

Waste, Recycling and Flooding Update

Purpose

For discussion and decision.

Summary

This report provides an update on waste, recycling and flooding issues which have happened since the last Board paper in June 2015. Councils are under increasing financial pressure which is starting to have direct impact on areas such as Environmental Services. These services could also be directly impacted by Brexit discussions. Members are therefore asked to review the lobbying approaches outlined in this report.

Recommendations

Members to consider:

1. The LGA's position on consistency across waste and recycling services.
2. If the LGA should investigate future options for how waste and recycling services could be funded including our position on landfill tax.
3. How to take forward the approach to producer responsibility.
4. If they are satisfied with the LGA's current approach to flooding.

Action

Officer to take action as directed by members.

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Waste, Recycling and Flooding Update

Meeting EU Recycling Targets

Background

1. In December 2015 the European Commission published a new circular economy package. The Commission's proposal included an action plan for the circular economy and the revision of four directives on waste:
 - 1.1. The waste framework directive
 - 1.2. Directive on packaging and packaging waste
 - 1.3. Directive on landfill
 - 1.4. Directive on electrical and electronic waste
2. The legislative proposals on waste, adopted together with the action plan, include long term targets to reduce landfilling and to increase preparation for reuse and recycling of key waste streams such as municipal waste and packaging waste. It also includes the revision of a certain number of targets in the European waste legislation with the objective to increase recycling rates in Europe and achieve a change of production and consumption patterns so as to consider waste as a resource.

Issues

3. Europe currently loses around 600 million tonnes of materials contained in waste each year, which could potentially be recycled or re-used. Only around 40% of the waste produced by EU households is recycled, with recycling rates as high as 80% in some areas, and lower than 5% in others. The European Commission's proposals suggest a number of challenging waste and recycling targets:
 - 3.1. A common EU target for recycling 65% of municipal waste by 2030
 - 3.2. A common EU target for recycling 75% of packaging waste by 2030
 - 3.3. A binding landfill target to reduce landfill to maximum of 10% of all waste by 2030
4. Failure to reach these targets could lead to EU infraction fines.
5. The current household recycling rate in England is 43.5 per cent and has been broadly flat for three years. 73% of UK packaging waste is either recycled or recovered and 26% of waste ends up in landfill. Achieving the targets on municipal waste and landfill will represent an enormous challenge for councils. 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. Our estimates show that current spending on waste by English authorities would need to increase significantly to include additional collection services (in particular organic waste) just to meet the existing 50% target. Increased levels of ambition in recycling performance will become progressively more expensive to achieve above the existing target level.
6. When looking at our European neighbours we can see that the UK's performance at recycling and managing waste has significantly improved since 2001. In 2001 we were rated 16 out of 32 European countries by the European Environment Agency (EEA). By 2010 we had moved up to 9th place demonstrating the fastest increase in recycling rates

across Europe along with Ireland. Throughout this period Austria, Germany and Belgium have been the top performers.

7. Reflecting on what the top European performers do, it is not clear that adopting any one single action would quickly help us to improve our recycling rates. A very simplistic piece of analysis we have done suggests that whatever action councils decide to take there will be a significant cost attached to achieving the level of progress required. To achieve a 1% increase in recycling rates could cost around £12m which would amount to around £240m to go from 45% to 65%¹

Consistency of council waste and recycling collection services

Background

8. DEFRA has set up a cross sector advisory group to advise on developing greater consistency on waste and recycling services. The LGA is a member of this group, along with local authority officer networks and stakeholders from the waste and packaging industry. DEFRA has indicated that the brief for consistency covers all parts of the waste life cycle, not just council collection services. It believes that national models of waste collection services will increase recycling rates and save councils money.
9. The recycling charity Wrap, backed by Defra, has developed a voluntary framework focussed on delivering greater consistency on the materials collected by councils for recycling and the type of containers used. They are promoting the idea that all councils should adopt one of three standard collection systems. They believe this would drive up recycling rates and could save money in the longer term by increasing revenue from the sale of recycled materials.
10. The LGA position is that waste and recycling collection services are a local decision for councils. Councils have already made significant investment in waste and recycling services and the responsibility for increasing recycling rates must sit with all stakeholders, not just council tax payers. Whilst this is recognised, Defra are keen to pursue a goal of moving councils to a consistent set of waste and recycling services.
11. Members are asked to consider how our lobbying work around consistency should progress by addressing the following questions:
 - 11.1. Do we want to support Defra's general concept of consistency that all councils should be working towards offering their residents more universal waste and recycling services?
 - 11.2. Should we maintain the lobbying position that although consistency is something that the sector should work towards over time, local authorities must retain the freedom to collect waste in the way that is best suited to their residents?

¹ This figure is based on comparing change in expenditure over 2010-11 – 2014/15 with change in recycling rate. There are a range of technical considerations which it has not been possible to factor in and may affect the figures.

Future funding

12. The collection and disposal of waste and recycling is the third highest cost service for English local authorities. In the current financial climate it is unlikely that councils will in the future be able to increase their levels of investment in these services. There have been no indications from Government that any new funds will be available for this service area in the near future.
13. The Board is asked to consider whether:
 - 13.1. The LGA should investigate future options for how waste and recycling services could be funded. Schemes such as pay as you throw or paying for certain types of collection i.e. garden waste give councils greater scope to raise their own funds? Should this be a model all councils look at?
 - 13.2. We continue to lobby government to enable landfill tax to be redistributed as originally intended via the Revenue Support Grant.
14. Historically the LGA has taken the position that producers of waste should take greater responsibility for the cost of collecting and disposing it. We have gone as far as asking for “a minimum 50 per cent producer contribution by 2025 and a full cost contribution to the costs of waste collection and disposal by 2030”. It has been challenging to make any significant progress along these lines.
15. There is scope for us to consider an approach where we work more directly with the producers and try to understand their needs whilst communicating our own requirements. We may want to consider what the long term impact on local waste services would be if producers were to play a greater role in funding collection and disposal. EU waste proposals include the adoption of extended producer responsibility although details are not yet clear.
16. Members are asked to consider if they want to:
 - 16.1. Maintain the current line around producer responsibility and how this should be taken forward.

Update on the judicial review of the VAT exemption on commercial waste services

17. The Board will recall last year receiving an update on the judicial review of the VAT exemption on commercial waste services being undertaken by the Durham Company. HMRC and Treasury are defending the position that council commercial waste services should be exempt from VAT and the LGA are supporting HMRC as an interested party because of the potential financial impact on councils operating a commercial waste service.
18. The judicial review cleared the first hurdle in September, as the High Court judge ruled that the special legal regime is legal and rejected the private waste company’s challenge to HMRC, the Treasury and the LGA as an interested party. The LGA supported the court case through expert legal advice and by providing a set of detailed written witness statements from councils.

19. A second part of the case will consider whether the VAT exemption is causing distortion of the commercial waste market. The High Court will also consider an appeal of the judge's decision to uphold the VAT exemption. Further work will be done with HMRC and the LGA's legal team to decide what resources will be needed from LGA for the defence. The outcome of these discussions will be put to the LGA's Senior Management Team for review as soon as possible.

Flooding

20. Extreme weather conditions continue to provide a challenge for both national and local government. December 2015 was no exception with widespread flooding across the north of England affecting more than 21,000 flooded properties. Work commissioned by the Committee on Climate Change² also projects increased damage from flooding under a number of scenarios in the years to come.
21. A number of reports have been published following the 2015 floods. The Environment, Food and Rural Affairs Committee 'Future Flood Prevention' report called for a new model for managing flood risk; wider scale adoption of natural flood risk management measures across catchments and more assistance from government to help communities and individuals cope with and recover from flooding.
22. Key actions in the National Flood Resilience Review report published in September included a commitment to £12.5 million for new temporary flood defences; a commitment for utility companies' to increase protection of key local infrastructure, including phone networks and water treatment works; a new stress test of the risk of flooding from rivers and the sea as well as a commitment for Met Office forecasts of extreme rainfall scenarios to be linked with Environment Agency modelling to provide a new assessment of flood risk.
23. The government has committed to a 6-year £2.3 billion flood defence programme up to 2021. There is an opportunity for local government to influence the way funding for flood risk is structured post-2021, as well as exploring how we might increase flexibility in the approach to funding for flood defences up to 2021.
24. In our Autumn Statement submission we have called for capital and revenue funding for flood defence projects to be devolved into a single, place-based pot to allow local areas to support a more diverse set of outcomes.
25. Further recommendations in our submission focus on ensuring local authorities responsibilities for local flood risk management are adequately resourced including:
 - 25.1. Land drainage consent fees to be set locally. Currently the nationally set £50 does not cover processing costs.
 - 25.2. Councils' new statutory consultee role for surface water drainage to be fully funded. ADEPT commissioned research showed that the average cost of delivering this role is £65,000 and the new burdens funding was approximately £13,000.

² [UK Climate Change Risk Assessment 2017](#)

- 25.3. Funding for local flood risk management should also be boosted by extending precepting powers (as agreed in Somerset) where there is local agreement.
- 25.4. Investing any surplus levy from the Flood Re insurance scheme into preventing damage before it happens.
- 26. During severe weather events our strategy is to work with councils to help them respond to immediate challenges, liaise with the media to highlight the work that councils are doing to support communities as well as working with councils and government departments to ensure adequate response and recovery funding support.
- 27. Members are asked to consider whether they are satisfied with the current approach to flooding?

Next steps

- 28. Members are asked to consider:
 - 28.1. Coming to a position on consistency around waste and recycling.
 - 28.2. Whether we should maintain the lobbying position that although consistency is something that the sector should work towards over time, local authorities must retain the freedom to collect waste in the way that is best suited to their residents?
 - 28.3. Recommend if the LGA should investigate future options for how waste and recycling services could be funded.
 - 28.4. Indicate if we should continue to lobby government to enable landfill tax to be redistributed as originally intended via the Revenue Support Grant.
 - 28.5. Review the position on producer responsibility and how this should be taken forward.
 - 28.6. Consider whether they are satisfied with the current approach to flooding.