

14 December 2018

Resources and Waste Strategy

Purpose of report

For direction.

Summary

The Government will be publishing its Resources and Waste Strategy in the next few weeks. At the time of writing this report the strategy was not available. The strategy will open up a broader debate around key issues such as reform of Extended Producer Responsibility (EPR) and Deposit Return Schemes (DRS) as highlighted in the Budget and Ministerial statements. There is further potential that consistency and performance could also become key themes in any debate. This report is giving Members an early opportunity to consider the Boards position on these key issues and to provide a steer for future lobbying activity.

Recommendations

The Board is asked to consider the questions raised in paragraph 16. Members are asked if there any key principles Members would like to see delivered through any reform of the system.

The Board is asked to consider DRS and how it could best work with existing local government services (paragraphs 21-27).

The Board is asked to consider how we should engage in any discussions around consistency and performance. And to consider any more key points (paragraphs 28-31).

Action

Officers to take members comments forward.

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Resources and Waste Strategy

Background

1. Since 2000, local government has made significant progress in recycling municipal waste. Between 2004-2014 as a nation we have improved our municipal waste recycling and composting by 15 per cent taking us up to 8th place out of 34 European countries.¹ The pursuit of existing EU waste targets since 2000 has required a doubling of spend by English authorities to £3.28 billion. This makes collection and disposal of waste and recycling the third highest cost service for English local authorities.
2. The current household recycling rate in England is 45.2 per cent² and there has been limited improvement over the last few years. 73 per cent of UK packaging waste is either recycled or recovered and 26 per cent of waste ends up in landfill. The European Commission has set a number of challenging waste and recycling targets for the future:
 - 2.1. A common EU target for recycling 65 per cent of municipal waste by 2030
 - 2.2. A common EU target for recycling 75 per cent of packaging waste by 2030
 - 2.3. A binding landfill target to reduce landfill to maximum of 10 per cent of all waste by 2030
3. As a nation we are currently committed to these targets.
4. Achieving the targets on municipal waste and landfill represents an enormous challenge for councils. Our estimates show that current spending on waste by English authorities would need to increase significantly to include additional collection services (in particular food waste) just to meet the existing 2020 target of 50 per cent. Increased levels of ambition in recycling performance are becoming progressively more expensive to achieve above the existing target levels. Over the past few years LGA lobbying has focussed on highlighting the need for additional funding in order to meet the ambitious targets set by the EU. We have suggested resourcing these services via redistribution of landfill taxes and also stressed the need for greater producer responsibility to be part of the Government's approach.

Current Position

5. The broadcast of the BBC series Blue Planet II has had a significant impact upon the public's collective conscience. This has led to environmental issues moving significantly

¹ EEA Waste Recycling report – December 2016

² From DEFRA's 2016 figures for UK waste from household recycling rates

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up the political agenda. The current Secretary of State has given a number of high level speeches about the Government's commitment to delivering wide ranging environmental change and the Prime Minister personally launched the publication of the 25 Year Environment Strategy¹. There is currently a real appetite within DEFRA to deliver some meaningful change, and Brexit could potentially provide an additional opportunity to review our approach as a nation.

6. The 25 Year Environment Strategy promised the development of a Resources and Waste Strategy. This strategy is key for local government. It is aimed at making the UK a world leader in resource efficiency. It will set out the government's approach to reducing waste, promoting markets for secondary materials, incentivising producers to design better products and suggest how we can manage materials at the end of life by targeting environmental impacts.

7. It is anticipated that the Resources and Waste Strategy will be published in the next few weeks. It will present Government's position on the issues outlined above. It is also our understanding that the strategy will introduce a debate around reform of some key issues as suggested in the Budget³ and key ministerial announcements⁴. These issue are most likely to be:
 - 7.1. The extended producer responsibility scheme (EPR)
 - 7.2. Deposit return schemes (DRS)
 - 7.3. And possibly consistency and performance.

8. It is expected that these reforms will radically change the future of waste and recycling services in local government and so this paper is aimed at supporting the Board to begin its consideration of these issues.

9. The outcome of these debates could lead to significant amounts of money being invested in waste and recycling services in this country. Figures between £500m to over £1 billion have been mentioned in different forums. It is imperative therefore that members have the opportunity to engage in this issue early on to set the direction for our lobbying work. In preparation for this work we have conducted an LGA survey which has gone out to all councils and achieved a 40 per cent return rate. The findings from the survey will be discussed below.

Key issues: Reform of the Extended Producer Responsibility Scheme

10. Producer responsibility schemes exist to ensure that businesses which manufacture, import and sell certain products are responsible for their end of life environmental impact. The UK scheme focuses on packaging, waste electrical and electronic equipment,

³ The chancellor announced reform of the Packaging Producer Responsibility System, which will aim to increase producer responsibility for the costs of their packaging waste, including plastic (*2018 Budget Book, Page 48, paragraph 3.56*)

⁴ <https://www.gov.uk/government/news/deposit-return-scheme-in-fight-against-plastic>

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batteries, end of life vehicles and hazardous substances. It is likely that the packaging element of this scheme will come under review. The UK is unique in that it runs a market-based Extended Producer Responsibility (EPR) scheme for packaging, known as the Packaging Waste Recovery Note (PRN). Here, obligated producers have to purchase a set number of PRNs from reprocessors, which serve as evidence that their packaging has been recycled. The system is meant to subsidise packaging recycling, however it's not very transparent and it remains unclear how the money is spent.

11. In 2017 the PRN system generated £72.6m and £64.2m in 2016. Of the £72.6m in 2017 just £22.3 million went towards funding waste and recycling collections, but this money did not go to local councils. By contrast, councils indicated in their 2016/17 financial returns to Government that they had spent £800 million on recycling over the last year (this figure covers all recycling not just packaging). This was funded primarily through council tax and business rates. There is a general consensus amongst councils that the current PRN system does not help local government and that the scheme does not raise enough income to cover the true cost of recycling packaging waste.
12. There are around 400 EPR schemes in operation across the world, most of which are mandatory. Outside of the UK, countries such as France and Japan have taken EPR a lot further. France has 14 mandatory EPR schemes in place covering additional product streams including furniture, tyres and infectious healthcare waste. Japan has an extensive EPR law that covers the lifecycle of products from various industries – part of this legislation requires manufacturers to use recycled materials and reusable parts in new products. In Germany, Austria, Belgium and Sweden they have compliance schemes where producers take full operational and financial responsibility for household collection of packaging waste, meaning that local authorities' operational role is limited to residual waste, with the full cost of recycling being picked up by producers.
13. There is real potential that the Resources and Waste Strategy will provide an opportunity to redesign the EPR system. Producers of packaging waste recognise that they must do more to deal with the waste they are generating and are willing to discuss contributing more funding to a fully reformed system. There are suggestions that this figure could be anywhere between £500m to over £1 billion. However, if this is true it is highly likely that producers will want greater influence over the waste services they are helping to fund.
14. Reform of the current EPR system may provide an opportunity to develop new funding models for the future. If significant funding is available there could be a number of options for how funding flows through the system; for example the establishment of a central EPR funding body, or a less regulated market driven approach. In the scenario of a central body, producers might pay into the body which could be made up of representatives from all sectors. The body would then pass funding out to councils/waste partnerships in a manner which drives improved recycling rates.
15. In a more market based approach there is no guarantee that councils would receive any direct funding. Councils would be seen more as a source of recycling material. The success of this approach would depend on the robustness of the market. The Government could use the Resources and Waste strategy to support the market by stimulating domestic demand for recycled material. In both models there is the potential for the PRN

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system to exist. However, feedback from councils has been that the current PRN system is not transparent and councils do not receive any funding from it.

16. The recent Budget indicated that reform of EPR is being considered⁵. In preparation for this it would be helpful for the Board to address some of the potential key issues which may arise from any reform. Some of the key issues for local government are:

16.1. How much risk do we want to take on as a sector? Is this an opportunity for us to develop a low risk model where we pass on the market risk around recyclates to producers?

16.2. What is the impact of removing all recyclable material from our waste services and does this impact on residual waste costs?⁶

16.3. How confident are we about delivering improved recycling rates if additional investment is made available?

16.4. How do we ensure a system of governance for any new scheme delivers transparency for local government?

17. It may also be useful to agree a set of principals the Board would like to see any EPR model delivering: These could be:

17.1. Full cost recovery (including some residual waste costs)

17.2. Freedom and flexibility for councils to deliver cost effective local waste services

17.3. Ensuring councils get direct funding

17.4. Transparency of any new process

18. The LGA survey asked councils how they would spend any additional income for waste and recycling services. 51 per cent of respondents prioritised either investing in technology and/or infrastructure or introducing food waste collections. Respondents were also asked how a new EPR system should deal with the risk of managing recyclates, which some councils are struggling with due to the China ban. Thirty five per cent would prefer that producers retain income from recycling and become responsible for market risk, whereas 28 per cent would prefer that income and risk remain with authorities.

19. The Board is asked to consider the questions raised in paragraph 16

⁵ The chancellor announced reform of the Packaging Producer Responsibility System, which will aim to increase producer responsibility for the costs of their packaging waste, including plastic (*2018 Budget Book, Page 48, paragraph 3.56*)

⁶ Councils spent £3.4bn in 2016/17 collecting and disposing residual waste whereas recycling spend significantly less - £800m (Figures from DEFRA waste survey 2017)

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20. Are there a set of key principles Members would like to see delivered through any reform of the system?

Key issues: Deposit Return Schemes

21. The Government announced in March 2018 that it is keen to introduce a DRS⁷ for single use drinks containers. A DRS scheme is one where you pay an additional amount when buying a drink. This additional amount is then returned to you when you return the bottle. It is likely that the DRS scheme will focus on recycling plastic drinks bottles, but it may also include glass and metal. UK consumers go through an estimated 13 billion plastic bottles a year⁸. Plastic bottles are an issue which regularly receives a lot of negative press coverage and has a lot of resonance with the public. DRS are popular in Denmark, Sweden and Germany. In Germany they have a 97 per cent recycling rate from their DRS.
22. DRS can be introduced in many ways. The specific detail of this is still to be announced. However, Members should be aware of the potential impact of different models on local government waste services. DRS can be specific towards bottles used “on the go” or much broader “all in schemes” encompassing all bottles used both on the go and in household waste.
23. The LGA has responded to the government’s previous consultations on DRS, coffee cups and plastic bottles and single use plastics. We indicated that the sector was keen to help increase the proportion of plastic bottles being recycled. However, we have no control over the number of bottles coming into the system and so clearly recommended that the producers of these items should be paying for their recovery costs. It will be important for us to clarify through a future consultation process how much funding a DRS would need and how this would impact on the EPR fund.
24. When speaking to council waste and recycling officers the general feedback is that plastic bottles are predominantly found in litter. Once they enter the litter stream they are generally contaminated and so cannot be dealt with as recycle. There is however, comprehensive coverage of plastic bottle collection at the kerbside. 99 per cent of councils offer a kerbside recycling collection service that includes plastic bottles⁹. As a result there could be greater additionality with an “on the go” DRS scheme.
25. With a DRS scheme that also targeted bottles used at home and normally collected as part of a kerbside scheme, councils would need to think about how the removal of any specific waste stream could impact on the delivery of their waste service. Removal of plastic bottles may impact on residual waste amounts and make disposal cheaper. However, some councils may be able to sell the plastic bottles on and raise some income. Overall it is difficult to project any cost or income savings/losses.

⁷ <https://www.gov.uk/government/news/deposit-return-scheme-in-fight-against-plastic>

⁸ <https://www.gov.uk/government/news/deposit-return-scheme-in-fight-against-plastic>

⁹ Figures from RECOUP 2018 plastics survey

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26. In the recent LGA survey 41 per cent of councils supported the “all in” model. 34 per cent were in favour of the “on the go” scheme. When questioned further 38 per cent of councils thought they would see a decrease in the cost of their residual waste collections if there was a reduction of packaging waste in the system (this would include plastic bottles). 13 per cent felt there would be an increase in their costs. However, there were high levels of uncertainty around this question.
27. The Board is asked to consider DRS and how it could best work with existing local government services.

Key Issue: Consistency and Performance

28. If a reformed EPR system leads to a significant increase in the financial contributions from producers, it is highly likely that they will expect specific outcomes from their investment. These are likely to focus around consistency and performance. It would be helpful for the Board to consider whether there is a sector held view on delivering specific outcomes. Some of the key issues could potentially be
- 28.1. A national expectation that the sector collect an agreed set of materials i.e. all councils pick up 6 agreed types of material
 - 28.2. Nationally consistent recycling services – so that the public knows which item goes in which bin across the country
 - 28.3. Collection of food waste – currently not delivered by all councils due to cost implications
 - 28.4. Improvement in recycling rates for lower performing councils – potentially a specific focus on the shared issues of the lower performer
 - 28.5. Modulated fees – recognising better performers to act as an incentive
 - 28.6. A national communication strategy – funded by the producers contributions
 - 28.7. Stronger compliance monitoring and enforcement of councils – who would do this?
 - 28.8. Lower levels of litter as producers are dealing with their packaging waste
 - 28.9. More processing carried out in the UK – which may impact on the waste contracts a council can let.
29. The position of the Board has been to support councils in being able to deliver the waste and recycling services they deem to be appropriate for their local communities. The Board has also reiterated that significant change cannot be delivered without additional resources. There are regular questions posed by Government, the media and the public as to why recycling is not more standardised. The issue remains that the materials entering the waste stream are not standardised and therefore it makes it challenging to offer a standard collection system. Recycling facilities vary in nature and location across the country as there is no national strategy for where they should be located, or what

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services they should be providing. Councils therefore are not able to offer a standardised system as their recycle will not be dealt with in a standardised manner. There is an opportunity for us to make the case for the rationalisation and recyclability of packaging more strongly now, but the quid pro quo may be that we are then asked to deliver greater consistency on our collections in order to access additional funds. Members may want to consider how these changing dynamics impact on the Board's position.

30. In the recent LGA survey 64 per cent of councils said that their existing services mapped onto one of the WRAPs consistency frameworks¹⁰. 17 per cent said that their services didn't map onto one of the frameworks but of this group 31 per cent would consider moving towards one of the frameworks in the future.
31. The Board is asked to consider how we should engage in any discussions around consistency and performance. Are there any key points that need to be made.

Implications for Wales

32. Waste and recycling services in Wales are a devolved function. We have been working closely with the Welsh LGA to share learning and will consult them once the consultations have been published.

Financial implications

33. These will become clear once the consultation documents have been published.

Next Steps

34. The publication of the Resources and Waste strategy will be very significant for local government. It will lead to debate about some of the most significant waste and recycling issues which will impact on our sector for years to come. We ask the Government to ensure that any consultation process which takes place is genuine in its approach to involve local government and provides ample opportunity for meaningful debate. Members will receive a full update on progress related to the Resources and Waste strategy at the next meeting.

¹⁰ <http://www.wrap.org.uk/collections-and-reprocessing/consistency>