

Consultation on the Incentives for Recycling by Households

August 2007

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Introduction

LGA welcomes the Government's proposal to legislate for a power for those councils who wish to introduce financial incentive scheme, where this is desired locally. Waste collection practices vary widely across the country because of physical form, the characteristics of different communities, and local history and preferences. Some councils will feel that financial incentives could be an important tool in achieving their waste and recycling objectives, others, for perfectly valid reasons, will not.

The Government's document, alongside the Waste Strategy set out well, in our view, the context and challenges – the UK's still relatively low rates of recycling compared with elsewhere in Europe, the contribution of landfill to greenhouse gas emissions, and the need to re-use or recycle valuable materials to reduce excessive consumption of global resources.

The consultation is also timely in the context of recent very positive developments in the relationship between local and central government. The Government's document rightly draws attention to Sir Michael Lyons' recommendations on financial incentives, which form part of a wider argument about how local government finance should move forward. The Local Government White Paper sets out important principles for the future, notably the importance of the relationship between councils and government developing away from prescription on means towards agreement on outcomes (among which minimisation of waste to landfill is clearly vital) with councils leading local partnership working to deliver those outcomes in ways which work in their areas.

We must emphasise two very important points.

First, if councils introduce financial incentives, it must be to promote recycling, not to generate additional revenue. A discretionary power to introduce financial incentives could presumably operate in a framework similar to existing discretionary charges, on which CLG issue guidance¹ and which would be subject to audit. As for current discretionary services, councils certainly should not be prevented from taking account, in setting the level of any incentive, of the start-up and administrative costs which they will inevitably incur. We would argue additionally that, for example where councils see a case, for clarity and simplicity, for setting amounts in round numbers, they should not be prevented from doing so if the result departs to some minor extent from cost neutrality

Second, welcome as a discretionary power of the kind proposed would be, Government must also ensure councils are funded to meet the very significant increased costs they will incur in order to deliver national policy. Its own figures show that waste spending will have to more than double between 2003/04 and 2012/13, from £2bn to £4.2bn to meet the EU landfill directive targets. Based on a five-year average, spending will have to increase by approximately 10 per cent each year over the CSR07 period to reach the required level of spending. The National Audit Office has said that the risk that the UK will not meet the landfill directive is high. Local authorities will face fines, which could be over £200m in 2013 if they exceed their landfill allowances and will pay landfill tax, which is increasing at £3/tonne each year. Local government cannot meet this major national challenge without additional resources, particularly where government itself recognises that spending will have to double. In the absence of any above inflationary increase in funding, and without shifting the burden further onto council tax payers, local government would be required to make 'savings' of almost 20 per cent pa on waste budgets by 2010/11. This is obviously not achievable, although local government is committed to increasing efficiency through joint working. As a result, discretionary environmental services, which are already under pressure, but are vital in improving the quality of life of local people, will suffer unless the waste pressures are properly reflected in the settlement.

As well as supporting operational expenditure by councils, government must also facilitate the development of innovative technologies and investment in processing facilities. As well as ensuring that landfill targets can

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¹ General Power for Best Value Authorities to Charge for Discretionary Services – Guidance on the Power in the Local Government Act 2003, ODPM, November 2003

be met cost effectively and in an environmentally positive way, this has potential to support innovation and economic development in the regions. We would urge the Government to promote dialogue between councils, RDAs and the private sector in each region to explore the opportunities.

Detailed response

Question 1:

Do you agree that local authorities should have the power to introduce financial incentives for promoting recycling and reducing household waste? Why?

The LGA has lobbied for the ability for local government to introduce some form of incentive scheme for many years. The LGA position statement on waste financing states Government should:

- *Give councils a power to charge householders direct for waste management, with reduced rates for less waste: then the polluter pays and behaviour changes*

The LGA believes that reducing the amount of waste that is taken to landfill is one of the most important challenges facing local government; that encouraging changes in individuals' behaviour is one vital element; and that, where appropriate in local circumstances, financial incentives can change individual behaviour. However circumstances in each local authority are different. The provision of a power (rather than a duty) allows local authorities to take into consideration their local circumstances. Schemes must be visibly directed at increasing recycling and rewarding members of the public who contribute to that, not raising revenue.

Question 2:

a) Do you agree that a power to introduce financial incentives would help local authorities to meet their recycling targets and their obligations under the Landfill Allowances Trading Scheme?

The LGA believes that an incentives scheme will help local authorities to meet their recycling targets. Across the EU, recycling rates are higher than the UK in countries that have put in place a direct charging scheme. It is, however, important, that incentives should be set at a level at which (in local circumstances) they have a prospect of having a real impact on behaviour. It is also vital to minimise the extent to which the approach is specified in primary or secondary legislation. This would allow councils to cater for variations in local circumstances, and councils which make early use of the power would be able to fine tune their approaches and inform others' decisions on introduction.

Where schemes can be appropriately designed and introduced, they certainly have potential to support achievement of recycling targets and LATS obligations. However, as we have made clear above, especially since implementation could only begin after the beginning of the CSR period, it would be wrong to assume they will make an early impact on cost. There will also be important issues to work through, notably practical and financial arrangements in two tier areas, where the costs and benefits of charging fall differentially in different tiers, and whether it would be possible for some but not all districts in a county area to introduce incentives. We would welcome further detailed discussion with DEFRA and other stakeholders on this point.

b) Are there other barriers that Government could address to help authorities boost recycling and meet their obligations under the Landfill Allowances Trading Scheme?

As we have made clear in the introduction, by far and away the most significant risk is that posed by an inadequate CSR settlement, and failure to support the development of technologies and infrastructure.

In line with what we have been arguing for some time, we would urge the Government also to look at a number of other issues, on which we would welcome further dialogue with it and relevant stakeholders.

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Householder incentives would encourage residents to recycle more waste. But this is an end of life cycle solution. The Waste Strategy recognises the need to complement this with upstream solutions which minimise waste or encourage their re-use by manufacturers and suppliers. We agree that the preferred approach should be voluntary action by these sectors. We are working with representative bodies to promote positive dialogue with councils. However, we believe that such approaches are likely to make most progress if they are clearly backed up by a willingness by Government to legislate or introduce financial incentives if a voluntary approach does not achieve sufficiently ambitious results. A more balanced approach along these lines would have a greater prospect of public acceptability.

Food and biodegradable waste

Given the emphasis in the Landfill Directive on biodegradable waste, and the focus on food waste in much of the criticism of alternate week bin collections, we welcome WRAP's initiative in promoting discussion on more widespread separate collection of food waste. However, progress in this area will depend on funding being available for the substantial additional costs of extra collection and the public engagement which would be needed initially to ensure schemes worked properly; and on investment in processing facilities. We also urge Government to lead more actively national debate on minimising food waste through restraint by retailers on promotions which encourage consumers to over-buy, and encouraging consumers more generally to minimise the amount they buy, with financial benefits to them as well as the environment.

Deliverability of waste treatment infrastructure through the planning process

Officers in LGA and Environmental Services Association have begun a dialogue about the extent to which barriers to delivery in the planning process for waste infrastructure could be overcome. We will need to engage further with Government as this work unfolds

Positive support for Alternate Week Bin Collection schemes and financial incentives

Councils are primarily responsible for, and are very largely successful, in convincing their public that they are delivering an appropriate service. But we would encourage Ministers to continue to be overt in their support for councils who adopt approaches which promote recycling, and to encourage a national debate based on awareness of the environmental challenge and evidence, not scaremongering, about the risks.

Question 3:

Do you agree with that a waste financial incentive with net neutral impact upon local residents (Option C) is the best of the three options outlined in paragraph 5.2?

- Option A: do nothing**
Option B: localised waste charge
Option C: waste financial incentive with net neutral impact upon local residents

The new power should permit the introduction of schemes along the lines of Option C if individual councils think it is the right approach in their circumstances. But we would agree with the recent CLG Select Committee's view that such an approach is highly complex in a way which could make it difficult to administer and to explain to the public – when one of the objectives of any incentive scheme should be clarity and transparency. The challenges would include: set up costs (retrofitting of chips, IT infrastructure to record data, the ongoing administration of individual billing or refunds, chasing of bad debts, dispute resolution for the varying amounts of waste collected); and the need to issue annual statements of accounts and rebates/invoices at a cost which is likely to be disproportionate to the amount raised. Local authorities would be unlikely to make any savings on the cost of issuing the main council tax bill as a result of this change.

One approach could be to amend Schedule 2 of the Controlled Waste Regulations 1992 to give local authorities the permissive power to charge for the collection of household waste. This would then allow individual local authorities to decide locally the parameters and charging regime most suitable for their area.

Annex A sets out some of the approaches which councils might choose to operate if their powers are sufficiently widely drawn.

Question 4:

(a) Do you agree that any financial incentive scheme should be revenue neutral?

As made clear above, the LGA's leadership is clear any schemes must be introduced for the purpose of promoting recycling, and is not an additional local tax burden. However, we have concerns that excessive prescription in primary legislation around revenue- or cost-neutrality is unnecessary (given the strength of

political commitment in that direction) and could result in unintended inflexibility.

LGA agrees with the recent report of the CLG Select Committee that:

“since any scheme introduced by a local authority will require substantial administration and enforcement costs, they may in practice, run directly counter to the intentions Sir Michael Lyons expressed in recommended local charging schemes, by adding a further cost to the growing burden local authorities must carry.”

Additionally, consultation with district and county treasurers has also raised concerns as to the impractical nature of the proposals and how onerous it would be for Local Authority to demonstrate cost neutrality against a rigid statutory definition. The transparency of direct charging would make a change in behaviour more likely. From the proposals, charges would only be made for residual waste, so if the scheme is successful and everyone is recycling there will be no money collected from poor/non-recyclers to refund. Significantly reducing the value of the incentive/recycling dividend is unlikely to be popular once people have got used to it. As we have already made clear, the costs of administering an incentive need to be proportionate to the amounts involved.

(b) Do you agree with the Government’s definition of revenue neutrality?

The LGA’s leadership would strongly oppose the introduction of schemes as a revenue raising device. However, it is important not to constrain councils’ choices on implementation by an over-prescriptive definition, defined in legislation. The objective is, of course, to produce medium to long term savings through reduction of waste to landfill. However, such savings may be considerably offset by the increased costs of collecting and disposing of recyclables which do not have a positive economic value. In the current fiscal climate, many councils will struggle to divert resources to up front investment, even if it has a longer term pay-off.

The LGA would seek the definition to include:-

- Capital investment costs
- Any additional provision for recycling, eg additional or larger containers
- Technology costs
- Enforcement costs
- Publicity and promotion
- Full administration costs including recovery costs
- Waste monitoring
- Flytipping

The LGA would welcome the opportunity to work with government and local authorities to produce a firmer evidence base for the associated set up costs. As an indicative figure only, in discussion with some local authorities, costs in the region of £25,000 per vehicle to retrofit collection vehicles with weighing equipment and up to £1 per bin for micro chips have been mentioned. Additionally, from initial soundings of local authorities, production of each individual invoice is in the region of £15-£20 – though this adds to the case for considering approaches, like sack-based schemes, which minimise these types of transaction cost.

The consultation document also suggests that the savings will come from the reduction in waste going to landfill. As noted above, while in two tier areas there may be a reduction across local government as a whole in the costs associated with landfill, WDAs may experience no reduction in their expenditure, or even increased costs, as their landfill savings are offset by additional recycling credits payable to districts. We urge the Government to work with us further on equitable and positive arrangements for two-tier areas.

(c) Do you agree that local authorities should be free to determine the level of charges under a financial incentive scheme?

Yes, as previously stated local government is best placed to determine the scheme parameters. Waste management is seen as a core basic service. Any dilution of local accountability on the issue cannot be supported. Consulting local people on the nature of the scheme may alleviate some of that confusion and assist with ownership.

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Furthermore, as mentioned earlier, the value of the incentive/penalty needs to be high enough to lead to behavioural change. Schemes also need where possible to design out non-compliance, for example through sack based schemes rather than rely on invoicing and potentially debt recovery for relatively small amounts.

Question 5:

Apart from the 'recycling incentive scheme', what other models might meet the aim of incentivising behavioural change without increasing the overall cost to local residents?

The LGA believes that there is a lot that could be done by the government to encourage recycling. In addition to schemes that many authorities have already introduced such as compulsory recycling, alternate weekly collection of residual and recycling, weekly organic waste collection and no 'side waste' policies other such as

- Stronger regulations to reduce packaging.
- School incentives to encourage waste prevention and recycling.
- Enhanced producer responsibility to 'take back' excess packaging
- Clear marking on packaging to indicate whether it can or cannot be recycled.
- Action to reduce junk mail.
- Action to limit the distribution of items such as yellow pages to on-demand only.
- Taxation and regulations to discourage the use of disposable items.
- Action to discourage food waste.
- Action to tackle waste in the fashion industry.
- Publicity and public awareness campaigns.

Question 6:

The Government's view is that it would be essential for local authorities to have good recycling services, fly-tipping prevention and enforcement strategies and measures to help disadvantaged groups in place before introducing financial incentive schemes. Good communication with local communities before the implementation of any scheme will also be critical.

- a) If the Government were to allow financial incentives, what requirement should the Government place on local authorities as regards:
- i) existing recycling services – do you agree with the proposal to require authorities to offer a recycling/composting service for at least 5 waste streams to any household covered by a financial incentives scheme?
 - ii) waste crime strategies
 - iii) disadvantaged groups?
- b) How far should these issues be determined by the Government, and how far at local level?

When introduced the 1992 Controlled Waste Regulations made no requirements upon local government. Since which time the Household Waste Recycling Act 2003 has been implemented, putting a duty on local government to collect at the kerbside at least 2 materials for recycling and so as stated previously, there should be no additional prerequisites placed on local government.

We agree that councils must ensure they have the support of their public, including through demonstrably offering an excellent range of recycling options, and minimising flytipping, and we are sure these points are equally well understood by the local elected politicians who would have to manage the introduction of schemes. Our intention would be to work with professional groups and networks to develop practice guidance which would assist councils in developing local approaches. Setting conditions in primary or secondary legislation would be unnecessary, and it would be impossible to define a single set of conditions which would be appropriate for all councils. For example, only individual councils can make judgements about the relative practicality and convenience to residents in their circumstances of kerbside services versus well situated community bring sites.

The LGA believes that the importance of developing and the costs associated with implementing waste crime strategies should not be understated. The impact on fly tipping etc following the introduction of any financial

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incentive could be significant and could flow between neighbouring authorities where different approaches have been adopted. It is imperative that the additional costs be funded from within the definition of revenue neutrality.

The LGA agrees that it is important for local authorities to consider the impact of schemes on disadvantaged groups - and other groups in the community for whom its application would be problematic. This must however be a local decision as there may be many factors at a local level that could influence the design of an appropriate approach. It is important to recognise, however, that unlike a new universal tax or charge, it would usually be straightforward to minimise the charge by recycling all possible materials.

Question 7:

a) Do you agree that waste disposal authorities should have the power to implement financial incentive schemes at civic amenity sites?

The LGA believe that a power to charge for the disposal of non-recyclable or unsorted waste at amenity sites would be essential if WCAs have the power to introduce a charging system. Otherwise waste could just be diverted from collection schemes to amenity sites. Councils would not wish to introduce this as a mechanism for raising net revenue, purely to avoid the impact of a householder incentive scheme being undermined by such diversion. However, the precise mechanics for this should be determined at a local level and not constrained by an unnecessarily prescriptive definition of cost neutrality.

b) If so, how could financial incentives be administered at civic amenity sites?

This would be a matter for local government to determine at a local level, but they could include:

- Gate fee which is reduced if the householder brings recyclables to the site
- Tradable permits/vouchers or
- By implementing smart card technology.

Question 8:

Are there other issues that Government needs to consider concerning financial incentive schemes?

For schemes to have an impact, their evolution needs to be facilitated by:

- Ensuring maximum scheme flexibility
- Allowing all costs associated with the scheme to be included within the definition
- Permitting maximum flexibility in scheme definition (i.e. kerbside collections)
- Providing more up-front funding of schemes
- Creating a framework that ensures local democratic accountability

The LGA believes that the Government should consider the mechanics of any incentive scheme very carefully before proceeding further and would welcome the opportunity to work with Government of future proposals. Two of the options described in the document are untried anywhere in the world, whereas waste charging is well established in European countries and there is a strong case for developing schemes which reflect that experience.

Flats and multiple occupancy dwellings are more difficult to address than individual houses. Consideration would need to be given as to if they would be outside the scope of the scheme or if local authorities would need to be able to identify a responsible person (i.e. managing agent or landlord) who would be registered as the scheme administrator for each building.

Would there need to be a statutory duty for householders to ensure that their waste was either handled in conformity with the local authority scheme, or delivered to an authorised site? This would avoid a situation where a resident avoided paying a charge by allowing it to accumulate. Enforcement of this would be part of a waste crime strategy.

Question 9:

Are there any other powers, currently not available to local authorities, that would help them:
Local Government needs more support from the central government for things like financial help for waste infrastructure, alternate weekly collections, the use of cotton nappies etc.

- a) **encourage greater recycling and waste minimisation by households**
 - Tighter definitions under the essential requirements regulations to enable proactive enforcement of over packaged goods.
 - A strong lead and support from Government is needed, to facilitate at a national level and back up work being undertaken at a local level.

- b) **manage waste more effectively and efficiently?**
 - Further powers to manage civic amenity site waste inputs specifically the ability to restrict the quantity of materials delivered and requirements to undertake segregation before deposit.

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ANNEX A: POSSIBLE CHARGING APPROACHES

Householder incentives could operate in a number of different ways to suit a variety of local circumstances and need. It is about putting a price on the resources we consume in our daily lives; as already happens with energy and water. Our waste behaviour has an environmental, as well as a physical cost, and highlighting that cost, through a variable charge, can help people better understand the cost of their behaviour, and hopefully therefore, change it. We see this already in the way we consume and pay for energy. Switching off appliances and buying energy saving light bulbs allows people to save on the cost of energy. Under a save as you throw scheme, reducing the waste allows people to save money on their waste bill.

The most common waste charging schemes are:

- sack based systems
- weight based systems
- volume based systems

Sack based system

In this system, households buy different sized pre-paid sacks or special tags to go on ordinary bin bags from their local authority or possibly local shops, for general household waste. This option is more common in urban areas where space prevents households using wheelie bins. This system provides a very clear incentive to reduce waste. Similar systems already operate successfully in England, for example, for garden waste.

Maastricht

Maastricht is a city with 57,450 households, 60% of which are houses and 40% are multi-storey buildings or estates. It introduced a sack based system of waste charging in 2000 to deal with the growth in household waste and encourage optimal reuse. Households can purchase 25/50 litre sacks, priced at €0.69/€1.04, which are collected weekly/fortnightly. Following introduction of the system, the total amount of household waste fell dramatically, described as "like going back in time 10 years" and waste separation increased from 45% to 65%. Maastricht is now the top municipality in its class for waste separation, provides a service level that is higher than the national average, separates 65% of its waste (compared to a national target of 53%) and is seeing the financial benefits.

Weight based system

In this system, wheelie bins are fitted with chips to allow the bins to be weighed when they are loaded onto the vehicle, much like the system that is currently used for trade waste in the UK. Households are sent a bill (this could be quarterly or even annually) for the amount of non-recyclable waste they throw out. Chips can be fitted to new bins or retro-fitted to existing bins.

Sittard is an authority where just 25% of homes are apartments, so they introduced a weight based system for houses in 2002 to reduce waste and increase recycling. They provide houses with a 2-compartment bin for garden waste and residual waste, which they collect weekly. Since introducing the scheme, general waste is down 41% and dry recyclables up 23%. Sittard estimate the system has resulted in savings of €1.1million per year.

Volume based system

In this system households choose from a range of wheelie bin sizes according to the amount of waste they think they will generate, and are charged accordingly. After set periods of time, households can elect to change bin size, although clearly doing this too frequently would result in unreasonable costs.

Haarlemmermeer operates a fortnightly volume based collection system, where residents can purchase bins ranging from 80 litres (€142) to 240 litres (€215). Residents are fined for setting out extra waste. Recycling in the area has increased and the scheme is saving the council money, as it is cheaper to operate than incineration.

Other options include charging by frequency of collection or combinations of weight, volume and frequency.

Importantly, these systems do not operate in isolation. They form part of a comprehensive waste management service, including kerbside recycling schemes, free or low cost home compost schemes, civic amenity sites and bottle banks.

Examples from Flanders and France illustrate options for funding waste through a different type of charging system.

Flanders has a total population of 6 million, with 308 municipalities united in 25 public associations for waste management. It introduced waste charging in 2000 in an attempt to improve waste prevention by 13% between 2000 and 2007. The authorities operate a variety of bin and bag based systems, depending on local circumstances.

Flanders authorities' waste activities are funded 30% through central grant; 30% through flat rate local charge; 30% through variable charge; and 10% through Producer Responsibility measures (packaging, WEEE, batteries), to cover the total annual household cost of €220. Thus households pay approximately €60 each year via variable charging. Authorities were given capital subsidies to introduce charging, as an incentive to introduce the scheme. They had a 6 to 12 month communications lead-in time before introducing charging in any one authority (often focused on explaining this was not about paying more, but changing what households do). Flanders authorities pay €10 to €20 per household per year on communications.

Authorities in France have three choices when it comes to funding waste:

- finance it out of the general budget (5% of authorities; 6% of the population)
- a waste tax; charged on broadly the same basis as the property tax (64% of authorities; 84% of the population) and is set out separately on the property tax bill. The average in 2004 was around £50 per person. The tax can be set at different rates in different zones; with the zones depending on frequency of collection; type of collection - door to door or from designated points; whether householders sort their rubbish; whether there is an any intermediate treatment before collection (composting, etc).
- a waste charge (30% of authorities; 10% of the population). If authorities choose to introduce a charge they have discretion on what to charge, but it must be set to cover costs; whether to exempt certain industrial or commercial zones; whether to reduce the tax for properties with their own incinerators. The average in 2004 was around £45 per person. The charge can be set on the basis of volume on waste collected; capacity of waste bins; weight or number of people. It can be divided into a fixed and variable cost.

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