Peter Ferbrache  
President

## Appendix 2

### *Extended Producer Responsibility*

The UK Government and the Devolved Administrations have signalled strong intent to introduce Extended Producer Responsibility for packaging, proposing a phased implementation commencing in 2024. This essentially places a burden on obligated producers<sup>40</sup> to pay the full costs of dealing with the waste they produce. This will incentivise them to reduce their use of packaging, adopt reusable packaging where reduction is not feasible; or use easily recyclable packaging, and fund the recycling and management of single use packaging where it remains necessary.

In effect, the cost of managing waste and recycling is passed from the consumer, collectors and processors (i.e. local authorities) to obligated producers. This includes:

- Collecting, sorting and recycling packaging waste from households and businesses;
- Collecting and disposing of packaging in the residual waste stream from households;
- Litter and refuse management costs, including bin and ground litter.

Obligations, possibly in the form of packaging reuse targets from 2025, could also be introduced to provide an additional incentive to reduce packaging use and encourage take up of reuse or refill models.

It is estimated that in the first full year of implementation, the cost to UK producers related to packaging waste collected from households will be in the region of £1.0bn (based on a straightforward pro-rata adjustment, this would equate to £1.0 million in Guernsey). The fees that producers pay for the materials they place 'on market' will vary to incentivise the use of recyclable packaging.

Fees will also deliver funding to support additional collection and upgrading of infrastructure to allow recycling of currently unrecyclable materials, (e.g. fund the roll out of collections for plastic films, which is discussed further below), or to incentivise greater uptake of reuse and refill business models and systems.

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<sup>40</sup> Under the EPR proposals, a single producer will be responsible for the cost of managing a piece of packaging. This will focus the obligations onto those who are best placed to reduce and/or increase the recyclability of the packaging they use. This could be the brand owner (i.e. a manufacturer of their own brand products or a supermarket in respect of products made for it), importer, distributor, online marketplace, or another person.

All packaging will be clearly and consistently labelled to inform consumers whether it can or cannot be recycled. This will not just be based on whether it is technically recyclable, as can be the case at present, but also on whether the infrastructure is in place to enable this.

#### Local impact

The UK-wide EPR scheme is not yet fully scoped, so the implications locally of adopting or not adopting a similar approach cannot be fully estimated. To date, the island has not adopted existing EPR legislation that applies in the UK (and EU). This includes, for instance, the WEEE Directive, which imposes an 'end of life' responsibility on manufacturers of electrical and electronic equipment. Similarly, there is no requirement for retailers who sell batteries to provide battery recycling points - ultimately funded by manufacturers.

The proposed UK EPR scheme for packaging is intended to drive changes in product design, with the emphasis on reduction and improved recyclability, and potentially targets to support these aims.

Even if the island does not introduce similar measures, EPR could have an impact locally. Reduction of packaging could reduce costs incurred by Guernsey Waste for both recycling and energy recovery. Improved recyclability could also shift more currently non-recyclable material away from residual waste towards recycling waste streams. While this is beneficial, from a resource management perspective, it potentially further erodes the ability to recover costs through charges for general waste.

If adopted here, an EPR scheme as currently proposed in the UK would allow Guernsey Waste to recover from manufacturers at least some of the processing costs currently incurred – as would the parishes, for their collection costs.

#### ***Deposit Return Scheme (DRS)***

The current consultation envisages the introduction of a deposit return scheme in England, Wales and Northern Ireland in late 2024 at the earliest (Scotland has plans to introduce a scheme sooner). The aims would be to reduce littering, increase collection of high quality materials for recycling, and promote recycling through clear labelling and consumer messaging.

Producers<sup>41</sup> would be required to sign up and pay a registration fee to fund the scheme and apply a redeemable deposit on in-scope drinks containers they place on the market. Retailers will be required to ensure the deposit is added to the purchase price and accept all refundable containers returned to their store. It is likely that retailers will provide reverse vending machines or manual return points.

There is also discussion around how local authorities may be reimbursed any costs associated with managing deposit items that are not returned.

The current proposals would apply to bottles made from 'PET' plastic, and steel and aluminium cans. It could include all drinks containers, up to 3L in size. The target would be to achieve a 90% return rate within three years of introduction.

The March 2021 consultation mentioned a 20p per item deposit. The actual level may not be fixed, but a minimum could be set (and possibly maximum), and different deposits for different items.

#### Local impact

In the most recent waste composition analysis, items that would potentially be included in a DRS scheme accounted for a very small proportion of black bag waste (less than 2%).

However, PET plastic bottles and packaging, and aluminium and steel cans accounted for 50% of the contents of blue bags, by weight. In total this would equate to around 650 tonnes per year, although some of these items will have been other food containers. No further breakdown is available, but a high proportion of this blue bag material would potentially be in scope of any 'all-in' scheme.

A local DRS scheme would therefore have the potential to significantly reduce the material currently being set out in blue bags. This would potentially remove the cost to Guernsey Waste of sorting and recycling several hundred tonnes of material a year. That would however, alter the composition of blue bags, removing materials that are high value recyclables, and may therefore result a loss of revenue to the on-island processing contractor, and increase the costs for processing the remaining materials.

The precise impact on overall costs is therefore difficult to quantify at this stage. The second likely impact would be a significant reduction in the number of blue bags

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<sup>41</sup> In this context, people who place branded drinks on the market, so would only include shops in relation to their own-branded drinks.

currently set out, due to the reduction in volume. This would affect the amount that might be raised through any future charge for recycling bags.

Even if the island opted not to implement a DRS, containers that are routinely included in blue recycling bags could have significant residual value to anyone able to return them to the UK. This may present some practical implications, if anyone was enterprising enough to try and profit from the materials households are leaving out for collection.

### ***Flexible plastic packaging***

‘Flexible’ plastic packaging applies to items such as carrier bags, bread bags, polythene, crisp packets etc – otherwise referred to as plastic ‘film’.

Estimates from WRAP<sup>42</sup> suggest these account for a quarter of all UK consumer plastic packaging, but only 4% is currently recycled. Historically, these items have been difficult to recycle, due to a lack of capacity among processors, and unpopularity with sorting facilities (where they can interfere with machinery). Also, there may be limited markets.

This leads to a ‘Catch-22’ situation. Processors are discouraged from investing in new capacity while these items are not collected, and authorities discouraged from expanding collections while processing capacity is limited. Developments in the UK could significantly alter the current situation.

Major retailers, manufacturers and processors are signed up to a Plastics Pact initiative. Its aim is to ensure 100% of plastic packaging is recyclable (or compostable) by 2025, and 70% is effectively recycled (or composted).

In October 2020, WRAP published a roadmap “Creating a circular economy for flexible plastic packaging.” It includes, as a short-term measure, promoting existing in store collection points in supermarkets (currently limited to Waitrose locally), but envisages in the longer term collection at kerbside for all UK local authorities. It also advocates investment in sorting and reprocessing capacity and capabilities and ensuring recycled flexible plastic packaging has strong and stable end markets.

The UK Government has signalled strong support, with measures for improving flexible packaging recycling included in the EPR proposals, to be funded by obligated producers.

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<sup>42</sup> Waste & Resource Action Programme

### Local impact

These steps have the potential to significantly increase the recyclability of flexible packaging.

Given the prevailing market, instructions and guidance provided to Guernsey households are that these materials should go into general rubbish (with a caveat that carrier bags are accepted at Waitrose). All such items are currently classed as contamination in kerbside recycling, although at present very little is done to enforce this.

Subject to consideration of costs, it is assumed Guernsey would encourage islanders to recycle these materials, in keeping with the Waste Hierarchy, which underpins the island's waste strategy. Whether included in the kerbside scheme or through community collections points, it could substantially alter the composition of general waste.

The most recent Waste Composition Analysis in May 2019 – after the changes to collections and charges – found that on average film items made up around 10% of black bags, by weight. Given the lightweight nature of plastic, by volume it is likely to account for a much higher proportion.

As the cost of RDF processing is weight-based, any reduction in film content could translate into a saving for that waste stream, albeit that may be offset in part by the cost of recycling this material. However, income received through black bag charges, which is volume-based, would also reduce. That balance is difficult to predict, but assuming a 5% reduction in weight and a 30% reduction in volume, based on current charges it would leave Guernsey Waste with an additional annual deficit of £600,000.

The current reliance on black bag charges to generate a high proportion of revenue would, therefore, be potentially unsustainable, which will have more impact locally.

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

**FUTURE WASTE CHARGES**

The President  
Policy & Resources Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

27 June, 2022

Dear Sir,

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the States' Trading Supervisory Board requests that the Policy Letter titled 'Future Waste Charges' be considered at the States' meeting to be held on 7<sup>th</sup> September, 2022.

Guernsey Waste's ongoing trading deficit is a matter of concern, requiring urgent resolution. This will enable the States to provide a clear direction to the STSB in setting waste charges for 2023, which requires a Regulation to be laid before the States in Q4, and to inform the budget for 2023.

Yours faithfully,

P J Roffey  
President

C N K Parkinson  
Vice President

N G Moakes  
Member

S J Falla, C.B.E.  
S J Thornton  
Non-States Members