

Wealth from waste

The LGA local waste review



He grew rich as a Dust Contractor

Charles Dickens, *Our Mutual Friend*, 1865

If the Treasury were to fill old bottles with bank-notes, bury them at suitable depths in disused coal-mines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tryed principles of laissez-faire to dig the notes up again (the right to do so being obtained, of course, by tendering for leases of the note-bearing territory), there need be no more unemployment and, with the help of repercussions, the real income of the community, and its capital wealth, would probably become a good deal greater than it actually is.

John Maynard Keynes, *The General Theory of Employment, Interest and Money*, 1936

Foreword

What we do with our waste has been an environmental issue for generations and a regular front-page news story for the last few years. It is now time to move the story on, and to see it in the realistic light of the situation we find ourselves in. With the economy struggling and public services facing drastic funding cuts, we need to recognise that waste and recycling are economic issues.

The Local Government Association represents the councils that make sure 23 million households' dustbins are collected and dispose of 26 million tonnes of waste. Those councils spend £3.2 billion of taxpayers' money doing it. They do it efficiently, responsively and in line with local residents' priorities, democratically expressed at the ballot box. This review takes a hard-headed look at what we can afford to do, now and in the future.

This review is not an idealistic ecological take on waste and recycling. We leave it to others, for now, to mount the environmental soap box and make the moral case for recycling, or the strategic case for materials security. The simple fact is that taxpayers will be better off, the economy will benefit, and more people will have jobs if we grow our domestic market for collecting, sorting and reprocessing recycling. Landfilling waste costs a lot of money; burning it is still expensive; recycling actually brings in cash for the taxpayer and we owe it to today's hard-pressed taxpayers to get as much of their money back as possible.

The market growth we want to see does not need to come from recycling more – although pushing up the recycling rate would of course grow the market and is feasible. What we have found is that there are hundreds of millions of pounds of unrealised value for the taxpayer and the economy if we can simply get the market for today's amount of recycling to function better. This review makes recommendations for simple changes that would improve the market and let it prosper. These changes, in themselves, would have limited visibility to the average householder, but could help increase understanding around recycling behaviours. They would also make a lot of difference to businesses and councils providing them with a service.

This review represents the work of a group of experts and elected councillors, ably and energetically led by councillor Clyde Loakes, who are named on p34 of this paper. I am very grateful to them for their hard work and insights.

There is wealth in waste. It is time to take the lid off the dustbin debate and raise the sights of government, central and local, from the kerbside to the global economic race.



Councillor Mike Jones
Chairman, LGA Environment and Housing Board

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Executive summary

There is wealth in waste. The waste and recycling sector is currently worth £11 billion and with the right support and investment it will be a key growth sector for the UK economy.

Local government therefore needs to look beyond our role in simply ensuring the country meets its EU waste targets by 2020, and explore how councils can develop the waste and recycling sector to unlock its true potential, generating 51,400 jobs nationwide and expanding a vital revenue stream for council tax payers in a tight financial climate.

Compiling evidence from leading local authorities, key industry players, charities and Government agencies, this review provides detailed analysis and evaluation of the waste sector. It identifies the opportunities, risks and challenges for local government and outlines key asks from Government. Its key recommendations include:

Re-invest landfill tax receipts – Since 2007 the Treasury has used the landfill levy as way of generating millions of pounds in additional revenue for its own coffers, breaking promises that any extra money raised through the automatic annual increases would be returned to local government through the Revenue Support Grant. Ultimately this will leave councils and residents facing a bill for £610 million in the 2013/14 financial year despite huge efforts to increase the amount we recycle. Government needs to stop punishing tax payers, freeze the landfill levy at its current rate and restore the principle of revenue neutrality with which the landfill tax was originally introduced. Tax receipts from local authorities should be redistributed to local taxpayers. One option for the proportion raised from the commercial sector is to provide underpinning capital for forward thinking waste

infrastructure projects, e.g. by capitalising the Green Investment Bank or local Waste and Recycling Boards for investment in recycling infrastructure.

Improve the quality of our recyclable waste

– The contamination of recyclable materials with food and other residual waste impacts on its value. At the moment, however, quality measurement and pricing in the market make it hard to assess the financial impact of contamination. While estimates on the level of contamination vary, reducing it by half and increasing the local authority share of its value would yield over £1 billion by 2019/20. Government must ensure that the new MRF Code of Practice expected later this year requires full transparency of information and a robust system of sampling to ensure higher quality and associated value is achieved for local tax payers.

Address the exporting of waste – The current system incentivises the exporting of low quality recyclable material overseas to destinations in Europe, Africa, South America and Asia. While export is a legitimate solution for dealing with waste in a globalised economy, it is bad for the UK economy in the longer term. Exporting waste is effectively exporting jobs and sending material overseas incurring significant waste miles has a substantial environmental impact. Government must remove the regulatory advantages to exporting waste and place the domestic reprocessing industry on a level playing field.

Improve capacity to deal with high value recyclable material – In 2012 the total amount of Waste Electronic and Electrical Equipment (WEEE) collected was 504,800 tonnes¹, the vast majority of which was handled by local authorities. This includes anything from fridges and washing machines to computers and mobile phones. In order for councils to tap into this, the Government should use its current review of WEEE compliance arrangements for the recycling and reuse of WEEE to enable councils, if they choose, to access a greater proportion of the value of these materials.

Encourage more reuse and reconditioning – The amount of material currently reused accounts for just under 1 per cent of household waste. But with 149,000 tonnes of WEEE and the majority of 1.4 million tonnes of textiles and 165,000 tonnes of furniture ending up being incinerated or dumped in landfill every year, there is huge potential. By developing a reuse product standard for manufactures and introducing tax breaks on reused and refurbished products, Government could help create a much bigger market for second hand goods and prevent them ending up in the waste stream in the first place.

Ensure producers pay their share – In 2012 the Packaging Recovery Note (PRN) system of producer compliance recovered £62 million from manufacturers² and retailers to cover the cost of dealing with the recyclable waste they create. While this mechanism is important, it is dwarfed by the estimated £550 million cost of collected and sorting packaging incurred by local authorities in the 2011/12 financial year. Government must use its upcoming review of the PRN system to rebalance the costs between producers and the tax payer and ensure producers are paying a fairer share.

Reward residents – Residents have played a huge role in driving up the recycling rate over the last decade. Some of the receipts from recycling value should therefore be used to reward residents for playing their part. Recycling incentive schemes are not a new phenomenon. Many councils introduced such schemes over a decade ago to encourage greater participation, but the widespread roll out of financial reward schemes (which, for example, give residents awards which can be spent in local shops, cinemas and sports facilities) would play a key role in establishing a direct link between what households do and what they get back in return.

Keep doorstep issues local - Waste is the most recognised service offered by local authorities and their track record on delivery is strong. The design of local waste services is essentially a local deal that councils strike with their residents, ensuring the local offer is also affordable. High satisfaction levels with local waste management demonstrate that councils are trusted by their residents to strike the right balance for the 23 million households they serve. The most recent polling found that nearly nine out of ten people are satisfied with waste collection services, which holds irrespective of the frequency of collection that households receive. There is in reality no significant widespread public demand to turn the clock back.

1 Environment Agency data on WEEE collected in the UK in 2012

2 Environment Agency data

Section 1

The context of a waste review

In the past decade, councils and residents have worked together to transform performance outcomes from recycling and waste services. Whereas in 2000/01 the amount of household waste sent to landfill was 79 per cent, that figure is now 37 per cent.³ Collections of recyclable materials have become the norm for almost all homes across England, which contrasts with the picture in 2002/03 of around 69 per cent having access to such collections.⁴ At the same time resident satisfaction ratings for council waste collection services have risen and are now at 86 per cent nationally. Householders are just as satisfied whether they have a weekly or fortnightly residual waste collection.⁵ People want to recycle and value the service provided by their council. All indications show that there is not a clamour for a return to the days of a weekly collection of a single bin.

Such transformative success is welcome but has its costs. As a result of government policies and increases in costs for disposal, councils have been forced to more than double spending on waste and recycling since the turn of the century to £3.2 billion in 2011/12. The LGA projects these external pressures on costs will continue such that some £3.7 billion will be needed by 2020⁶, even as councils continue to make the service more efficient.

3 Defra, Local authority collected waste generation from 2000/01 to 2011/12, table 3, sourced on 23 May 2012 at <https://www.gov.uk/government/statistical-data-sets/env18-local-authority-collected-waste-annual-results-tables>

4 Joint memorandum by the Department for the Environment Food and Rural Affairs and the Department for Communities and Local Government, 2007.

5 LGA analysis of datasets produced by Populus polling on resident satisfaction of councils in January 2013

6 DCLG, unpublished analysis of RO5 returns, May 2012

Improving the efficiency of waste management services across the Kent Waste Partnership

(KWP) comprises 12 districts and the County Council. Together, they have embarked on a programme up to 2020 to avoid costs of some £100 million on service operations. This started in 2010 with joint contracting for collection, disposal and streetscene services by Dover and Shepway District Councils, and Kent County Council. Over time the other councils in the areas have been harmonising services under the framework set by KWP. Thus far, £7.5 million of avoided costs have been achieved since the contract was awarded in 2010 with further benefits yet to be accrued over the lifetime of the project.

South Oxfordshire and Vale of White Horse District Councils

procured a joint waste contract using a single collection methodology, with an increasing the number of materials collected including food waste, coupled with the use of technology on waste vehicles to optimise routes. This led to a saving of £1.2 million per annum and avoided £6 million in landfill tax. The councils are now the top recyclers in the country at 68 per cent thanks to an efficient service backed up by an award winning communications campaign. All this was achieved while demonstrating resident satisfaction levels of between 91 and 96 per cent.

London Borough of Waltham Forest

negotiated a new waste collection contract in 2011. The new contract specification was designed around the preferences of residents as expressed in a consultation the previous year. The new service delivered by Kier maintained a weekly residual and dry recycling collection and increased an existing food and garden waste service. By using split body vehicles and double shift working on recycling collections it has saved £2 million per year compared to the previous contract. By giving residents recycling bins instead of boxes and reducing the size of residual waste bins recycling collected from the kerbside has been increased by 17.6 per cent in the last year. At the same time resident satisfaction of the waste collection service has risen to 82 per cent an increase of 32 per cent since 2011.

One of the key drivers for the costs of local authority waste management services is the landfill tax. When it was first introduced in 1996, it was meant to be revenue neutral to the Treasury by being offset by an equivalent cut in employers' National Insurance contributions.

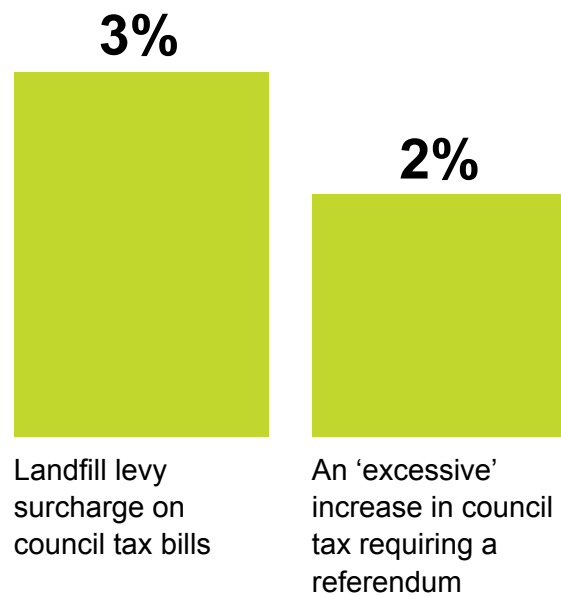
The 2003 Budget announced that the rate would be raised, but promised to return the revenue from further increases to local government through Revenue Support Grant. However, in 2007 Government broke this promise and decided to keep the money raised through landfill tax for the central coffers. At the same time they introduced an automatic annual increase of £8 per tonne per year to 2014-15. The revenue from the tax has essentially become a windfall for the Treasury at the expense of local taxpayers who, in 2013/14 are alone projected to be paying in £610 million.

LGA projections show that each household in the country will be paying the Treasury £30 per year in landfill tax from 2014/15, instead of being rewarded for having reduced the amount of waste going to landfill by almost 40 per cent since 2009/10.

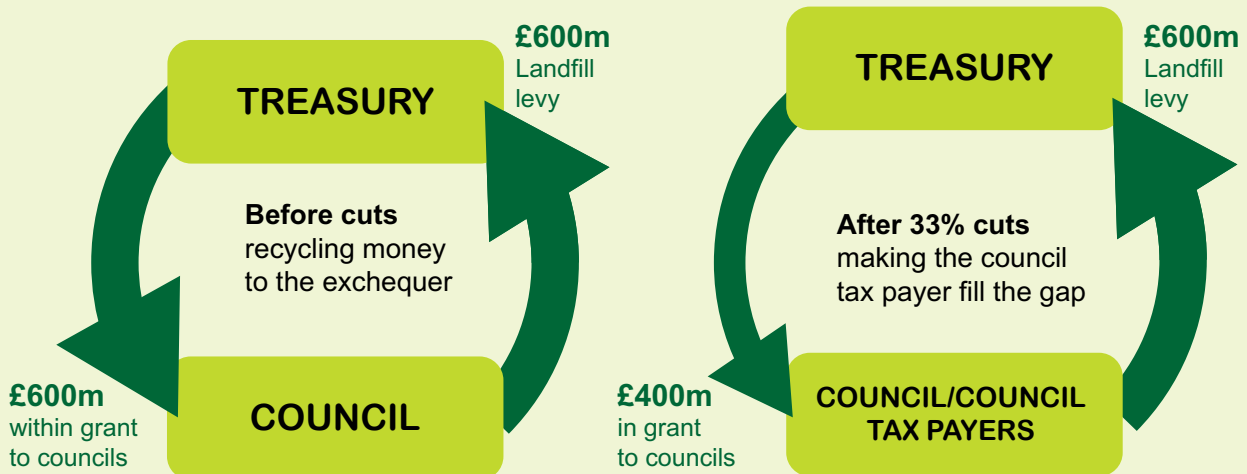
Even if the landfill tax is capped at £80 per tonne, householders would still be projected to be paying over £415 million to the Exchequer by 2019/20, despite having reduced the amount of waste going to landfill by nearly 60 per cent over ten years.

This is a direct cost that passes from the council tax payer through councils to the Treasury. In effect, the landfill tax is a tax on top of the council tax, representing about 3 per cent of council tax, which should be seen in the context of the annual amount raised in government's policy that an increase in council tax of just 2 per cent is the maximum permitted without a local referendum.

The landfill levy: a tax on the tax



Landfill levy: the Treasury's idea of the circular economy



The landfill tax, in conjunction with the now closed Landfill Allowance Trading Scheme, has achieved its purpose. When it was originally conceived, the UK was not on course to meet its statutory landfill diversion targets and at risk of incurring significant fines. The tax sent a firm signal to local authorities and businesses, who have subsequently invested in the infrastructure and services to avoid exposure to landfill tax and divert waste to alternative residual waste treatments and recycling.

With the UK on course to hit its landfill targets, the Government should cap the level of the tax and at the same time provide the waste industry with much needed confidence. There is no evidence that an escalation of the tax would achieve greater diversion of landfill.

The tax has likely reached or even passed the level at which it can have optimal effect. In 2014/15 the cost of landfill will be 23 per cent higher than alternative treatment by Energy from Waste.⁷ By continuing the escalator from 2014/15 the government would be continuing to penalise householders, despite their excellent performance.

Recommendation 1: Freeze the landfill levy at its 2014/15 level in recognition that there is no evidence that further increases would have an effect on recycling trends.

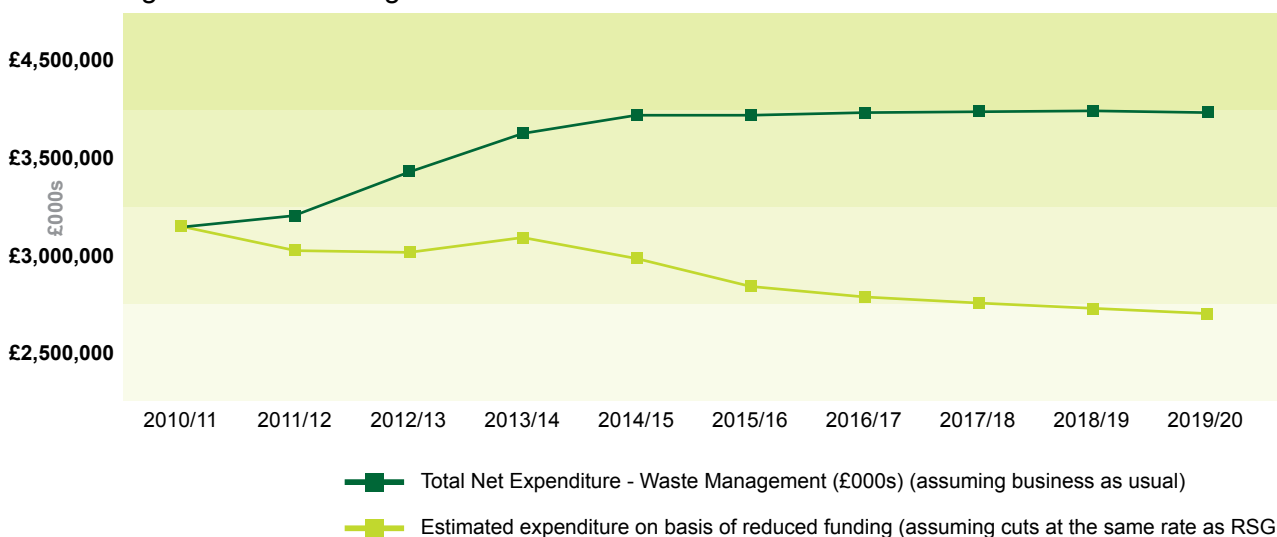
The potential for growth

On-going reductions in government funding to 2020 present huge challenges and councils are doing all they can to achieve service efficiencies despite increasing disposal costs associated with landfill tax (illustrated in figure 1). This makes it vital that councils also focus on increasing the financial and environmental value obtained from each tonne of waste collected. There is a wealth of untapped potential for generating extra income which would provide better value for local taxpayers and a boost to the national economy.

But to really understand the scope for getting a better value waste service, it is necessary to consider the economic value of waste and try to understand where future value of material streams is to be found.

Waste is – obviously – a key doorstep issue and its profile means domestic waste collection and disposal is a service that is often heavily scrutinised by both politicians and the media. However that profile tends to hide the fact that what councils do is only part of a much larger waste and recycling industry.

Figure 1: Potential impact on overall waste management expenditure based on LGA projections of cuts in government funding

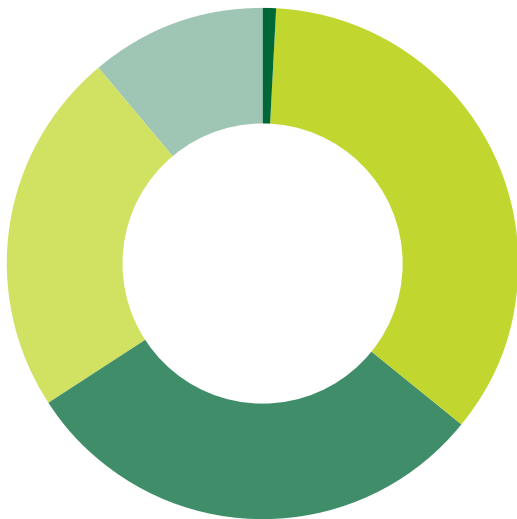


⁷ Based on WRAP Gate fees report 2012 using £80 per tonne landfill tax



Figure 2: Total waste generated by sector in the UK

- 35% Construction
- 30% Mining and quarrying
- 23% Commercial and industrial
- 11% Households
- 1% Secondary, sewage and other



In fact, local authorities manage just over a tenth of the total amount of waste generated in the UK.⁸

Figure 2 shows where household waste fits into the larger picture. Nine-tenths of the country's waste is generated by businesses, not householders.

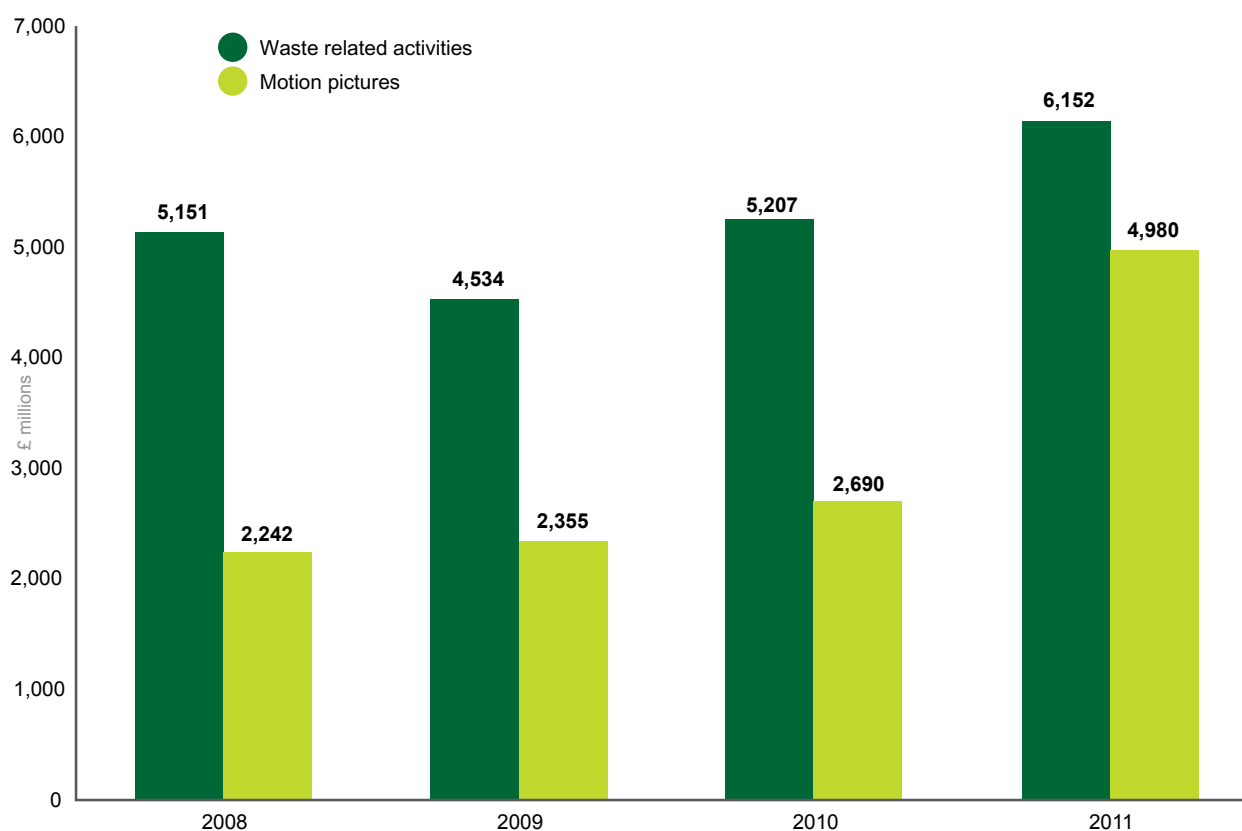
There is huge value in waste and as an economy we are getting much better at extracting it. The wider waste industry in England deals with 165.1 million tonnes of material per year and has a turnover of £11 billion.⁹ In gross value added (GVA) this provides a contribution to the economy of £6.15 billion¹⁰ and contributes more to the UK economy, for example, than the film industry (illustrated in figure 3) – without the benefit of government tax breaks and subsidies.

8 Defra, Total UK Waste Generation by Sector 2004 to 2008, sourced on 23/05/13 at <https://www.gov.uk/government/statistical-data-sets/env23-uk-waste-data-and-management>. The UK data can be taken as a proxy for England waste streams

9 Defra, Government Review of Waste Policy in England 2011, 2011

10 Analysis of ONS, Annual Business Survey 2011 (provisional results), sourced on 25/03/13 at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcM%3A77-276587>

Figure 3: Gross Value Added to economy 2008 to 2011 of waste compared to motion picture industry¹¹



The waste and recycling sector provides jobs for 142,550 employees, including 46,650 jobs provided by local authorities.¹² Unlike many other sectors in the UK economy, the waste sector has a wide distribution of jobs across the country.

Table 1: Breakdown of employment by sector

Sector	Number of jobs (n)	Proportion within sector (%)
Private sector – large	41,400	29
Private sector – SMEs	49,900	35
Public Waste Collection and Disposal Authorities and Local Authority Waste Disposal Companies (LAWDCs)	46,650	33
Regulators	700	<0.5
Third sector	3,600	3
Others – government, research institutes, etc	300	<0.5
Total	142,550	100

¹¹ Analysis of ONS, Annual Business Survey 2011 (provisional results), sourced on 25/03/13 at <http://www.ons.gov.uk/ons/publications/reference-tables.html?edition=tcn%3A77-276587>

¹² UK Energy and Utility Skills, The UK Waste Management and Recycling Industry 2010 Labour Market Investigation, 2010.

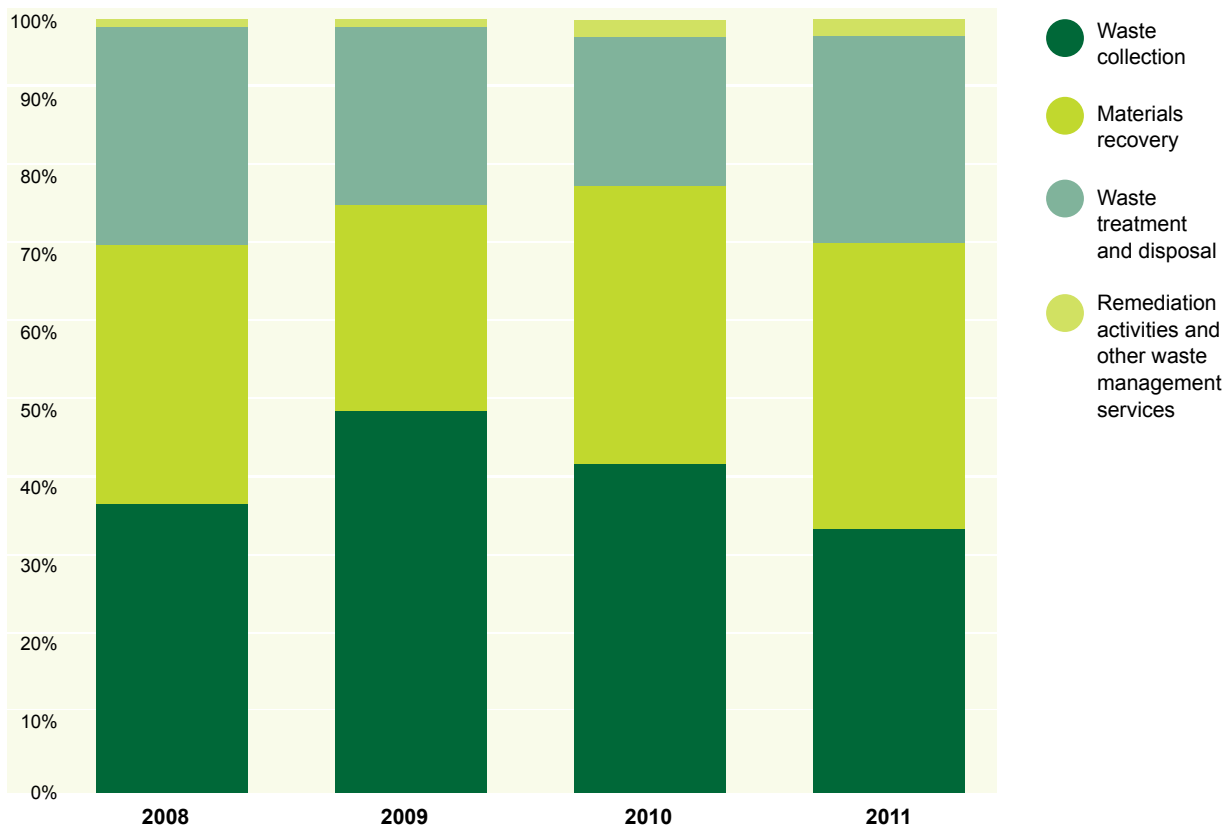
Both the UK government and the European Union have identified the waste and recycling sector for significant potential growth in the coming decade. Based on recent performance GVA has increased by 36 per cent since 2009 (illustrated in figure 3).

Within the waste and recycling economy, the strongest growth is in material recovery: in 2014/15, growth is estimated at 4.2 per cent, with waste management also forecast to grow, although at the slightly lower rate of 3.2 per cent.¹³ These figures compare favourably to the projected overall GDP growth of just 1.8 per cent in the same year.

Materials recovery now generates a very significant proportion of total value, too. It accounts for 37 per cent of the waste sector's value added. The GVA provided by materials recovery is now at its highest level since 2008.¹⁴ Figure 4 shows where the value in waste comes from.

The strong growth of materials recovery and recycling is not just a boon to business. It has brought benefit for taxpayers, too.

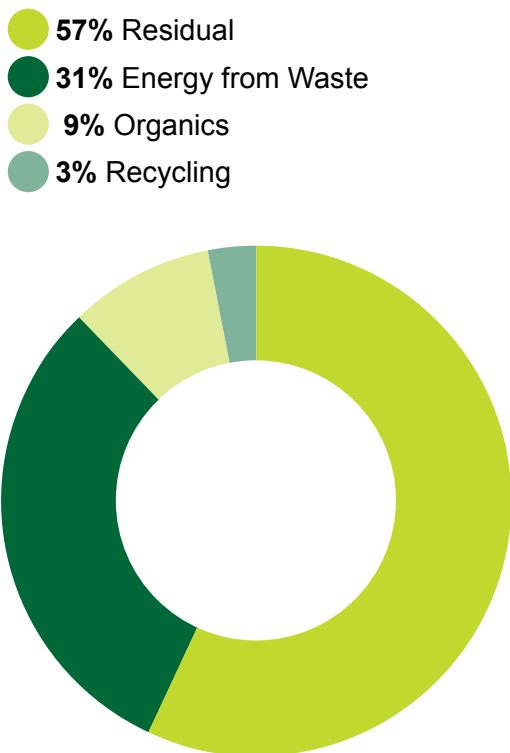
Figure 4: Contribution to overall waste sector GVA by waste sector activity



13 BIS, Low carbon environmental goods and services, 2011.

14 Analysis of ONS, Annual Business Survey 2011 (provisional results), sourced on 25/03/13 at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-276587>

Figure 5: Proportion of current local authority cost by waste disposal method for 2011/12



Recycling reduces the overall cost of disposal. Once collected, material landfilled or sent to energy from waste facilities costs significantly more than recycling. Diverting material from landfill to recycling also avoids landfill tax of £72 per tonne and £80 in 2014/15.¹⁴

It creates more jobs than other ways of handling waste. The number of jobs in recycling can be anything from 59 to 112 per 10,000 tonnes of material processed compared 10 to 11 for landfill or energy from waste.¹⁶

It generates additional income. Every other method of waste disposal creates a net cost, whilst dry recycling, after collection costs, can offer a net income because the product has a market value. Table 2 sets out the comparison between the costs of disposal and the revenue from recycling.

Table 2: Cost per tonne for disposal options¹⁶

Recycling/ recovery/ disposal option	Cost per tonne
Dry recycling (based on MRF gate fees 2011 onwards)	-£26 (credit)
Composting (anaerobic digestion, in-vessel and open air windrow)	£25-£44
Energy from Waste (post 2000 facilities)	£82
Landfill (including landfill tax at 2013/14 level)	£93

¹⁵ Sourced on 23/05/13 from HMRC, http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageExcise_ShowContent&propertyType=document&id=HMCE_CL_000509#P310_23536

¹⁶ Friends of the Earth, More Jobs Less Waste, report 2010

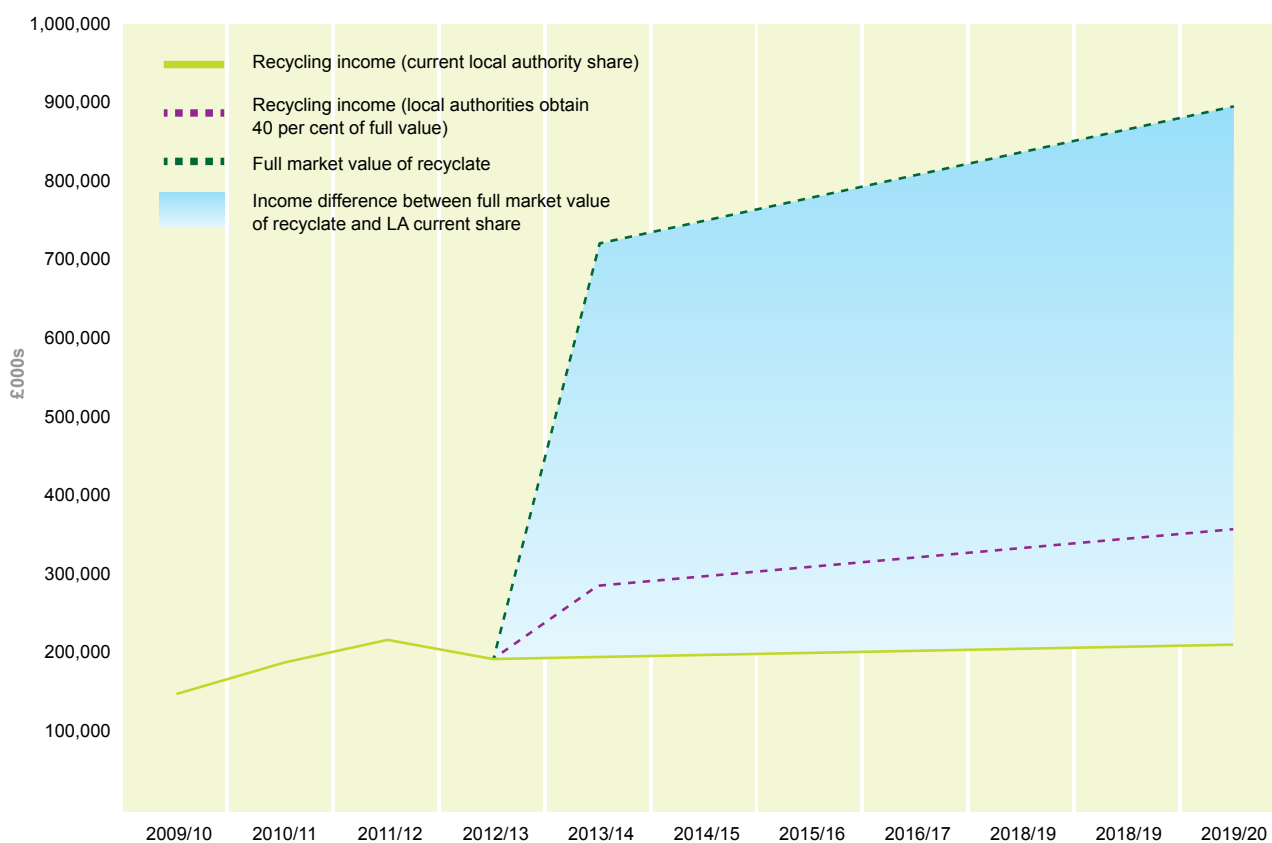
¹⁷ WRAP, Gate fees Report 2012

Local authorities are already securing more money for the recyclable material they collect. Income generation per tonne increased by 22 per cent between 2009/10 and 2012/13.¹⁸ However there is potential to obtain further value.

Local authorities presently obtain a little over a quarter - approximately 28 per cent - of the total financial value of materials they collect, owing to how the supply chain has worked to date. An industry-wide discussion on how councils could be supported to deliver what the supply chain needs is timely and economically beneficial.

If councils obtained a greater share of revenue, for example by an increase to 40 per cent, to reflect the pivotal role that they and their residents play in increasing recycling rates, then additional revenue of over £820 million could be received by 2019/20 (this difference is illustrated in figure 6).

Figure 6: Possible income for authorities with greater share of recycling



¹⁸ Figures 6 and 7 are based on unpublished LGA analysis. Data sourced from:

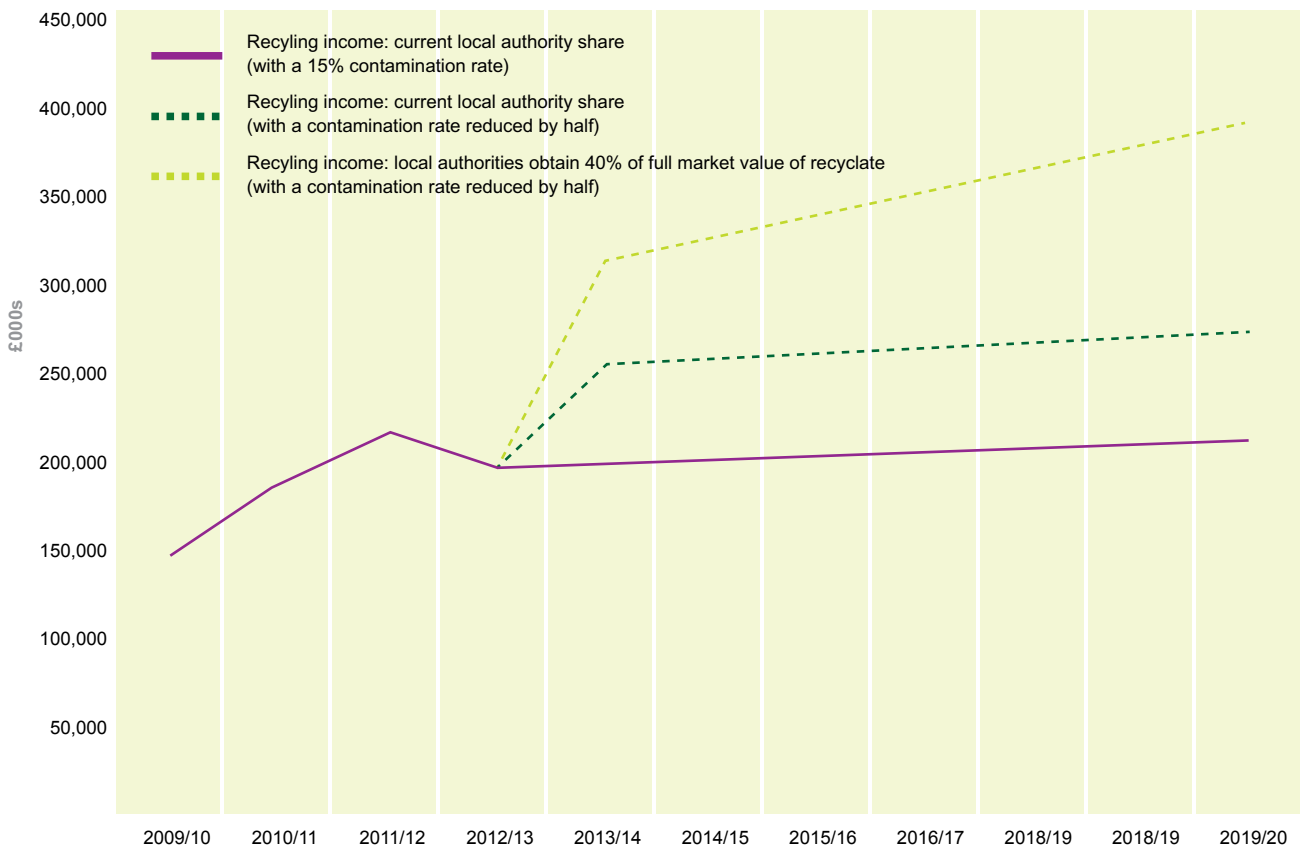
- DCLG, RO5 returns available on 23/05/13 at <https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2010-to-2011-final-outturn-revised>
- DEFRA, Forecasting 2020 waste arisings and treatment capacity, 2013
- WRAP, material market value data

Contamination of recyclate also decreases the ultimate overall value that can be obtained from waste. There is potential to obtain more value by driving up the quality of recyclable materials but this will involve tackling failures in the current market.

We calculate that if quality were reflected in price and contamination was reduced by half, coupled with local authorities receiving an increased share, then this would yield an additional £1 billion by 2019/20.¹⁹ This is discussed in more detail in section 2.

2009/10 2010/11 2011/12 2012/13 2013/14 2014/15 2015/16 2016/17 2018/19 2018/19 2019/20

Figure 7: Potential income generating through improved contamination rates and increased share of market value



19 **Note:** The increase in these figures is based on four assumptions:

- 1) The current contamination rate reduced by half.
- 2) The local authority receives the full value of the reduction in contamination.
- 3) Local authorities obtain a greater share in the overall market value of recyclate.
- 4) Market prices for materials will rise and fall. This analysis uses assumptions on the value of dry recycling composite.

To deliver this additional value and ensure it is retained in the UK the recycling industry will need to become more efficient and consistent in its treatment of recycling. At present it incentivises the export of low quality material which leads to the export of jobs and their associated value. About 440,000 new jobs have been created in China in recent years dealing just with the dismantling of waste electrical and electronic equipment and related activities, with the majority of material coming from the developed world.²⁰

Meeting the existing target of a 50 per cent recycling rate would be a significant achievement for local authorities and their residents. It would bring with it important additional benefits in terms of avoided disposal costs and increased income. However, with many councils in England already achieving a recycling rate of 50 per cent or higher, the next question is how much further the country could go in increasing the recycling rate and getting better value for the local tax payer.

A number of the leading economies in Europe have high municipal waste recycling levels including Austria, with 63 per cent and Germany at 62 per cent.²¹

Whether German levels of recycling are replicable in the UK is as much a question of attitudes and behaviours – and thus of political acceptability – as it is a technical matter.

Aspiring for even higher levels of recycling would present a number of challenges in persuading busy householders to recycle more. Behavioural economics - “nudge” theory - can help by offering insights into how householders can be encouraged to recycle more without heavy-handed regulation or taxation.

A number of councils have used these techniques. Windsor and Maidenhead Council, for example, has increased recycling levels by 35 per cent as a direct result of rewarding residents when they recycle their rubbish. Birmingham has recently established a similar scheme, which has already encouraged 35 per cent of householders that have never recycled before to start.

There is evidence that recycling more than 50 per cent of waste would release economic value. It has been estimated that 70 per cent recycling would create an additional 51,400 jobs.²² When calculated on the basis of the value each of these jobs would add, this would provide an additional £2.9 billion gross value added contribution to the UK economy.²³

Building on the economic and financial case for getting more value from our waste, this Review has aimed to identify ways of:

- a) further promoting a thriving, growing, domestic market for recyclable materials;
- b) increasing recycling and reuse to feed that growth while minimising or, better, reducing the burden on local taxpayers.

The next two sections of the document discuss options for achieving this.

20 SITA, Driving Green Growth: Maximising the Value of Recycled Materials, 2011.

21 European Environment Agency, Managing municipal solid waste - a review of achievements in 32 European countries in 2010, 2013

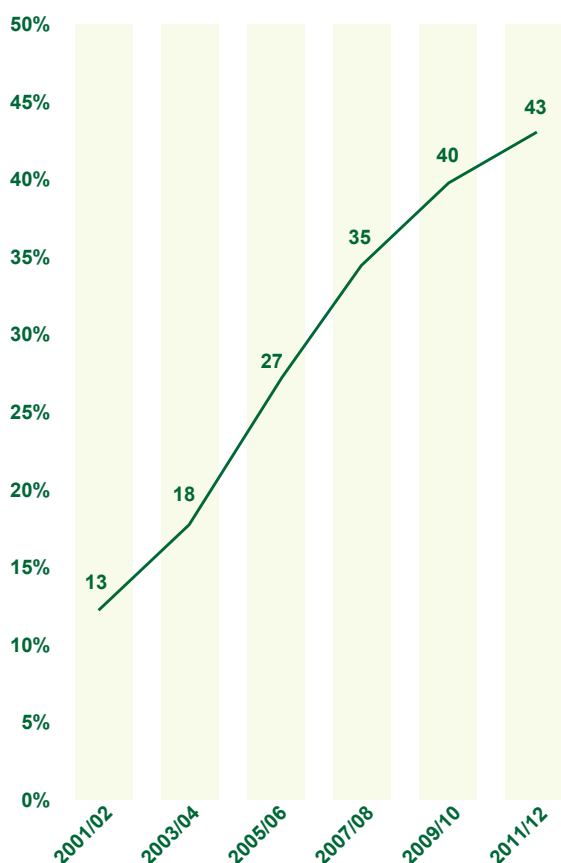
22 Friends of the Earth, More Jobs Less Waste, 2010.

23 This is calculated by applying the most recent values in GVA per FTE from the ABI Survey to the number of additional jobs that are projected to be created.

Section 2: Promoting a thriving domestic recycling market

Over the last decade recycling rates have increased hugely. Thanks to the efforts of local authorities and their residents we now recycle 43 per cent of household waste in England – up from 13 per cent in 2001/02.²⁴

Figure 8: Trend in household recycling rates from 2000/01 to 2011/12



This means the UK is well on its way to meeting its EU target of recycling 50 per cent of household waste by 2020. As a natural response to the targets, local authorities have sought to collect more and more tonnes of recyclable material, which has ultimately led to a pursuit of quantity rather than quality. The level of quality or contamination in recycled material should be a key determinant of its value when traded. This is based on the proportion of usable material and the costs of separating out contaminant.

However, market failures have led to a wide variation in the quality of recyclate coming from commercial, industrial and household sources in the UK. This has been caused by a lack of transparency of information on the quality of recyclate and the distortion of incentives to export low quality material. Taken together this has resulted in less value for material and a worse deal for local tax payers.

For the potential of increased recycling to be achieved it is important to take into account whether the necessary infrastructure is in place. Without the capacity to deal with increased flows of material in the UK, there will be further increases in the export of recycled material and with it the associated value. Going forward we will need to ensure that local authorities and the commercial sector have the confidence to build the facilities we need.

²⁴ Defra, Local authority collected waste generation from 2000/01 to 2011/12, sourced on 23 May 2012 at <https://www.gov.uk/government/statistical-data-sets/env18-local-authority-collected-waste-annual-results-tables>

What will drive up the quality of recycled material?

Lower quality recyclate can struggle to compete with virgin material because it requires expensive additional treatment in order for it to be usable by reprocessors. A recent report estimated that the extra costs of contamination for UK reprocessors per tonne of recycled material is on average £15.67²⁵. For those in the waste sorting and reprocessing market to feel that investment in treatment facilities and new technologies to improve quality is worth it, there needs to be a quality assurance system that provides confidence to all players.

Defra has proposed a Materials Recovery Facility (MRF) Code of Practice that would require MRFs to carry out a minimum level of sampling. It would also require the results to be audited and made available to the market and the public. If these measures ensure a sufficiently robust system of sampling with proportionate enforcement and full transparency of information on quality, then they should provide the necessary confidence to the market.

The full market in recycling collected by local authorities is estimated to be worth £700 million in 2013/2014 and is projected to increase by 25 per cent by 2020. On this basis, the market value of recyclate will be an estimated £900 million in 2019-20. At present, less than a third of the value accrues to local taxpayers.

Additionally there is always a proportion of collected recycling that is unusable due to contamination with residual waste, which decreases the ultimate overall value that can be obtained from waste. At the moment, however, quality measurement and pricing in the market do not allow that value to be captured. Estimates of contamination vary by anything from 1²⁶ to 30

per cent²⁷. Policy should focus on tackling this market failure so that quality can be driven up by price signals. More transparent quality information and measurement are needed to make that possible. But if quality were reflected in price, coupled with an increased share for local authorities, we calculate that reducing contamination by half from a central estimate of 15 per cent could yield over £1 billion more value from recyclate by 2019/20.²⁸

Quality assurance is also particularly important for councils that use a co-mingling system, on the basis that it is most suitable for their local circumstances, as it will help avoid the threat of direct legal challenge. The recent legal judgment on whether co-mingling is permissible under the EU Waste Framework Directive confirmed that councils have responsibility for deciding on the type of recycling collection in their area on the basis of what is technically environmentally and economically practicable, and meets quality standards.

A culture change is required, though. Local authorities need to, and the changes here will help them to, move from regarding waste as a problem to one of treating it as a valuable commodity and putting in place measures to improve quality.

Recommendation 2: The MRF Code of Practice should require full transparency of information and a robust system of sampling to enable price differentiation to drive higher quality, improve confidence in quality, and recover the associated value for local tax payers.

²⁵ Resource Association, Costs of Contamination report 2012 estimated the additional cost of poor quality recyclate at £15.67 per tonne

²⁶ Estimates from WasteDataFlow suggest contamination levels are at one per cent.

²⁷ House of Parliament, Maximising the Value of Recycled Materials, 2013.

²⁸ See footnote 17.

Exports

The waste and recycling industry use many different outlets for the material collected in the UK, including shipping it to overseas destinations such as China and Africa.

There has been a significant increase in material exported over recent years, partly driven by demand for raw material overseas. However, the current system also incentivises the export of low quality recyclable material overseas, which undermines the domestic market and holds back the potential for creating new jobs in England.

In particular, the Packaging Export Recovery Note (PERN) system incentivises the export of poor quality recycle. Essentially, material traded domestically is held to higher – and costlier – standards than that shipped abroad. A tonne of material that is exported attracts the full traded price even if any of it is contaminated.

The price of that same tonne, if traded in the UK market is only for the usable material minus any contamination. Ensuring that all recyclable material, whether for use in a domestic or overseas markets, is held to the same standard with respect to contamination, would bolster the competitiveness of the domestic market.

In theory, there are already supposed to be safeguards against this double standard in the form of the Trans-Shipping Regulations, which require minimum standards within material exports. But there is limited enforcement of these regulations. More rigorous enforcement would help to ensure that there was more incentive to raise the quality of all recyclable materials in the UK, rather than maintaining a ready outlet for poor quality material.

Recommendation 3: Amend the PERN system and improve enforcement at ports of waste exports so that the domestic reprocessing industry has a level playing field.

Incentives: producer pays

The sources of waste that local authorities collect and sort are many and are driven by residents' behaviour as consumers of products that ultimately end up in the waste stream. Producer pays principles are based on establishing an equitable division of responsibility for dealing with the costs that a particular product has in delivering its function or at the end of this life. It establishes a key relationship between the design, production and consumption of a product and the cost of dealing with its aftermath. Without such a principle, where all costs are absorbed by the tax payer, manufacturers and consumers would have no incentive to reduce the waste created by their product or purchasing.

Establishing a firm link between the responsibility of producers and the industry in recycling and reuse is important. This is usually embodied in a fiscal transfer that helps to support the price of either disposal, recycling or reuse of products to incentivise their collection. This transfer can also be persuasive in the design of products to make their reuse or recycling more cost effective.

The Packaging Recovery Note (PRN) system works by requiring producers of packaging to recycle a proportion of the material they put on the market. The PRN system allows producers to purchase evidence of recycling to meet their obligation. This evidence is collected and sold by reprocessors on receipt of material from the commercial waste industry and local authorities.

In 2012 the PRN system raised £62 million for 6.9 million tonnes of material which went to accredited reprocessors.²⁹ The current system does not provide any funding to local authorities directly. While important, price support from the PRN system remains low in comparison with the actual costs of collection and sorting packaging material streams.

²⁹ Environment Agency data

The costs burden to the tax payer of collecting and sorting the 4.9 million tonnes³⁰ of packaging waste handled by local authorities each year is approximately £550 million.³¹

Packaging undoubtedly has an important function and saves many millions of tonnes of food from waste each year; this ultimately saves local tax payers significant disposal costs. Packaging also fulfils a function in providing information and marketing value for a product which in a competitive retail marketplace is unavoidable.

However, there is a balancing act between the functions of the packaging and limiting its impact. Toy packaging, while making up only a small proportion of all packaging, often results in a significant amount of material being disposed of once the product has been purchased. Manufacturers that are restrained in their use of material are to be applauded and there are examples where this has been minimised or where the packaging has been suitable for further uses after purchase. However, at a minimum, toy, as other packaging, should always seek to design out over use of material and both to maximise use of widely recyclable materials and to ensure that these materials are easily separated from non recyclable materials by householders in order to avoid an unnecessary burden on local tax payers.

Within the government review of producer compliance there is the opportunity to reform the PRN system to start to rebalance the costs between producers and the tax payer and recognise the role of local authorities in meeting packaging targets.

The PRN system can be reformed by:

- providing a direct incentive to local authorities to collect more packaging material by either:
 - allowing local authorities collecting material at sufficient quality to be accredited to sell PRN evidence and receive revenue directly or
 - for the local authority to receive a share of PRN value when sold on the basis of their tonnage contribution
- increasing public confidence that packaging material and its associated revenue is being re-invested back in collection services by opening the PRN system to increased transparency on where its associated revenue goes
- to help drive the market in recycled material a revised PRN system could reward the use of recycled materials and better design in packaging through an offset of PRN obligation equivalent to the proportion of recycled material used in a product. Or, alternatively, a supplement for the use of virgin material.

These changes would present a beginning in addressing the lack of balance between the burden of costs on local tax payers and producers.

Recommendation 4: Revise the PRN system to include greater transparency, a direct incentive to local authorities for increasing their capture of packaging for recycling and an incentive for producers to use more recycled material and better design for recycling.

³⁰ WRAP estimate of tonnage of packaging that is household related

³¹ Applying current net expenditure from DCLG revenue outturns, and proportioning expenditure on packaging.

Waste Electrical and Electronic Equipment

The total amount of household WEEE collected in 2012 was 488,900 tonnes³², the vast majority of which was handled by local authorities. This includes anything from fridges and washing machines to computers and mobile phones.

The compliance arrangements that are currently in place for WEEE work on a similar basis as the PRN system in that evidence is purchased by producers which need to meet targets for recycling of their products. Producer compliance schemes enter into relationships with councils and other organisations to take the WEEE that is collected or deposited at household waste and recycling centres.

There is an increasing market in WEEE recycling. While local authorities get certainty of collection of WEEE through being required to take part in a producer compliance scheme, they are not provided with the formal ability to take any income from the WEEE they collect. For many councils this is accepted on the basis that they avoid fridge mountains through guaranteed collection of material. Others however see an opportunity to be incentivised to increase their capacity to collect more WEEE by retaining the associated income.

The recent recast of the WEEE Directive set increased targets for the different types of WEEE and wider scope for the range of products covered by the Directive. The implementation of the new requirements offers the opportunity to do two things, firstly help to underpin the domestic industry in WEEE by incentivising improved collection and secondly to ensure that as large a proportion as possible is reused.

In line with an aspiration to incentivise an increase in capture of WEEE, revisions to the current system could provide the option for local authorities that want to manage WEEE streams themselves. For councils that choose this option they would be able to receive income for WEEE streams in order to offset costs and offer local tax payers more value.

On reuse there are firm economic benefits for increasing the proportions of WEEE that is reused if the quality of products can be sufficiently preserved when disposed of. At present only 8 per cent of WEEE is reused which presents a missed opportunity. An option here could be for the revised WEEE compliance arrangements to incentivise local authorities to increase their collection services to capture more WEEE from households.

WRAP estimate that there could be an additional income of £106 million for repairing and reselling WEEE from Household Waste and Recycling Centres alone. Whilst a smaller quantity of WEEE is currently collected by bulky waste collections, the estimated resale value of this WEEE is around £77 million, of which 61 per cent arises from large domestic appliances such as fridges and freezers.³³

Recommendation 5: Revise the WEEE compliance arrangements to ensure that local authorities that collect and store WEEE have the ability if they wish to manage and receive an appropriate income for it. There should also be additional incentives to reuse an increasing proportion of WEEE while providing assurance that the material will not be illegally exported and landfilled overseas.

³² Environment Agency data on WEEE collected in the UK in 2012

³³ <http://www.wrap.org.uk/sites/files/wrap/WRAP%20WEEE%20HWRC%20summary%20report.pdf>

Waste Electrical and Electronic Equipment Reuse Facility – Peterborough City Council

This facility is designed to reprocess and recondition electrical goods for recycling and resale into the community and aims to remove both large and small electrical items from the landfill stream.

White goods (e.g. washing machines, fridges, freezers, dishwashers, cookers etc) are donated by commercial companies and householders. The facility also reuses/recycles small electrical items including TVs, hoovers lamps and kettles. Any equipment that is repairable is repaired/refurbished by competent engineers. Any item beyond repair is stripped down, the good parts kept for reuse and the rest is recycled.

Once items are refurbished/repared they are sold through various local community groups and charities for much lower than the retail price. The products are also available to people on low incomes or benefits - these people are referred to WEEE reuse via Age-Concern, Salvation Army etc. All monies received for sold good is kept by WEEE Reuse to either improve the service provided or over time reduce the cost of appliances.

WEEE Reuse train students from Connexions who work with pupils on work experience and The Prince's Trust to gain experience as a white goods service engineer and in an industrial type facility.

Other waste streams

There are a number of other products that local authorities manage which present real challenges and costs to tax payers to deal with. These include mattresses, carpets and paint which currently have only limited recycling solutions.

Consideration should be given to how a better balance can be struck with producers allowing councils to improve their service and ultimately create a new market in recycling of these and other products.

For example, there were 1.4 million tonnes of textiles, 169,000 tonnes of which was made up by mattresses³⁴, disposed of in the UK in 2010, the vast majority of which was landfilled.

The European Commission is currently considering landfill bans on particular materials whose treatment they wish to drive up the waste hierarchy. Waiting for Brussels is not necessary, and there are strong arguments in favour of showing leadership in the UK.

The experience of the recent Judicial Review has shown some of the pitfalls of relying on the transposition of EU legislation rather than taking a strong national view on what the approach should be and leading by example from the national level. Landfill bans can be a useful tool if properly targeted on materials for which there is a practical and economic recycling or reuse solution. Greater producer contribution to encourage these solutions should also be considered.

This links to a real opportunity to work with the reuse sector with respect to furniture and electrical appliances. This is highlighted by the success of groups like Emmaus UK, the London Reuse Network, and the Furniture Recycling Network, whose work in the area of reuse has helped to create hundreds of jobs and training opportunities; additionally they have enabled low income households to save money on essential goods and reduce carbon emissions.

There is tremendous potential to partner with social enterprises, housing associations and charities to explore options to treat and foster a new market for reused and recycled mattresses, carpets and paints.

³⁴ WRAP, Textiles flow and market development opportunities in the UK, 2012

Such an approach could result in new income streams for third sector organisations, while reducing costs for council taxpayers – a real win-win scenario.

There is also a strong case for attempting to use a landfill ban to compostable organic waste being sent to landfill; this would also create new commercial opportunities.

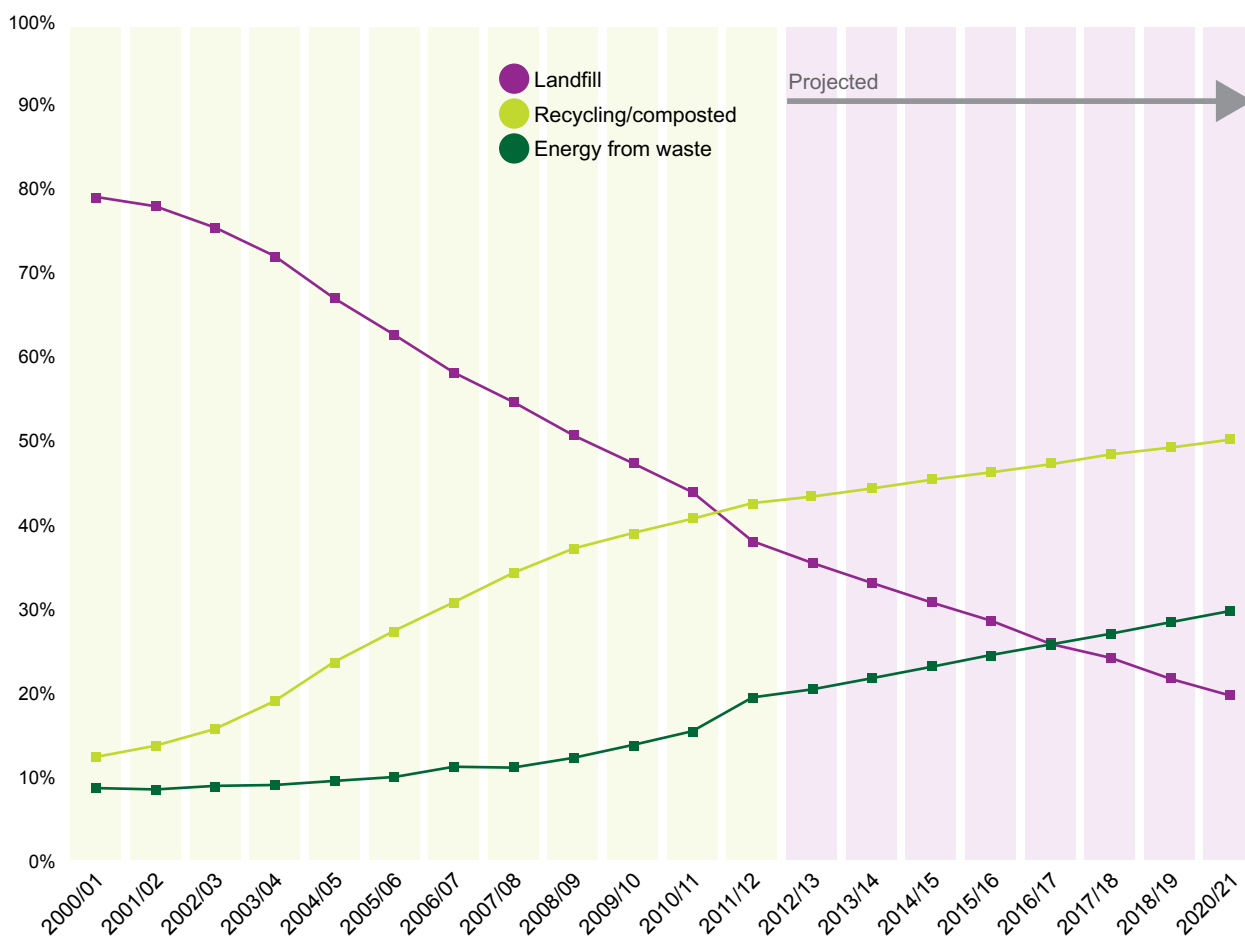
Recommendation 6: Introduce targeted landfill bans in the UK on selected materials – potentially furniture, paints, and textiles – and link them to an increased producer contribution to encourage a thriving recycling and reuse industry.

Infrastructure

In order for the market to grow and be able to process increased tonnages of recycle, the infrastructure needs to be in place. For this to happen new facilities need to be planned and financed on the basis of a commercial proposition and one that delivers value for the taxpayer.

Defra projections indicate that there will be sufficient residual waste treatment capacity online in 2020 to enable the UK to meet its EU landfill targets. This was the basis for withdrawing the Waste Infrastructure Credits (formerly PFI credits) funding earlier this year from the final three projects.

Figure 9: Proportions of local authority collected waste from 2000/01 to 2019/20



The decision to withdraw this subsidy, which appeared to increase costs, may in the future be seen as having enabled the market to develop infrastructure on a commercial basis creating a more sustainable industry. For the time being the change has left big waste infrastructure, including energy from waste plants, in planning and funding limbo which will see either a hiatus or an end to the delivery of these types of large residual waste treatment facilities beyond those in the pipeline.

The period to 2020 and beyond will see a need for increased capacity to handle recyclate, however collected. As residual waste is minimised the requirements for infrastructure will change and councils will increasingly need to co-operate across boundaries to commission and share the use of waste facilities in order to obtain the value of economies of scale. In addition, the collection fleet will continue its transition from a focus on residual waste to dry recycling potentially with food and organic waste collection incorporated or offered separately.

The infrastructure needed for this will include additional recycling storage and sorting facilities as well as composting and anaerobic digestion capacity. Increased ambition on the amount of material reused will also bring capacity requirements at household waste and recycling centres and other sites carrying out refurbishment and marketing of products for reuse.

Councils can handle the planning issues and have the balance sheet and financial capacity to lead on provision, but the majority of waste and recycling infrastructure will be delivered and financed by the commercial sector. This brings forward the challenges on availability of finance for delivery of these facilities as obtaining debt finance continues as a hangover from the credit crisis of 2008 and on-going recapitalisation of the banks.

The unfavourable circumstances for investment are compounded by the shorter term contracts available for treatment of Commercial and Industrial waste and withdrawal of Waste Infrastructure Credits to the remaining local authority waste treatment plants.

In the absence of government support, councils and their commercial partners will need to build on existing and imaginative examples of balancing risk in accessing debt finance in concert with use of the council balance sheet.

Oxfordshire County Council case study

Oxfordshire County Council and its five District Councils partners, working through the Oxfordshire Waste Partnership, agreed a key priority was to recover value from its residual waste and to reduce landfill. In order to achieve this the County Council entered into a 25 year Public Private Partnership agreement with Viridor to deliver an energy from waste facility. The process will have taken eight years to deliver by the time the plant is operational in 2014. The new facility will enable the partnership to divert at least 95 per cent of Oxfordshire's residual municipal waste away from landfill while generating enough electricity to supply more than 38,000 households and save at least 56,800 tonnes of CO2 equivalent every year. Oxfordshire County Council will also benefit from a share of the income generated from third party waste and the sale of electricity.

The Green Investment Bank could help although the reported sums being made available are modest. With a total funding available of £3 billion only £80 million has so far been formally earmarked for small merchant facilities with an undisclosed sum for larger waste infrastructure.

However, we believe that the focus on supporting local and smaller scale waste reprocessing, recycling and reuse infrastructure could be tasked to local authorities through the establishment of local waste and recycling boards dedicated to providing finance to developers to help lever out private sector investment in this developing market. These Boards could be capitalised through European Regional Development Funds, Local Enterprise Partnerships or landfill tax receipts.

The returns from this investment can then be recycled into renewed cycles of investment, additional support for local authorities or both. A successful example of this kind of more dynamic approach is the London Waste and Recycling Board, which financed its first waste plant in East London alongside commercial bank and equity funds as well as the Green Investment Bank.

When landfill tax was first introduced, it was meant to be revenue neutral to the Treasury. In its first year of operation, the tax raised a total of £420 million from both local authorities and businesses³⁵, which has since risen to over £1 billion in 2011-12.

Some of this money should be used in line with the original commitment to revenue-neutrality and applied to capitalise the Green Investment Bank or local Waste and Recycling Boards to fund recycling infrastructure.

Councils lead effectively on planning, and rightly provide the mechanism for local people to input into decisions through their elected representatives.

To achieve democratic consent communities, which naturally take a big interest in waste infrastructure, need to see the economic benefits. It is therefore important to be able to make the case financially and for local tax payers to see the benefits.

Recommendation 7: Restore the principle of revenue neutrality with which the landfill tax was originally introduced. Tax receipts from local authorities should be redistributed to local taxpayers. One option for the proportion raised from the commercial sector is to provide underpinning capital for forward thinking waste infrastructure projects, e.g. by capitalising the Green Investment Bank or establishing a network of local Waste and Recycling Boards for investment in recycling infrastructure.

Unlocking growth through investment in infrastructure on Teeside

The five local authorities of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton in the Tees Valley are proving that exceptional cooperation between local authorities and their Local Enterprise Partnership to create the highest standards of business support, can benefit industry, generate inward investment and bring jobs to an area.

Seizing on their industrial heritage, existing skills in chemical and process industries and a location which is ideal for export and the distribution of goods to the rest of the UK, the area is driving the transition to more renewable forms of energy. One of the key new sectors is coming from investment in world leading waste to energy projects.

Potential investors can take advantage of expertise the area's local authorities have developed in handling complex planning requirements to facilitate major international investments. Local Enterprise Zones benefit from simplified planning, enhanced Capital Allowances and Business Rate relief.

An innovative gasification project using local authority and commercial waste will provide renewable electricity for up to 50,000 homes whilst construction of an anaerobic digestion bio-gas plant and a large energy from waste plant is also confirmed. This will involve £600 million of planned and on-going investment amounts, which will provide 1,120 construction and 130 permanent jobs.

By working together Tees Valley authorities are realising their aspirations to grow an internationally significant critical mass of major industry players, creating a true centre of excellence for the sector.

³⁵ House of Commons Library, Landfill tax: recent developments, 2009

Section 3: Increasing recycling while reducing waste and the cost to taxpayers

Waste prevention and minimisation

One of the most direct ways of reducing the amount of waste that needs processing is to prevent waste being generated altogether.

Councils are increasingly working with residents to explore how changing their choices as consumers can save money while reducing waste.

A key area of focus is food waste, which together with other forms that fall within the category of organic waste, represents the largest proportion of household waste at 42 per cent.

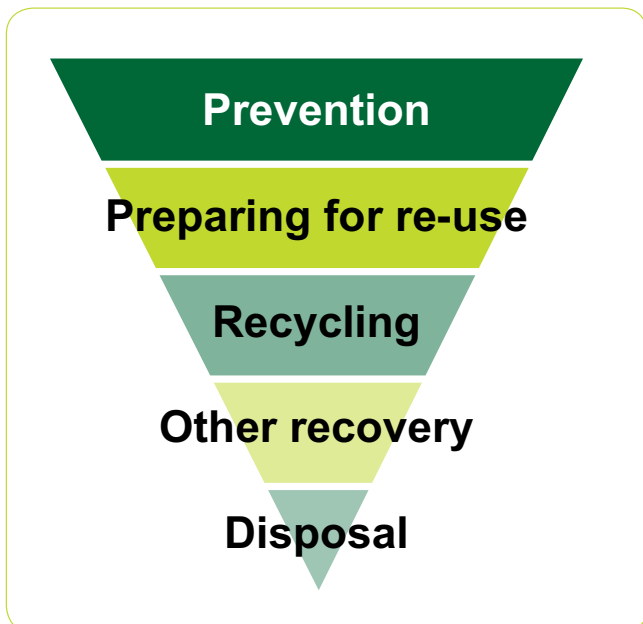
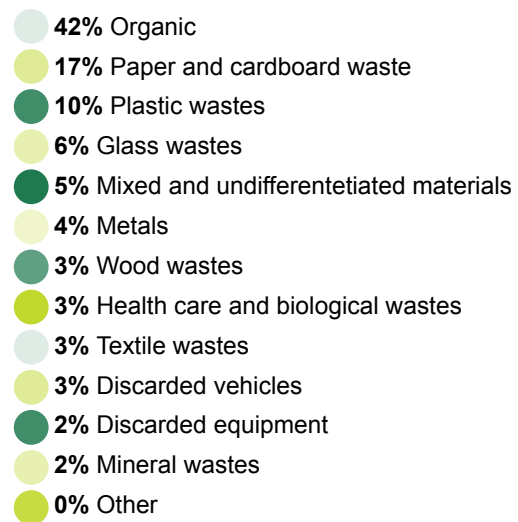


Figure 10: Composition of Household waste (by weight), Defra 2010³⁵



³⁶ Sourced from DEFRA, available on 23/05/13 at: <http://archive.defra.gov.uk/evidence/statistics/environment/waste/kf/wrkf18.htm>

Local authorities collect 4.6 million tonnes of food and drink waste every year which UK householders throw away. 2.8 million tonnes of this could have been avoided. There are both financial and environmental costs to food waste: the retail value of this local authority share is estimated to be £7.5 billion a year and the carbon emissions from it amount to approximately 10 million tonnes.

For councils, the costs for disposing of this material are anything from £115 to £200 million depending on composting treatment or up to £390 million for landfilling. If only half of the 2.8 million tonnes of avoidable food waste was prevented there could be a saving to local taxpayers on disposal of between £80 million and £270 million per year.³⁷

The key principle underpinning food waste prevention campaigns is to provide easy practical ways for households to waste less food and save on their grocery bills. The Love Food, Hate Waste campaign is a case in point, using positive messages to show that taking steps to throw away less food can be easy and ultimately create a “win win” situation. Many councils are running community focussed food waste prevention initiatives that are yielding promising results.

Love Food Hate Waste – Worcestershire

Worcestershire County Council, Worcester City Council and students from the University of Worcester teamed up to offer advice to residents to help them save money and make the most of the food they buy under the banner of Love Food Hate Waste. Over a three-month period, the campaign team ran a series of events offering local residents handy tips, advice and recipes for leftovers to help reduce food waste. The campaign had widespread local support, with more than 70 local shops, businesses, pubs, churches, schools, community centres, medical centres, the sports centre and library playing a part. For example, a series of food specific cards were produced and given to butchers, bakers and green grocers to distribute and free cookery courses were held at the University.

Worcestershire County Council’s analysis after the campaign found that there was around 15 per cent less avoidable food waste in the homes sampled and avoidable food waste per household per fortnight fell from 3.33kg to 2.84kg. Multiplied across the population in the target area this is a saving of 111.8 tonnes per year, which if sustained equates to a financial saving of £10,003.86 in waste disposal costs. This demonstrates that community-oriented campaigns can have a substantial impact on food waste over a relatively short period of time.

Packaging has a key role to play in the food waste debate. When surveyed about half of people believe that packaging is an equal or greater problem than food waste. This overlooks the valuable role packaging has in helping to preserve food for longer and reducing waste.³⁸ Estimates suggest that by being smarter about how we use packaging and working to change our behaviour as consumers we could reduce the amount food we throw away by 60 per cent, helping families save money on their weekly shop and reducing the amount of waste councils have to deal with.³⁹

³⁷ WRAP, New estimates for household food and drink waste in the UK, 2011

³⁸ WRAP Consumer Attitudes to Food Waste and Food Packaging 2012

³⁹ *ibid*

The Courtauld Commitment has been in place since 2005 as a voluntary agreement for the grocery sector to reduce food, drink and packaging waste and has resulted in some progress in terms of reduction in packaging and greater use of lightweight and sustainable materials by industry. While covering the majority of the grocery market, only 45 retailers, brands and manufacturers are signed up to the Courtauld Commitment at present and the agreement only represents what the industry is willing to offer. It represents a one-sided and partial bargain. There is significant scope for greater progress in this area. Councils should lead this conversation with business and it should have greater traction on a wider selection of businesses.

Recommendation 8: Build on the principles of the Courtauld Commitment with a new agreement binding more businesses and directly involving local authorities. The LGA is willing to convene discussions and lead a negotiation process that would result in a new and more effective agreement with business.

Reuse

We live in a throwaway society but by making it easier to repair and recondition products and encouraging more of a second-hand culture in 21st Century Britain we can potentially avoid sending more than a half million tonnes of waste to landfill unnecessarily every year.

The amount of material currently reported as reused by councils is small by comparison to the whole waste stream at 165,000 tonnes or nearly 1 per cent per cent of household waste. But there is real potential to increase this proportion. For example, we know that 149,000 tonnes of WEEE and the vast majority of the 1.4 million tonnes of textiles, and 165,000 tonnes of furniture end up being incinerated or landfilled each year. In 2010/11 1,590,000 tonnes of bulky waste such as fridges and washing machines were collected or taken to Household Waste Recycling Centres and it has been estimated that as much as 47 per cent of these items could have been reused.

Almost a quarter of electronic and electrical products that get thrown out would be re-usable straight away or with limited repairs.⁴⁰

There are also significant economic and social benefits from re-using more material. For example, the Furniture Reuse Network brings together 300 charities that employ over 3,000 staff and provide training to over 8,000 trainees; Emmaus UK annually generates £421,300 worth of social value from its activities, including the value of goods donated and reduced carbon emissions from the reuse and recycling of furniture.

Fostering a market for reused goods is one way to move more waste up the hierarchy and save on expensive landfill costs. The LGA advocates two ways to achieve this. First, developing a reuse product standard that provides customers with confidence in second-hand or used goods would make these items more attractive to consumers and those organisations handling such products.⁴¹

Second, exempting the repair, maintenance, upgrade and sales of second hand/refurbished products from VAT⁴² would boost the financial returns from this market attracting more players and customers. At present, the European Council must approve any temporary reduction of VAT in the public interest, and seeking change can involve a lengthy and resource-intensive process. Given the European Union's broader interest in reducing the overall amount of waste we create, this may well be a case worth making.

Recommendation 9: To build the reuse market, develop a reuse product standard that will provide quality assurance to consumers.

Recommendation 10: To build the reuse market, introduce a tax incentive for reused and refurbished products, possibly by pressing in Brussels for a lower rate of VAT.

40 WRAP, Composition and reuse potential of household bulky waste in the UK August 2012. <http://www.wrap.org.uk/sites/files/wrap/UK%20bulky%20waste%20summary.pdf>

41 As underway by WRAP

42 Called for by The Reuse and Recycling EU Social Enterprises network (RREUSE)

Recommendation 11: To drive public debate about reuse, bring partners together and develop new thinking, the LGA proposes to establish a Reuse Commission tasked with reporting by the end of 2013 on measures government, councils, businesses and the voluntary sector can take to mainstream reuse and drive growth in the reuse of products, including developing specific detail and implementation timetables for the two recommendations above.

What will drive future increases in recycling

Councils have made significant progress in increasing recycling rates over the past decade. Recycling of household waste in the UK has dramatically improved since 2001, rising more than in any other European country. The widespread provision of kerbside recycling collections and a growing public awareness of the environmental impacts of sending waste to landfill have led to a significant change in household behaviour in the UK.

As councils look for ways to bolster participation in recycling still further, they are using customer insights into what can nudge people from believing that recycling is simply a good thing to do, to making real changes in the way they manage their waste at home. One of the challenges to promoting recycling is that households may not always perceive themselves to have a direct stake in the outcomes of their efforts. As a result, an increasing number of councils are exploring the use of financial incentives to boost recycling, as a means of establishing a direct link between what households do and what they get back in return.

Recycling incentive schemes are not a new phenomenon. Many councils started to offer rewards schemes to encourage households to throw away less and recycle more over a decade ago. Remarkably, councils were prohibited by legislation from operating fully-fledged financial incentive schemes until the Government listened

to their call to remove such restrictions in 2007. Since then, councils have put in place a variety of financial reward schemes, showing promising results. One of the more popular models that councils have rolled out is the Recyclebank scheme. The experience of one council that has adopted this scheme is set out below.

Recyclebank

Wokingham Borough Council introduced a recycling rewards scheme in April 2012. Residents are awarded points if they recycle each week and these can be redeemed for vouchers to spend in local shops, cinemas and sports facilities. The council aimed to make the scheme as easy to participate in possible. Members contact Recyclebank every week via the recycling rewards programme's website, by phone or iPhone/Android app and this entitles them to 10 points for their recycling behaviour. Participants are also rewarded for their collective performance as Recyclebank pays out a monthly bonus to participating residents based on the tonnage collected in the borough.

Not only has the scheme proved highly popular, with just under a third of households in the borough registered to collect points, it has succeeded in pushing up recycling. The tonnage of recycling collected by Wokingham Borough Council has gone up by 28 per cent in the scheme's first year of operation.

Another innovative approach to incentivising recycling that is being trialled is the offer of a "community reward". For example, the Gloucestershire Waste Partnership invited five communities to vote for local causes that would receive cash rewards if recycling rates in their areas went up. Residents have nominated projects such as a community resource centre, youth services and a local football club. The results of this pilot are not yet available, but the design points to another potential way for local people to see a tangible benefit for their efforts.

A number of lessons have emerged from councils' experiences of rolling out incentive schemes:

- One size does not fit all, as effective schemes will be specifically designed to take into account local factors such as the characteristics of housing stock and the demographic makeup of the population.
- Upfront investment is needed. Although such schemes tend to be introduced with the expectation of being under-written in future through savings in landfill tax or income from materials recovery, funding is required at the outset to pay for the rewards.
- Incentive schemes may offer a short-term boost to household recycling, but need to be employed in combination with other measures such as outreach and communications activities in order to result in longer-term behavioural change.

This last point about outreach is quite critical. Greater recognition on the part of national politicians and use of the media for effective communications with residents to influence behavioural change would help support greater household recycling. Councils' work to increase public awareness of what can be recycled has been a key driver in the improvement of the UK's recycling rates thus far. But recycling rates can plateau and fresh messages are needed to inspire further efforts. A review of nudge approaches to encouraging recycling in the UK found outreach mechanisms such as canvassing and promotional campaigns need to be repeated regularly in order to reinforce positive behaviour.⁴³

Communications tools also support the feedback loop that makes residents feel that their efforts are achieving results for their community and encourage their ambitions to do more. To that end, Milton Keynes Council is partnering with Coca-Cola Enterprises on a potentially ground-breaking new scheme that will test the power of peer-to-peer community pledges to improve local recycling rates.

The 'Recycle for Your Community' scheme involves local groups and organisations from two areas of the Milton Keynes borough championing recycling and engaging directly with friends, family and neighbours to share information and collect 'recycling pledges' from households. The groups carry out a small survey with each resident to find out what they are and are not recycling, give them help and advice and collect pledges from them to recycle more.

There is great enthusiasm among councils to explore the potential for using cash rewards or other financial incentives to encourage residents to recycle more. However, for many councils it is a challenge to spend money to introduce incentive schemes when budgets for core services are facing an acute squeeze. Some councils are exploring approaches that offset the need for upfront spending on their part.

For example, Coventry City Council is introducing a scheme that minimises administrative costs and avoids retrofitting around 360,000 bins by rewarding participants on the basis of an increase in the overall amount of waste recycled across the city, rather than individual household performance.

Ultimately, however, there is a strong case for applying the same logic underpinning local recycling incentive schemes to government waste policy more generally. The government has essentially set up a system where councils can reward individual households for increasing recycling but the Treasury still takes more money off local taxpayers every year in landfill tax charges.

It fundamentally breaks the link between performance and reward when residents have enabled their councils to reduce the amount of waste going to landfill and increase the amount being recycled, but effectively pay a financial penalty. The unenviable task of explaining to residents how exactly that comes to pass is left to councils.

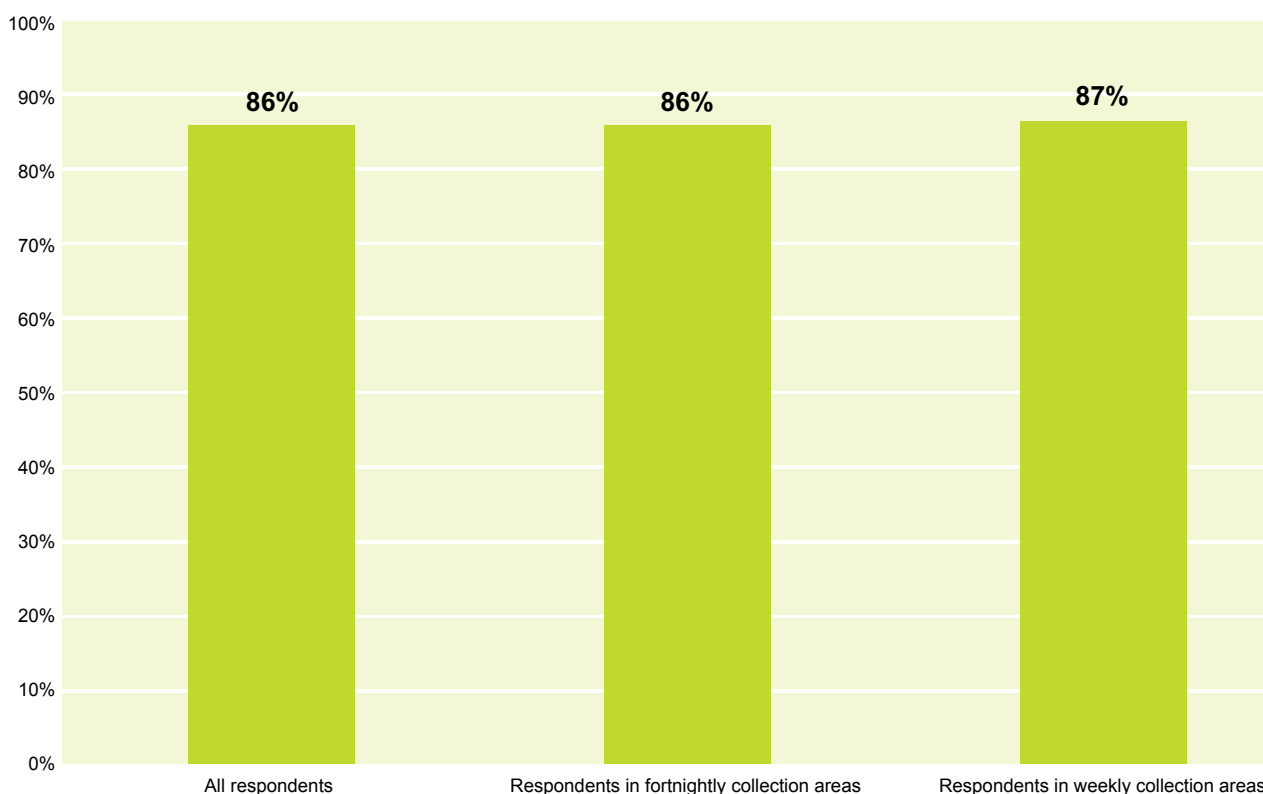
⁴³ http://www.bloomsburyacademic.com/view/NudgeNudgeThinkThink_9781849662284/chapter-ba-9781849662284-chapter-004.xml

Section 4 The Local Deal

Waste is the most recognised service offered by local authorities and their track record on delivery is strong. The design of local waste services is essentially a local deal that councils strike with their residents, ensuring the local offer is also affordable for local residents. High satisfaction levels with local waste management demonstrate that councils are trusted by their residents to strike the right balance by the 23 million households they serve.

The most recent polling found that satisfaction rates with waste collection services are at 86 per cent, which broadly holds irrespective of the frequency of collection that households receive.⁴⁴ There is in reality no significant widespread public demand to turn the clock back.

Figure 11: Proportion of residents very satisfied or satisfied with their waste collection



⁴⁴ See footnote 5.

It is precisely the role of councils, with their democratic mandate, to determine with their residents how to deliver the best service and how to fund it. There are risks inherent in trying to impose national priorities on local waste management, which can bust the budgets for local services and stifle the local leadership that fosters innovation.

Given that household behaviour and consumer choice will have a critical role to play in increasing recycling and unlocking more wealth from waste, it is councils' understanding and relationships with their residents that will lead the way. Rather than pushing a one-size-fits-all solution from on high, no matter how well-intentioned, central government should be actively encouraging the diversity of local service provision that can drive down costs and generate more income for local taxpayers.

As part of the local deal on waste, residents rightly have an expectation that their streets are kept clean and clear of rubbish. To this end, local authorities brought down fly-tipping by 9 per cent in 20011/12.⁴⁵ Residents want quicker action on incidents, particularly in the case of persistent offenders whose actions can blight neighbourhoods.

The establishment of fixed fines for small scale fly-tipping could provide an additional tool to local authorities for tackling persistent undesirable behaviour as well as acting as a deterrent. It is also vital for councils to be able to focus their resources on reducing fly-tipping rather than reporting to government. It is estimated that local authorities could collectively save approximately £113,000 a year if fly-tipping reporting were made annual rather than monthly.⁴⁶

Changes to reporting of fly-tipping and its enforcement could help provide a saving to local tax payers and enable councils to deliver a more effective service.

Ultimately, Government's efforts to tackle waste would be more effective if they concentrated on the commercial sector which accounts for almost 90 per cent of the waste this country generates. Councils have developed an outstanding reputation for managing waste at a local level and now need to be given the autonomy and the financial freedom to unlock the potential of their local waste services.

Recommendation 12: The Government should recognise that kerbside collection arrangements reflect a local deal between councils and their residents and are not a proper subject of national policies.

45 DEFRA, Fly-tipping statistics for England 2011-12, 2012

46 Based on LGA estimates

List of recommendations

Recommendation 1: Freeze the landfill levy at its 2014/15 level in recognition that there is no evidence that further increases would have an effect on recycling trends.

Recommendation 2: The MRF Code of Practice should require full transparency of information and a robust system of sampling to enable price differentiation to drive higher quality, improve confidence in quality, and recover the associated value for local tax payers.

Recommendation 3: Amend the PERN system and improve enforcement at ports of waste exports so that the domestic reprocessing industry has a level playing field.

Recommendation 4: Revise the PRN system to include greater transparency, a direct incentive to local authorities for increasing their capture of packaging for recycling and an incentive for producers to use more recycled material and better design for recycling.

Recommendation 5: Revise the WEEE compliance arrangements to ensure that local authorities that collect and store WEEE have the ability if they wish to manage and receive an appropriate income for it. There should also be additional incentives to reuse an increasing proportion of WEEE while providing assurance that the material will not be illegally exported and landfilled overseas.

Recommendation 6: Introduce targeted landfill bans in the UK on selected materials – potentially furniture, paints, and textiles – and link them to an increased producer contribution to encourage a thriving recycling and reuse industry.

Recommendation 7: Restore the principle of revenue neutrality with which the landfill tax was originally introduced. Tax receipts from

local authorities should be redistributed to local taxpayers. One option for the proportion raised from the commercial sector is to provide underpinning capital for forward thinking waste infrastructure projects, e.g. by capitalising the Green Investment Bank or establishing a network of local Waste and Recycling Boards for investment in recycling infrastructure.

Recommendation 8: Build on the principles of the Courtauld Commitment with a new agreement binding more businesses and directly involving local authorities. The LGA is willing to convene discussions and lead a negotiation process that can lead to a new and more effective agreement with business.

Recommendation 9: To build the reuse market, develop a reuse product standard that will provide quality assurance to consumers.

Recommendation 10: To build the reuse market, introduce a tax incentive for reused and refurbished products, possibly by pressing in Brussels for a lower rate of VAT.

Recommendation 11: To drive public debate about reuse, bring partners together and develop new thinking, the LGA proposes to establish a Reuse Commission tasked with reporting by the end of 2013 on measures government, councils, businesses and the voluntary sector can take to mainstream reuse and drive growth in the reuse of products, including developing specific detail and implementation timetables for the two recommendations above.

Recommendation 12: The Government should recognise that kerbside collection arrangements reflect a local deal between councils and their residents and are not a proper subject of national policies.

Background to the Review

The LGA's six-month Waste Review began at the end of 2011. Its work has been steered by the LGA's Environment and Housing Board chaired by Cllr Mike Jones. It has been shaped by a Challenge Group and the LGA would like thank the participants to the Review Challenge Group which met twice in December 2012 and March 2013. The group was led by elected members under the chairmanship of Cllr Clyde Loakes, Waltham Forest, including Cllr Clare Whelan, London Borough of Lambeth; Cllr Keith House, Eastleigh Borough Council and Cllr Peter Jones, Babergh District Council.

The group comprised 19 organisations: ADEPT, Advisory Committee on Packaging, Combined Heat and Power Association, Chartered Institute of Waste Managers, Council of European Municipalities and Regions, Department of Communities and Local Government, Department of Environment and Food and Rural Affairs, Environment Agency, Environmental Services Association, Greater Manchester Waste Disposal Authority, iESE, Local Authorities Recycling Advisory Committee, Kent Waste Partnership, London Community Resource Network, National Flytipping Prevention Group, National Association of Waste Disposal Officers, Planning Officers Society/ Regional Technology Advisory Boards, Tees Valley Unlimited, WRAP.

The Review also received 55 responses to its call for evidence in February. The organisations and individuals responding are as follows:

Advisory Committee on Packaging	Kent Waste Partnership	North London Waste Authority
Alupro	Lincolnshire County Council	Packaging and Films Association
Anaerobic Digestion & Biogas Association	Local Authorities Recycling Advisory Committee	Packaging Federation
British Plastics Federation	London Borough of Lambeth	Portsmouth City Council
British Retail Consortium	London Community Resource Network	Professor Chris Coggins
British Beer and Pub Association	London Councils	ReAlliance
British Coatings Federation	London Waste and Recycling Board	RECAP
British Soft Drinks Federation	Merseyside and Halton Waste Partnership	Recoup
Chartered Institute of Waste Managers	Middlesbrough Council	Rexam Beverage Cans Europe
Confederation of Paper Industries	Mike Tobin Consultancy	Rob Murfin
Country Style	Nappy Alliance	Sandwell Council
Devon County Council	National Association of Waste Disposal Officers	South Norfolk Council
Durham County Council	National Flytipping Prevention Group	Staffordshire County Council
Environmental Services Association	National Waste Resources Partnership Forum	Tees Valley Councils
Essex County Council	North East Sustainable Resources Board	Tees Valley Unlimited
Food and Drink Federation	North Lincolnshire Council	The Packaging Society
Greater Manchester Waste Disposal Authority		UK Without Incineration
Hertfordshire Waste Partnership		Valpak
Industry Council for Packaging and the Environment		WRAP
		York and North Yorkshire Waste Partnership



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