

## Waste Review: LGA Policy Position

### Summary

On 15<sup>th</sup> June the new Defra Secretary of State, Caroline Spelman MP, announced that the Government would undertake a full review of waste policy in England. The Government will also announce the findings of its spending review this year which will have an impact on the waste services that council's can provide.

The Environment Board is therefore asked to consider LGA Group Waste policy in light of this review of policy and Spending Review; as well as how the LGA Group can influence these two processes.

### Recommendations

Members are asked to consider and agree the LGA Group's key issues for discussion with Government as listed below.

### Action

Members and officers to use the Group's new key issues in discussions with Government and other stakeholders.

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## LGA Group Waste Policy Position

### Context

1. Domestic waste policy in the England and Wales is heavily driven by Europe, with the existing policy system based on the 'waste hierarchy', a large number of targets, landfill tax, LATS and a clear division between arrangements for the collection and disposal of municipal and commercial and industrial (C&I) waste. There is a largely voluntaristic approach to the private sector and waste minimisation.
2. The Coalition document, *Together Approved*, contains the following paragraph on waste: "We will work towards a 'zero waste' economy, encourage councils to pay people to recycle, and work to reduce littering." There is also a specific reference to the role of waste with regards to energy and climate change: "We will introduce measures to promote a huge increase in energy from waste through anaerobic digestion."
3. Defra Secretary of State Caroline Spelman has announced that her department will undertake a review "*of all existing waste policies*". It was made clear that this review will require extensive input from the local government sector and it is therefore important that the Environment Board considers its key policy positions when engaging with Defra at both the Ministerial and officer level.
4. The Government will also announce the results of a Spending Review in the autumn and waste, along with every other area of local authority business, can expect to see significant reductions in funding.

### Key issues

5. Below are the key issues that have been identified in discussions with local authority waste officers that we ask the Board to consider:
6. The LGA would like to see the Government acknowledge that councils face an unsustainable 'crunch' – either they pay the costs of increasing recycling and energy from waste or they pay increased landfill tax if they don't manage to increase recycling.
7. There are six inter-related problems which have to be tackled to ensure progress towards zero waste is maintained by local authorities:
  - If we do not increase investment in waste infrastructure, then targets to reduce use of landfill cannot be met
  - In consequence, the government of the day will face heavy European Union fines in 2020, of up to £180,000,000 a year

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- We need more investment in infrastructure which provides for recycling and reuse of materials such as glass, metals, paper and different types of plastic; for processing of food and green waste; and for energy from waste facilities
  - Financial pressures on councils created by the landfill tax escalator, without arrangements to reinvest the proceeds into the waste sector, are currently a barrier to finding money for this capital investment
  - A zero waste approach increases the underlying costs of dealing with waste, and this is putting pressure on council budgets and on residents' council tax bills
  - The landfill tax is adding to the costs of waste disposal for businesses.
8. Municipal waste is only about 10% of all waste. Landfill tax is payable on waste collected from businesses as well as households. Currently, **commercial and industrial waste** is handled separately from municipal waste, and this service is paid for directly. In some places, the council provides this trade waste collection service, in others, the private sector. As landfill tax escalates, the charges to businesses increase; a particular burden for small and medium sized enterprises (SMEs). Councils could be interested in extending their services, and providing more recycling facilities geared to businesses, if it did not expose them to higher landfill tax on residual waste. Better public investment in waste infrastructure would help SMEs, whether the infrastructure was public or private. This change in policy would be beneficial to local economies.
  9. Although municipal waste only makes up 10% of the overall waste stream, it is important that **partnerships with the private sector** are developed to deal with this waste. At present, waste infrastructure is funded by councils either as part of its general capital programme, funded by prudential borrowing, where it is competing for resources with schools, roads, sports facilities, libraries and other public service buildings; or through Waste Private Finance Initiative credits: a PFI scheme provided by Defra. No further PFI credits are currently available. Other partnerships with the private sector are funded through higher council revenue spending. The current arrangements are not providing sufficient investment and new initiatives are needed.
  10. When **landfill tax** was first introduced in 1996, the government committed to using its proceeds to invest back into the costs of dealing with waste. This no longer happens. The tax raised £420 million in its first year of operation. It is estimated to raise £1 billion in 2008-9. In the case of municipal waste, this is money taken directly from councils, challenging their scope to invest in new infrastructure. Whilst the LGA accepts that the Government will not be able to unravel this in the short-term, we ask that they commit to a review of landfill tax arrangements.
  11. In order to meet landfill targets and move towards zero waste, local authorities need increased **investment in infrastructure**. We call for the Green Investment Bank (as announced in the budget on the 22<sup>nd</sup> June) to prioritise waste treatment and ensure that the prioritisation of capital spending in

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Spending Review gives proper weight to waste facilities. Complex waste infrastructure has long lead in times; PFI projects investigated by the National Audit Office took five to nine years to come into use. We need to act now to ensure the proceeds of landfill tax are invested in reducing landfill use in future.

12. Currently there is a plethora of tools being used to try and influence councils on this issue: landfill tax, LATS, measurement via the National Indicator Set, Local Area Agreement targets. These do not necessarily create the right, most energy efficient incentives. Landfill tax at £72 a tonne will drive change. Time and resources do not need to be wasted on other policy instruments. We therefore ask the government to introduce **a clearer, simpler framework of incentives**.
13. At present, **energy from waste**, including combined heat and power schemes, provide the largest source of alternative energy generation. Our future energy security, and commitment to carbon reduction, needs more emphasis on realising the energy potential of waste. This is an industry of the future, and currently many contracts are going to firms from other European countries, despite Britain's tradition of engineering excellence. This is an opportunity to be seized. New approaches such as green bonds, a green investment bank, or access to resources of the European Investment Bank need to be considered.
14. The Secretary of State for Communities and Local Government, Eric Pickles, recently announced that he was writing to the Audit Commission, telling them to repeal guidance to local authorities on the frequency of bin collections. The LGA will continue to monitor this situation.
15. WRAP is the government-funded body responsible for providing **support and improvement** to local authorities on waste, plus Improvement and Efficiency South East (IESE), providing support on behalf of Defra. Local authorities need support, especially with regards to finding efficiency savings, but questions remain as to the future of the current support and improvement arrangements. The Group will need to develop a position on how support and improvement arrangements should be developed in the future.

## Early indicators

16. The LGA Chairman, Cllr Dame Margaret Eaton has met with the Secretary of State who was sympathetic to the LGA Group position on **schedule 2** waste and the consultation on **landfill bans** that was published by the previous government.

## Financial Implications

17. Whilst there are no financial implications for the LGA Group there are of course significant budgetary issues for member authorities. Waste services cost local authorities over £3.1bn in 2008-9 and are expected to increase to £4.2bn by

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2013. Apart from education and social care, waste collection and disposal is the biggest area of council spending.

## **Implications for Wales**

18. Defra's review of waste policy applies to England only. The Spending Review does however apply to Wales and we will work with the WLGA to ensure consistent messages are developed.

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