



LTCS Consultation Team
Department for Environment, Food and Rural Affairs
7/F9 Ashdown House
123 Victoria Street
London
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Dear Sirs,

**SUBJECT: POSSIBLE CHANGES TO THE LANDFILL TAX CREDIT
SCHEME: CONSULTATION PAPER**

Thank you for the opportunity to comment on the options for revising the operation of the Landfill Tax Credit Scheme (LTCS). The comments below come on behalf of the Local Authority Recycling Advisory Committee (LARAC) for whom I am Policy Officer. LARAC is an association of 300+ local authority professionals who co-ordinate and operate waste management services for their respective authorities. Membership is drawn from all types of authority including statutory Waste Collection (WCA), Waste Disposal (WDA) and Unitary Authorities.

As local authorities, directly or indirectly, all pay Landfill Tax and have a statutory requirement to reach performance goals for waste recycling, a survey was conducted of members' views on the proposals in the consultation document. Figures quoted in this response refer to this member survey conducted in May 2002.

LARAC welcomes this very timely consultation paper and the proposals contained within. Many authorities have now had experiences of the LTCS since its inception in 1996 and feel able to comment upon its revision. Whilst there have been good and bad experiences of the scheme, I believe that the majority of local government waste management officers would describe their involvement with the LTCS as 'frustrating'. The initial frustration occurs as it appears that when designed no thought was given to the fact that local authorities are perversely

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placed as bodies that are both required to pay the tax and also largely prevented from obtaining funding from the subsequent tax credits. Other frustrations arise from the bureaucracy involved in the current scheme. These will be commented upon elsewhere in this response. The consultation is timely as many local authorities are currently considering the prospect of meeting statutory recycling targets with woefully inadequate resources. The £140m recycling fund allocations for 2002/3 should shortly be announced inevitably leaving many local authorities disappointed and in search of other sources of funding for sustainable waste management projects and programmes. The suggestion that LTCS funding could be made more widely available to local government is therefore one of the most welcome possibilities raised by this consultation. Despite the welcome injection of £140m into household waste recycling there is still a scarcity of funding in the household waste management sector. There is an urgent need for a long-term commitment to additional funding, perhaps through the LTCS as the shortcoming of most challenge funding schemes is that they are very short term and do not take into account the increased revenue requirements local authorities incur by increasing recycling.

When surveyed unsurprisingly 100% of the LARAC membership were in favour of the LTCS funds being generally applied to support sustainable waste management schemes, rather than any of the wider environmental objectives of Government. That said the LARAC recommendation for the distribution of funding within the three broad categories suggested is as follows:

- | | |
|--|-----|
| <input type="checkbox"/> Encouraging more sustainable waste management | 80% |
| <input type="checkbox"/> Improving the environment in the vicinity of landfill sites | 20% |
| <input type="checkbox"/> Other priorities | 0% |

Many respondents to the LARAC survey commented that the 65% indicative target for category C and CC projects had clearly not worked and anecdotal evidence suggests that large number of public amenity (church roof and village hall) schemes were still being funded. It was a strongly held view that many other sources of funding (lottery, Heritage etc.) exist that should be used to support many of the other projects supported under the scheme hitherto. There was some support from LARAC members that limited funds (20% maximum) should be made available for wider community use by communities adversely affected by the impacts of landfilling of waste. However, this should be tightly controlled both financially and through the administrative process (see later comments) so that it does not continue at the current high levels and meets community rather than landfill operator aspirations.

As proposed the option of a new public spending programme that offered support directly to local authorities was most favoured by LARAC members. This support was conditional upon the funds being **ring-fenced** within the Environmental, Protective and Cultural Services (EPCS) block of the local government settlement

for use on sustainable waste management. LARAC members were fairly split in their views as to whether this funding should be allocated on a formula or challenge basis. One respondent made the helpful suggestion that perhaps a mechanism could be found to allocate funding by a formula basis whilst retaining a percentage of the funds to be allocated on a challenge basis? Many respondents suggested the continuation of the challenge-based arrangements to distribute the £140m as this would obviously build on existing mechanisms and be administratively less costly to operate. In the interests of developing the overall key strategic issues within UK waste management, it might also be prudent to set aside a percentage of the overall fund (10-15%) to a central fund. However, this should not be used to offset current Government/ Environment Agency commitments.

During my research, numerous comments were also received suggesting improvements to the current scheme should the LTCS be continued (subject to modifications as suggested). These include:

- A need for the distribution of funding to be underpinned by strongly enforced and higher indicative guidelines than used to date;
- Reduced paperwork requirements so that monies can be more quickly applied to the problems of increasing recycling levels;
- Allowing landfill operators to allocate more than the current 20% of their landfill tax liability to meet the demonstrable needs of improving sustainable waste management programmes and to meet statutory targets;
- Removal of the requirement that not more than 90% of the cost of projects may be met by landfill tax funding; thereby encouraging landfill operators to put more money into the scheme. However, if this change were proven to be operationally impracticable, the 10% third party donation system would need to remain to avoid discouragement of landfill operator take up in the scheme. It might be possible to separate schemes into those requiring/ not requiring 10% third party funding;
- Removing the current position whereby the landfill operator has a strong influence over the decision of which project (and project type) should be supported. Clearly it is not ideal to have the operator deciding which scheme to support and/or will least affect the business of landfilling;
- Constituting any panels or Environmental Body with representatives from bodies such as the Environment Agency, local authorities, the landfill operator, the public and interested local groups (to include research institutes and universities);
- **Operational recycling projects being made permissible under the scheme**, thereby removing the requirement for projects to be 'trial and allowing a more long term, sustainable approach to be taken; and
- Making the scheme more flexible in its interpretation of sustainable waste management and recycling projects so that waste prevention, reduction and reuse can be widely included.

Clearly the principle of several of these recommendations could be applied to any new distribution mechanism if that were the preferred direction of Government after this consultation. I am sure that many respondents will comments that should a change of distribution mechanism be decided upon that a sensible transition period between 'old' and 'new' arrangements should be applied to allow all parties to adapt existing and planned LTCS funded projects. It is important that existing schemes supported by LTCS are allowed to run to the end of their planned support and funding. Equally, an early announcement of any new proposals would be welcomed.

LARAC welcomes the principle of the Landfill Tax to move the burden of tax from 'goods' to 'bads' (people to resources), however, as the consultation paper has highlighted the operation of the corresponding LTCS has been far from perfect to date. LARAC would welcome the development of a revised scheme that allocated a high percentage (80%) to sustainable waste management objectives. Furthermore, LARAC would welcome direct local authority funding through a ring-fenced provision within the EPCS block and that allowed LTCS funds to be used on operational waste management projects. Should the decision be made to retain the current scheme, LARAC would welcome the substantial revision of the scheme as set out above.

Thank you for the opportunity to comments and we look forward to hearing the results of this consultation in due course.

Yours Sincerely,

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Surrey County Council