

# Waste spending round submission



April 2013

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## 1. Summary of key proposals

Waste collection and disposal is the third largest local government service in terms of spend and an essential service for local people. Costs have been increasing over the current spending review period as councils manage demand from a rising number of households, increased waste arising and a £100 million increase in exposure to landfill tax. This increase will continue into 2015/16 unless taxation rates are frozen at 2014/15 levels.

**Landfill tax** – we suggest that the levy should be frozen at 2014/15 levels.

**Capital investment in waste infrastructure** – the Treasury should consider using the existing landfill tax revenue to provide underpinning capital for forward thinking waste infrastructure projects by redistributing landfill tax receipts back to councils.

## 2. Context

The spending on waste collection and disposal is projected to have increased over the current spending review period by 15.9 per cent to at least £3.71 billion<sup>1</sup>.

As a statutory service, waste management is subject to a number of key external cost drivers: the number of households requiring a waste collection service; the total amount of waste arising; and the level of waste taxation. Over the current spending review period household numbers will have risen by 3.1 per cent<sup>2</sup>, at the same time as the tonnage of waste collection has increased by 2.3 per cent<sup>3</sup>. During this period the rate of tax for material landfilled will have risen by 43 per cent and the cost to councils increased from £535 million to £635 million in 2014/15<sup>4</sup>.

Therefore nearly a quarter of the increase in council waste spending has come in the form of a fiscal transfer to the Exchequer. The landfill tax rate has risen from £56 per tonne to £80, effectively representing a cut of £100 million to local government funding over the period. The £8 further increase to landfill tax implied by the escalator for 2015/16 would represent an additional and untransparent £59 million reallocation of council funding back to the Treasury.

There is no evidence that further increasing the rate of landfill tax changes the already powerful incentive on councils to promote recycling. The only effects of further increasing landfill tax would be to:

- reduce the transparency of the overall cut to the local government settlement; while also

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<sup>1</sup> Based on LGA financial modelling

<sup>2</sup> Based on ONS data

<sup>3</sup> Modelled based on Defra SARIMA projected arisings to 2020

<http://www.defra.gov.uk/publications/files/pb13883-forecasting-2020-waste-arisings.pdf>

<sup>4</sup> Based on LGA financial modelling

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- tying councils' hands about how they will deliver part of the cut.

The second of these (at least) is not in the Government's interest.

### 3. Landfill tax

Since an increase in landfill tax would represent an untransparent cut to council funding, combined with a reduction in councils' discretion about how they deliver the cut, **the levy should therefore be frozen at 2014/15 levels.**

### 4. Waste infrastructure capital funding

Over the years from 2015/16 councils and their commercial partners will be making significant investment in order to meet and exceed 2020 landfill and recycling targets. This will require both capital and additional revenue outlay for new recycling, re-use and residual waste infrastructure.

Waste infrastructure is inherently difficult to deliver, can require many years from inception to operation of a new facility, and can be financially marginal in terms of a commercial return on investment. Because decisions on infrastructure to take us beyond current landfill targets will happen well before 2020 there is a need to look again at the financing and delivery of waste infrastructure.

**The LGA suggests that the Treasury consider using the existing landfill tax revenue to provide underpinning capital for forward thinking waste infrastructure projects by redistributing landfill tax receipts back to councils.** This would have a dramatic effect to those councils with waste infrastructure plans that are almost shovel ready. Council landfill tax receipts are expected to be £591 million in 2015/16 based on £80 per tonne. If this sum was redistributed back to councils then it could, for example, provide underpinning funding at Waste Infrastructure Credit levels<sup>5</sup> to over seven large residual waste treatment projects. This would enable councils with their commercial partners to move forward the delivery of projects that would provide local jobs and offer a huge boost to local economies in the immediate and longer terms.

### 5. Conclusion

Councils have been delivering a consistently improving service and are on course to meet EU waste targets. This has been achieved while managing rising demand from increasing household numbers, waste arising and landfill tax. Any increase in the rate of waste taxation through landfill or a residual waste treatment tax would represent a further cut in council

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<sup>5</sup>

Based on the £217m of Waste Infrastructure Credits that were withdrawn from three waste partnerships in February.

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funding. Instead Treasury is urged to redistribute back councils' landfill tax receipts to enable needed and forward thinking waste infrastructure projects to get off the ground. This will also provide valuable local jobs and growth.

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