

LG Group response to Defra waste policy review October 2010

Introduction

The LG Group welcomes the opportunity to respond to the Department for the Environment, Food and Rural Affairs' review of waste policy in England. The LG Group is made up of six organisations that work together to support, promote and improve local government. These organisations are the LG Association, LG Improvement and Development, LG Employers, LG Regulation, LG Leadership and Local Partnerships.

There will also be more detailed responses from National Association of Waste Disposal Officers, Local Authority Recycling Advisory Committee, ADEPT and Improvement and Efficiency South East.

Context

The LG Group welcomes recent Ministerial decisions to abandon plans for legal bans on certain materials going to landfill, and to consult on amendments to the Schedule 2 waste regulations.

The LG Group strongly supports the Government's ambition to create a 'zero waste economy'; we should all aim for excellence in resource management and to minimise landfill as much as possible. The LG Group would however note that there are significant practical and financial implications in literally achieving 'zero waste' or 'zero waste to landfill'. We suggest there should be a discussion about how the ambition should be defined so it is practical and deliverable.

In the context of significant reductions in public spending the LG Group urges the Government to focus this review of waste policy on creating assurance that EU targets can be met and fines avoided at the minimum possible cost. To achieve this central Government should create a simple, clear policy and funding framework focusing on meeting EU targets, and creating clear, simple incentives for councils, and the private sector, in general as waste producers and the resources sector.

In the current fiscal climate, it is clearly not going to be easy to maintain public spending and investment in waste facilities. Instead we ask the Government to reform the policy framework radically to improve the economics of privately financed facilities.

Councils' performance on waste has been outstanding. They have reduced the amount of waste sent to landfill whilst driving up recycling rates from 7.5% in 1996/7 to almost 40% by December 2009.

Domestic waste policy in England and Wales is heavily driven by EU

legislation, 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.

Why waste matters to councils

Waste collection and disposal together are the third largest local government service in terms of spend after education and social care. Costs excluding capital investment are likely to increase from £3.4 billion in 2010/11 to £4.3 billion by 2014/15. Whilst costs of waste collection have fallen as a result of the measures many authorities have taken to rationalise the service and encourage recycling, disposal costs have risen very steeply, driven by a six-fold increase in landfill tax over twelve years and with a £140 million EU fine in prospect if completion of waste management projects is delayed. In this area, the fact that both investment in the new facilities needed and renegotiation of contracts for waste disposal have long lead-in times, means there are few quick wins in reducing costs.

Waste collection and disposal is also a service that is highly visible and valued by local people. A ComRes survey conducted in September 2009 found that 90 per cent of households surveyed were aware that rubbish collection and disposal were services their council provided, a higher level of awareness than for any other service. Defra forecasts that local authority spending on waste would need to increase by 10 per cent from £3.8 billion in 2010 to £4.2 billion by 2013, to enable councils to manage the pressures associated with changing waste management practices. Our own work, using the latest figures available from local authority budgets, validates this conclusion. It also shows that, whilst the costs of disposal are increasing very rapidly, costs of collection are being reduced through the sensible decisions that local authorities are taking up and down the country to encourage recycling and rationalize collection.

The rising cost of landfill tax is one of the major drivers of cost pressures in waste disposal. In a fifteen year period, landfill tax per tonne will have increased more than six-fold from £12 in 2001/02 to £80 in 2014/15. 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 was estimated to raise £1 billion in 2008/09 and, in the case of municipal waste, is money taken directly from local tax payers. The rising rate of landfill tax has clearly helped to divert waste from landfill in the past but now, with the proceeds of the tax retained by government, this could instead be reinvested in waste infrastructure. The effect is that local government is now starved of the funds available to invest in the infrastructure that will enable further diversion of waste from landfill. Given that the EU Landfill Directive sets mandatory targets for the reduction of biodegradable municipal waste sent to landfill, with fines for non-compliance, it is essential that investment to enable the targets to be met is supported. There is a very real danger that the United Kingdom will miss the EU's 2020 recycling targets. Both the credit crunch and the vagaries of the planning system have increased the risk that projects could indeed face delays.

Local authorities have the potential to play a significant role in improving the levels of resource management within the United Kingdom and for local economies. Local Enterprise Partnerships will play a significant role in strategic management of economic development in local areas and they are therefore well placed to bring the public and private sectors together to improve levels of resources management.

Current priorities

Tackling the deficit is of vital importance and in this context the LG Group recognises the need to hold down or cut the cost of household waste collection and disposal. The central objective of the review should be to create assurance that EU targets can be met and fines avoided at the minimum possible cost.

To achieve this central Government should create a simple, clear policy and funding framework focusing on meeting EU targets. Decisions on the methods should be left for local authorities to decide, working with private sector delivery partners.

The 'greenest Government ever' must do more to ensure resources are managed as effectively as possible, particularly in the private sector, through strict adherence to the waste hierarchy. Minimisation should be the primary consideration wherever possible and will have a positive effect both in terms of carbon reduction and finances.

Municipal waste makes up only 20% 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. Local authorities need the ability to work across natural economic geography to strategically manage the whole waste stream, including C&I.

Municipal waste – collection

Local authorities must retain the freedom to collect waste in the way that is best suited to their residents. The LG Group acknowledges however that there is a need for some national outcome standards to generate transparency for residents on how successful collection services are and how they could be improved. The LG Group and WRAP have already produced the Waste Collection Commitment in this respect. Based on research on residents' views about what they like and dislike about their existing services and in consultation with local authorities, the Waste Collection Commitment sets out in plain English the principles which should underlie domestic waste and recycling collection services. This sector-led approach has already resulted in over one hundred councils signing up to the commitment.

Improvement and Efficiency South East (IESE) provides invaluable support for purchasing, transformation and efficiencies, on behalf of Local government. 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 LG Group is confident that both IESE and WRAP can deliver national programmes that deliver complimentary programmes of support to the public sector.

Case study – Southampton City Council

Southampton City Council enlisted IESE in search of efficiency savings and in order to reduce the number of driving incidents, Southampton City Council developed a driver training programme for their refuse and recycling collection crews. The driver training resulted in savings of over £46k during the first year of operation; more fuel efficient driving and an improved standard of driving as well as the ability to provide feedback to drivers on how they drive. In addition, there were fewer accidents.

The LG Group asks the Government to consider the current disincentives on councils to promote home and community composting. Whilst we accept that this would not be suitable in all areas (densely populated inner-urban areas for example), but in keeping with the waste hierarchy, councils should not be disincentivised from encouraging householders to deal with garden and food waste at home wherever possible.

Case Study – Horsham District Council

Horsham District Council has undertaken a radical review of its waste collection services that have seen recycling rates increase from 14% to 56% in a decade, whilst at the same time utilises fewer crews and increases operational flexibility and improves health and safety. The Acorn Plus scheme has seen a significant improvement in recycling services which have been achieved at no extra cost and enjoys high levels of public satisfaction.

Municipal waste – disposal

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 LG Group accepts that the Government will not be able to unravel this in the short-term, we ask that it commits to a review of landfill tax arrangements.

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 £80 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 that focuses on Landfill tax as the key driver.

We must rethink how we can plan and manage waste infrastructure; the current pattern of funding to support infrastructure is fragmented vertically across national, regional and local levels and horizontally across government departments, their agencies and the plethora of funding

streams that exist within them.

Better planning of infrastructure will make less money go further. But there are also steps that can be taken to maximise the amount of money available. The central issue is that there is not a single public sector balance sheet, but a collection of balance sheets of varying strength. Policy should be framed in a way that puts that variety to work in the most efficient way. It would be a significant policy error if total publicly-mobilised investment is reduced too much, simply because it is tailored to the capacity of the most overextended balance sheet.

There is potential for councils to maximise funding for investment in infrastructure by re-establishing a market in municipal bonds and developing innovative collective investment schemes that could provide local government pension funds and other long term investors with access to investment in local infrastructure projects delivering a secure and attractive rate of return.

The LG Group urges the Government to consider the disposal of all waste as an opportunity for economic development and the generation of renewable energy and heat.

Case study – East London Waste Authority

East London Waste Authority opened its Frog Island facilities in 2007 which was, at the time, the first large-scale recycling and recovery plants of its kind in the UK using Mechanical and Biological Treatment (MBT) technology. The processes will extract recyclates from the waste stream and treat up to 180,000 tonnes of household rubbish by shredding and then drying the residual waste to provide solid recovered fuel (SRF), which can then be used by local businesses in place of fossil fuels.

The Decentralisation and Localism Bill will make the biggest changes to the planning system in half a century and this could have a significant impact on delivering new waste infrastructure.

The LG Group asks the Government to accept that it is not necessary to lower the size threshold for the national major projects process; this would detach thinking about large scale waste facilities from the proper context of local economic development thinking. There is a need for the national planning framework to address larger scale waste facilities and for the Government's new approach to planning to address predetermination rules and other barriers to councils managing planning and procurement in parallel.

Government's approach to waste planning suggests communities should take responsibility for managing their own waste. However technologies, economies of scale and sustainability issues often makes planning for waste facilities a matter of more than local significance (e.g. in relation to energy production from waste and its connection to wider infrastructure). At the same time, local decision making and accountability is essential, and therefore councils must be equipped to make the necessary strategic decisions whilst analysing all advantages/disadvantages involved.

There is therefore a need to take both a strategic and local overview. Since the 1990s Waste Technical Advisory Bodies (TABs) have supplied waste planning authorities with data on the need for infrastructure facilities,

offering an essential strategic overview. However with the end of Regional Spatial Strategies (RSS) which TABs used as an integral part of their work, there is now a question as to how planning authorities will have available strategic advice to make informed decisions about the provision of waste facilities, potentially threatening the ability to achieve recycling and landfill targets. Local Enterprise Partnerships could provide this role, but these will not be in place until 2012 and it is for constituent councils to decide their remit.

The Planning Officers Society (POS) have suggested that the simplest way would be to continue with the TAB system, with reporting lines directed to the constituent planning authorities, working together through LEPs or other joint arrangements where appropriate. This, they argue, would save money and allow for better interaction with the industry. The LGG agrees the POS model should be considered, as must any innovative ways developed by authorities to access information previously held regionally. Planning for waste infrastructure requires both strategic and local insight and local authorities must be empowered with the ability to offer both.

The LG Group cautions against the blanket promotion of Anaerobic Digestion (AD) and instead suggests that government works with the waste industry and local government to assess experience of AD up to this point and generate guidelines on where it is an appropriate and cost-effective solution, both for purely private sector merchant facilities and for facilities commissioned to process municipal waste.

Commercial and Industrial waste

Municipal waste makes up only 20% of all waste. Landfill tax is payable on waste collected from businesses as well as households. Currently, commercial and industrial (C&I) 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. Local authorities need the ability to work across natural economic geography to strategically manage the whole waste stream, including C&I. Thinking across natural economic areas about both commissioned and merchant facilities would allow councils and the private sector to make deals in which there is a business case that does not require public subsidy for plants that take both municipal and C&I waste.

There are a number of issues that are of equal importance to the commercial and industrial and the municipal waste streams. Food and packaging are two examples where the same materials become both 'back of store' waste and responsibility of retailers but also enter the household waste stream via consumers. The LG Group, alongside WRAP and the British Retail Consortium, has undertaken work to tackle excess packaging but it remains important to try and develop creative deals to finance

facilities that will handle both municipal and C&I waste. Elsewhere the Courtauld Agreement has been a useful process that has enabled some progress in curtailing growth in packaging waste and cutting food waste, but there is much further to go on both fronts. Recent research from WRAP shows that total packaging waste volumes have not fallen in the last five years and local authorities, on behalf of their residents, are still having to deal with a vast mountain of packaging that ends up in the waste stream.

The European Dimension

As has previously been mentioned the EU has a substantial influence over local environmental services and waste management strategies and also sets targets and legislates on energy efficiency. The Landfill Directive, revised Waste Framework Directive and Waste Electrical and Electronic Equipment (WEEE) Directive, for example, have all radically changed the way councils collect, treat, dispose of and recycle waste and have led to an array of local recycling targets. With councils being major users and providers of energy, they are subject to EU rules and targets on energy consumption of municipal buildings and housing stock and public transport.

There are varying views and interpretations about how much UK legislation and regulation stems from the EU. Taking into account the wide spread of views on this issue, we believe that around half of all regulation affecting local councils has its origins in the EU.

Looking ahead at the development of future EU laws (water efficiency in buildings; further EU targets on bio waste; simplification of existing waste legislation in 2012; the ongoing revision of the WEEE Directive etc), we want to build an effective partnership with all Whitehall departments so that local government is involved in national government negotiations on EU law, before, during and after the EU decision making process. We also want to ensure that any additional burdens on councils from European legislation and International Agreements are fully understood as part of the negotiation process, not just at the implementation stage.

Revised Waste Framework Directive and EU action on bio waste

The European Commission has reiterated that it will not be issuing separate legislation on bio-waste and that Member States should instead rely on existing legislative frameworks, such as the revised Waste Framework Directive, to manage this issue. The Commission has nevertheless indicated that it is considering setting EU waste prevention targets in the future. The LG Group recognises the importance of managing bio-waste, but notes that EU measures such as strengthening the existing Landfill Directive provisions or additional binding legislation could jeopardise long-term investments and would not sufficiently take the impact of local conditions on bio-waste management into account.

Producer Pays Principle

The producer pays principle should have greater application so that existing systems to encourage more recycling can expand. For example, in line with the "polluter pays principle", the full costs of managing waste electrical and electronic equipment (WEEE) should be met by consumers, through producers and not by taxpayers in general through local authorities. It is hard to imagine that producers would voluntarily meet

these costs unless obligated to do so. As negotiations continue to revise the existing Directive, we are calling for a mandatory application of producer responsibility to cover the full costs of separate collection from households, should this service be locally appropriate and viable. Due to the variety of different systems of collections, with many currently operating to capacity, local authorities must not be obligated to provide such a service.

Cost of separate collection will naturally vary between local authorities, however producers would not be obligated to use local authority collection services and could establish their own schemes or those provided by private sector companies as an alternative. Stronger collaboration at the local level between councils and producers could result in the provision of a local WEEE collection service which best meets local needs and improves the local environment by reducing the number of mobile phones, chargers etc which might otherwise end up going in the bin and then to landfill. It would also help increase the UK's overall collection targets, together with a reduction in residual waste. Our full position can be found at **Annex A**.

EU 2012 Review of Waste

In its 2010 work programme, the European Commission indicated that it will be undertaking a full review of product-specific waste legislation to ensure full alignment with the Waste Framework Directive. This review is due to take place in 2012. The review would include the directives on end-of-life vehicles, batteries and packaging.

It is important that the UK government recognises the potential impact on local authorities from legislative changes made during this review and works with the sector so that councils are not left with additional administrative or financial burdens.