

Consultation on the Incentives for Recycling by Households

May 2007



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Department for Environment
Food and Rural Affairs

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Published by the Department for Environment, Food and Rural Affairs

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Section 1: Executive Summary

1.1 England currently disposes of 63% of municipal waste via landfill. Landfill sites are responsible for producing methane, a powerful greenhouse gas. Methane emissions from (biodegradable waste in) landfill account for 38% of all UK methane emissions and 3% of all UK greenhouse gas emissions. The Government's Waste Strategy 2007 aims to help England achieve increasing annual net reductions in global greenhouse gas emissions from waste management. Challenging targets for waste minimisation and recycling in the Strategy, alongside EU targets for a reduction of biodegradable municipal waste sent to landfill, mean that local authorities need residents to take steps to reduce their waste, home compost more and recycle more. If residents do not change their behaviour, authorities may need to invest in more expensive waste technologies and may face penalties.

1.2 The Local Government Association and some local authorities have called for the power to charge householders according to the amount of non-recyclable waste they throw away, in order to incentivise them to reduce their waste and recycle and home compost more. Sir Michael Lyons has recommended that local authorities be given the power to introduce charging schemes for household waste, in close consultation with residents and other stakeholders. Such schemes are prohibited in the UK under current legislation but are widespread in other parts of Europe. The UK is the only EU15¹ country to have such a prohibition.

1.3 The Government believes that giving authorities the power to determine locally how to respond to the waste management challenges they face is an important part of increasing local flexibility as part of the Government's devolutionary agenda. The Government has considered the case for introducing a separate local charge for waste, as seen elsewhere in Europe, but has not opted for this. Instead, the Government proposes to give local authorities the legal power to choose to introduce a revenue-neutral scheme, where this is desired locally, to financially incentivise householders to recycle and reduce waste. The Government believes it is right for local authorities to have the power to choose to implement financial incentive schemes. There will be no provision for an increase in local charges or taxes as a result of this change.

1.4 Authorities would be free to design their own schemes, provided they met Government requirements set out in the legislation, including the need to take steps to avoid increases in fly-tipping. It is important that local authorities crack down on fly-tipping, regardless of whether they introduce a financial incentive scheme or not. Authorities would also be required to take account of any possible impact on groups potentially disadvantaged as a result of the schemes (such as families with young children or Council Tax benefit recipients) in designing any schemes. Additionally, authorities would be required to provide kerbside recycling facilities for at least five waste streams (not including garden waste) for any household covered by a financial incentive scheme.

1.5 This consultation document seeks views on removing the ban on local authorities choosing to introduce a revenue-neutral scheme to financially incentivise householders to recycle and reduce waste, where this is desired locally.

¹ The EU15 comprises: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

Section 2: The consultation process

2.1 Responses should be received **no later than Thursday 16 August 2007**. This consultation has been prepared in line with the Government's code of practice, the criteria of which are set out at Appendix 1.

2.2 Responses should be sent by e-mail to LAWFG@defra.gsi.gov.uk, fax 020 7082 8764 or by post to Local Authority Waste Funding and Governance Team, Department for Environment, Food and Rural Affairs, Zone 6/F15, Ashdown House, 123 Victoria Street, London SW1E 6DE.

2.3 Please make sure that any e-mail responses are clearly marked **'Incentives for Recycling by Households – Consultation Responses'**.

2.4 In your response, please explain who you are and, where relevant, whom you represent and give your name and appropriate contact details.

2.5 In line with Defra's policy of openness, at the end of the consultation period copies of the responses we receive may be made publicly available through the Defra Information Resource Centre, Lower Ground Floor, Ergon House, 17 Smith Square, London SW1P 3JR. The information they contain may also be published in a summary of responses.

2.6 If you do not consent to this, you must clearly request that your response be treated confidentially. Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request. You should also be aware that there may be circumstances in which Defra will be required to communicate information to third parties on request, in order to comply with its obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations.

2.7 The Information Resource Centre will supply copies of consultation responses to personal callers or in response to telephone or e-mail requests (tel: 020 7238 6575, e-mail: defra.library@defra.gsi.gov.uk). Wherever possible, personal callers should give the library at least 24 hours' notice of their requirements. An administrative charge will be made to cover photocopying and postage costs.

2.8 If you have any queries about this consultation you should contact Sarah Fisher by email LAWFG@defra.gsi.gov.uk or telephone on 020 7082 8787.

2.9 Complaints relating to this consultation should be sent to Marjorie Addo, Defra's Consultation Co-ordinator, Area 7/B Nobel House, 17 Smith Square, London SW1P 3JR.

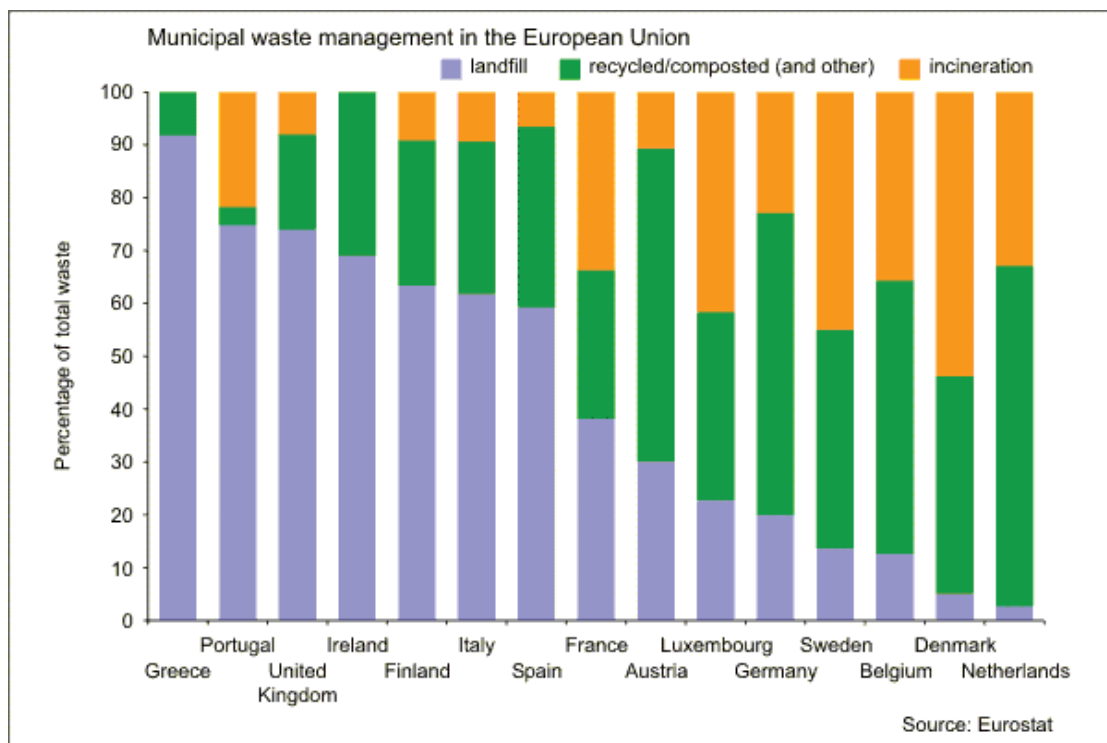
2.10 Government consultation guidelines can be found at www.cabinetoffice.gov.uk

Section 3: Introduction

Scope

3.1 This consultation relates to England only.

3.2 Total municipal waste has increased by 0.5% per annum on average over the last five years.² England currently disposes of 63% of this waste via landfill, recovers 10% of it as energy and recycles 27%. Of the EU 15 only Greece and Portugal send a greater proportion of municipal waste more waste to landfill.



3.3 We are failing to re-use valuable resources and these sites are responsible for producing methane, a powerful greenhouse gas. Methane emissions from (biodegradable waste in) landfill account for 38% of all UK methane emissions and 3% of all UK greenhouse gas emissions. Some examples of biodegradable waste are paper, cardboard, food and garden waste. Methane is 23 times as damaging a greenhouse gas as carbon dioxide. Current UK recycling of paper, glass, plastics, aluminium and steel is estimated to save more than 18m tonnes of carbon dioxide a year compared to the current mix of landfill/incineration.

3.4 The Government's Waste Strategy 2007 builds on Waste Strategy 2000 and the progress since then by setting a challenging agenda for England's waste management. Its headline aims include:

- to decouple waste growth from economic growth and put more emphasis on waste prevention and re-use;

² <http://www.defra.gov.uk/environment/statistics/wastats/bulletin.htm>

Consultation paper on the incentives for recycling by households

- to encourage much greater consideration of waste as a resource through increased emphasis on re-use, recycling and recovery of energy from waste; and
- to provide stronger incentives on business, local authorities and individuals to reduce waste.

3.5 It emphasises the need to meet EU landfill directive diversion requirements for biodegradable municipal waste in 2010, 2013, and 2020 and sets out challenging targets:

Waste prevention

To reduce the amount of household waste not recycled or composted to 45% of 2000 levels, i.e. from 18.7 million tonnes in 2005/06 to:

- 15.9 million tonnes in 2010;
- 14.3 million tonnes in 2015; and
- 12.2 million tonnes in 2020.

Recycling and composting

- To recycle or compost at least 40% of household waste by 2010; and
- To recycle or compost at least 50% of household waste by 2020.

3.6 The strategy is expected to help England achieve increasing annual net reductions in global greenhouse gas emissions from waste management.

3.7 Along with the Waste Strategy 2007 targets described above, the EU Landfill Directive states that:

- by 2010 biodegradable municipal waste sent to landfill must be reduced to 75% of the total amount produced in 1995;
- by 2013 biodegradable municipal waste sent to landfill must be reduced to 50% of the total amount produced in 1995; and
- by 2020 biodegradable municipal waste sent to landfill must be reduced to 35% of the total amount produced in 1995.

3.8 If these challenging targets are not met, the UK will be liable to substantial financial penalties from the EU. The government has the power to pass these penalties on to individual local authorities that contribute to any UK breach of these targets. This would further drive up the costs of waste management, putting pressure on the local government funding system. In this context, the Government believes that local authorities need to be given the power to choose the tools necessary to be able to achieve key priorities, namely:

- boost recycling/composting;
- encourage waste minimisation; and
- reduce waste going to landfill.

3.9 Householders' behaviour is vital towards meeting these national targets in a cost effective way. Authorities need residents to take steps to reduce their waste, home compost more, where appropriate, and recycle more. If residents do not change their behaviour, authorities may need to invest in more expensive waste technologies or purchase additional allowances to landfill biodegradable municipal waste. They may also face substantial penalties.³ Failing to minimise, home compost and separate waste also increases greenhouse gas emissions, mainly from the demand for new products made from virgin materials.

3.10 In 2006's Waste Strategy Review: A Consultation Document the Government consulted on proposals for a revised strategy and the policies for implementing it. A majority of respondents (76% of those commenting on this issue), including local government, environmental organisations and individuals, felt that local authorities should be given the power to charge householders according to the amount of non-recyclable waste they throw away as a means of ensuring householders have an incentive to recycle more and reduce their waste. Many highlighted the link with the 'polluter pays' principle: those who create the most waste should pay more, while those who create less waste should pay less. Local authorities are currently banned from charging householders for the collection of regular household waste in this way (with some exceptions, e.g. bulky waste). The recently published Local Government White Paper sets out the Government's intention to empower local communities by giving them greater freedoms and powers to improve public services. The nature of the waste management challenges faced by authorities varies according to local circumstances. The Government believes that removing a restriction on authorities being able to determine locally how these challenges should be met is an important part of increasing local flexibility as part of the Government's devolutionary agenda.

3.11 Sir Michael Lyons, in his Inquiry into Local Government, concluded that charging schemes "might be a sensible addition to councils' financial 'toolkit'". He has recommended that Government give authorities the freedom to implement schemes, developed in close consultation with local residents and other stakeholders. He stated that these powers "would represent a significant new flexibility to manage pressures on budgets according to local preferences".

3.12 The Local Government Association (LGA) has also called for local authorities to be given the power, not the duty, to incentivise householders in this way. Its 2007 publication, War on Waste, calls for: "'save-as-you-throw' powers to help encourage people to take more responsibility for the way they throw their rubbish away... it's also fairer because if you throw out less you pay less."

3.13 While the sources referenced above have called for a removal of the restriction on local authorities being able to choose to financially incentivise householders, they are not asking Government to place a duty upon local authorities to implement such schemes (Sir Michael Lyons is clear that schemes "should be a matter for local choice"). The schemes could be unsuitable for some areas or housing types, and it would be important for any decisions to introduce financial incentives to be made locally.

3.14 The UK is the only EU15 country that prohibits such incentives. Most EU 15 countries have some form of financial incentives in place in some areas, and in some regions (e.g. Flanders) it is the norm.

³ The Landfill Allowances Trading Scheme (LATS) has allocated allowances to all waste disposal authorities in England to landfill biodegradable municipal waste (BMW). Authorities are limited in the amount of BMW they can landfill by the number of allowances they hold in any Scheme year. Authorities may purchase additional allowances from other authorities to increase their holding. Authorities that landfill more BMW than allowed by the allowances they hold are liable to a penalty of GBP150 for every tonne over the limit.

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3.15 In response to local authority calls for the removal of these restrictions, the Government has undertaken work to determine what additional tools would benefit authorities' strategies for improving their waste minimisation and recycling performance. Government has opted not to introduce a local waste charge as seen elsewhere in Europe. Instead, Government proposes to remove restrictions, to allow local authorities, if they wish, to introduce financial incentive schemes that are revenue neutral – this means any money raised has be returned in full to local residents. This consultation seeks views on the Government's proposals to remove the ban on local authorities being able to offer financial incentives to householders depending on the amount of non-recyclable waste set out for collection, where this is desired locally.

Section 4: Context for the Proposals

4.1 Local authority spend on waste services in England is funded by a combination of central Government grants and Council Tax. Central Government grants include:

- Formula Grant (made up of revenue support grant and redistributed business rates). Distributed by formula through the Local Government Finance Settlement. There is no requirement that these are used to fund waste services; and
- Specific grants. Distributed outside the main settlement. There is no requirement that these are used to fund waste services.

It is estimated that central Government grants form 75% of local authority waste services funding.

4.2 With the support of central Government, local authorities have already put in place a range of measures to encourage recycling and home composting, and expect to put additional measures in place for the future. Many more householders in England now have access to recycling/composting facilities both at Civic Amenity sites and at the kerbside than before, and by 2010 all households will be served by a kerbside recycling service (around 19.8 million households are currently served by kerbside recycling services). Local authorities have also implemented effective communication strategies and provided information to householders to encourage greater participation.

4.3 Increasing participation by all residents in recycling and composting schemes is vital to moving towards more sustainable waste management. Local authorities are free to tailor collection systems to encourage recycling and composting. Many have already chosen to do so, for example:

(a) Rewards: more than 5.2 million households were covered by Defra-funded household incentive pilot schemes in 2005/6. Local authorities implemented 50 schemes offering a range of rewards to residents, including prize draws, prizes for schools and community league tables. These schemes were shown to be effective at increasing awareness of recycling, and many encouraged increased recycling rates. They usually require additional funding to cover the cost of any reward offered, though some authorities have managed to successfully finance schemes through sponsorship.⁴

For example, Portsmouth City Council carried out a simple feedback trial in Summer 2006 which aimed to cut contamination of recycling bins. The authority used a tick card to let householders know if they had left non-recyclable items in recycling bins. This followed a previous trial using stickers in 'traffic light' colours to indicate the performance of each householder by attaching the appropriate colour to their bin. The results in both cases showed a significant improvement in performance, with the quantity of non-recyclables in the recycling bins halving over a period of three weeks.

(b) Compulsory recycling schemes, such as that operating in Barnet, have achieved improved recycling rates. Ultimately, residents who do not use the kerbside recycling service may be fined or prosecuted. Government does not require authorities to introduce compulsory recycling, but they have powers to do so if they wish.

⁴ www.defra.gov.uk/environment/waste/localauth/encourage.htm

(c) Alternate Week Collection: many authorities now provide Alternate Weekly Collection (AWC) services, whereby recyclable and residual (non-recyclable) waste are collected on alternate weeks.

(d) “no side waste” policies: some authorities will only collect waste that fits within the bin provided, and do not allow residents to leave extra waste by the side of the bin (“side waste”). This encourages residents to make use of the recycling service to ensure they do not run out of space in the bin. It can also help reduce street litter.

4.4 However, under current legislation local authorities are unable to introduce fully-fledged schemes under which householders are financially incentivised to recycle more and throw away less. Evidence from schemes operating in Europe and further afield, as well as the results of a Defra-funded research project (see para 4.6), suggests that offering financial incentives for the reduction of household waste not sorted for recycling has the potential to significantly increase recycling and composting rates, encourage householders to minimise waste overall and therefore reduce the costs of waste management.

Local authority responsibilities under the Environmental Protection Act (EPA) 1990: Collection of controlled waste

4.5 Under section 45 of the Environmental Protection Act 1990 (EPA), local authorities currently have a statutory duty to arrange for collection of waste from households in their areas. They must not charge for this service except in specific cases. Schedule 2 of the Controlled Waste Regulations 1992 (CWR) prescribes the types of household waste for which local authorities may charge for collection.⁵ Local authorities for example may impose a charge for the collection of waste that presents particular collection problems, e.g. bulky items that will not fit in the receptacle, items over 25 kilograms in weight, and garden waste. They may also for example charge for collection of household waste from a school or other educational establishment. Local authorities only have a duty to arrange for collection of “chargeable” household waste if requested to collect it by the holder of the waste.

Evidence Base: International Experience

4.6 Defra commissioned a research project which modelled the potential impact of waste charging in England.⁶ The project predicts significant increases in recycling/home composting, reductions in total waste quantities, climate change benefits and therefore potentially significant cost savings for local authorities (see appendix 1 for detailed results). Government has opted not to go for a waste charging system as seen elsewhere in Europe, but instead to introduce a financial incentive scheme in order to give local authorities the chance to achieve the same behavioural change without increasing the amount residents as a whole pay to their council. Government believes that the costs and benefits identified in the above report apply equally to a charging scheme or a financial incentive scheme.

4.7 Waste minimisation is a key policy aim in the new Waste Strategy, and an important part of the UK’s strategy for meeting its Landfill Directive obligations. However, it is difficult to achieve. The proposed financial incentives could be one tool with which local authorities could encourage significant reductions in household waste. Waste minimisation also requires action by industry, who already face certain obligations under the packaging Regulations, and Defra is working with retailers through the Courtauld commitment and with business through BREW to reduce waste at source, including packaging waste.

⁵ http://www.opsi.gov.uk/si/si1992/Uksi_19920588_en_3.htm

⁶ www.defra.gov.uk/environment/waste/strategy

International experience

4.8 Defra has also gathered evidence from overseas waste charging schemes. Such schemes are widespread internationally.

Country	Extent of financial incentive scheme
Austria	Widespread charging
Belgium	Widespread. In Flanders region vast majority of municipalities have variable charging.
Denmark	Around 10% of authorities have weight-based charging schemes, others have 'excess waste' charging schemes
Finland	Widespread charging
France	Widespread charging (covering around one third of municipalities)
Germany	Widespread charging
Greece	Charging allowed under legislation but power not currently utilised by local authorities
Ireland	Compulsory variable charging across the country
Italy	Variable charging already widespread; to become compulsory in all municipalities by 2008
Luxembourg	Widespread charging
Netherlands	Increasing number of municipalities applying variable fee linked to waste production (122 of 443 municipalities covered in 2000)
Portugal	Charging allowed under legislation but power not currently utilised by local authorities
Spain	Charging allowed under legislation but power not currently utilised by local authorities
Sweden	Widespread charging
Switzerland	Increasing number of municipalities applying variable fee linked to waste production
Australia	Charging widespread in New South Wales and Victoria
Canada	Widespread charging (e.g. British Columbia and Ontario)
South Korea	All households covered by charging
United States	46 states covered by charging to some extent (35 million citizens in 1999)

4.9 For example:

A. Maastricht, Netherlands

Householders buy special sacks from local shops, costing €1 each. Only refuse set out in such sacks is collected; if householders use other sacks, they receive a warning and then a fine. The amount of waste separated for recycling has risen from 45-50% to 65% since the scheme's introduction. Maastricht is now the top municipality in its class for waste separation. The scheme has also helped achieved a 20% saving on the municipality's overall waste bill.

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B. Flanders, Belgium

The majority of municipalities across the region use partially or purely variable charging for household waste. Householders are either charged according to the weight of the residual waste they throw away or according to the volume of their bin. Areas with charging schemes have seen a net waste reduction of between 24 and 28 kg per inhabitant per year (an average Flemish householder produced 549kg waste per year in 2005).

C. Treviso, Italy

A frequency-based scheme whereby households pay for extra waste collection on top of a fixed minimum number of collections (between 1 and 6 depending on household size). An average variable fee of £50 is charged. The schemes have helped achieve a 12% reduction in waste since their inception.

D. Bjuv, Sweden

Bins for residual (non-recyclable) waste are tagged with an electronic chip (to avoid switching between neighbours) and weighed both before and after emptying. Residual waste is priced per kilogram. The difference in weight is the basis for the charge. Overall waste quantities were reduced by 19% in the first year of the scheme, residual (non-recycled) waste was reduced by 45% in the first year and waste separated for composting and recycling was up by 49% in the first year.

E. Seattle, USA

Householders can choose between a standard 32 gallon bin, a 19 gallon 'minican' and a 12 gallon 'microcan'. Householders pay less for smaller bin sizes. Recycling tonnages have increased by 60% and recycling participation has increased to 80%.

4.10 There are a range of waste charging schemes in operation internationally that have the potential to encourage recycling and reduction of waste and lower local authority waste costs. Government believes that the evidence from these schemes applies equally to its chosen option below.

Government proposal

5.1 The Government is consulting on the power for local authorities to choose to introduce a revenue-neutral scheme to financially incentivise householders to recycle and reduce waste, where this is desired locally.

5.2 The Government has considered the following options for introduction of waste charging or financial incentives.

Option A: do nothing

The Government could leave legislation unchanged, meaning that authorities would not be able to introduce financial incentives schemes. They would still be able to offer rewards and to charge for collection of certain wastes (such as garden waste and bulky waste). The Government has not chosen this option, as it believes that financial incentives are a potentially valuable tool for local authorities to improve their waste minimisation and recycling performance. The “do nothing” option would be a missed opportunity to give Councils a tool that could help them manage waste more cost effectively whilst also reducing the carbon impact of our waste.

Option B: localised waste charge

In many European countries waste is funded through a direct charge on residents. But in England, waste is funded through a combination of Council Tax, redistributed business rates and central government grant. Funding waste entirely through a local charge would mean local residents paying more, because the cost would not longer be met to a significant degree from the national tax pot. Government has not chosen this option, because it wishes to incentivise behavioural change without increasing the burden on local residents.

Another variation on a local waste charge would involve turning the proportion of householders’ Council Tax bills that funds waste services into a variable charge. Council Tax funds only a relatively small percentage of all local authority waste services, meaning that the level of the incentive to householders would be limited in this system. Our priority is to give local authorities additional tools to change waste behaviour quickly to help meet our EU Landfill Directive targets, and we therefore favour a less complex solution.

Option C: waste financial incentive with net neutral impact upon local residents

Government proposes to allow authorities to introduce schemes, where desired locally, in which financial incentives are offered to householders for the recycling and reduction of household waste provided that (1) the purpose of the scheme is to promote recycling and waste reduction and (2) all money raised is returned to residents in a transparent way such that the scheme is revenue neutral (i.e. it must not increase the amount that residents as a whole pay to their local authority). Government has developed a model, the “recycling incentive” that shows how this might work. Government also proposes to allow other revenue-neutral schemes developed by authorities subject to the scheme meeting the criteria in paragraph 5.4 below. The option to introduce the scheme would be available to all Waste Collection Authorities (WCAs) in England. In two-tier areas where the scheme was introduced, WCAs and Waste Disposal Authorities (WDAs) would need to cooperate in the introduction, monitoring and enforcement of the scheme. WDAs would also receive powers to implement financial incentive schemes at Civic Amenity sites.

Revenue neutrality

5.3 Government would require any financial incentive scheme to be revenue neutral. This means that authorities would not be able to use a financial incentive scheme as a means of raising more money – all money collected under the scheme would have to be returned to residents (paras 5.13 and 5.14 give examples of how this might be done). International evidence and Defra-funded modelling suggests that the costs incurred by local authorities in setting up and administering the schemes would be offset by annual cost savings in the years following their introduction, although the level of these cost savings would of course vary depending on local circumstances. Government would therefore expect local authorities to be able to fully fund the costs of the schemes out of annual cost savings while returning all money raised from the incentives back to householders.

5.4 The Government proposal is that:

Local authorities are given the power to decide to introduce a revenue-neutral financial incentive scheme, where this is desired locally. Government would not require any authority to introduce a financial incentive scheme. Government's role is to provide local authorities with the tools they need to manage their waste services. By removing the ban on financial incentive schemes we aim to increase the range of options available to authorities. The Government agrees with Sir Michael Lyons that local authorities should have the power to design schemes according to their local circumstances and needs. Government will remove the ban on such schemes, leaving authorities free to design their own schemes, providing the scheme met the following criteria, which will be set out in legislation:

- the scheme must have as its aim the promotion of recycling and waste reduction;
- waste separated for recycling or composting will continue to be collected free of charge (with the exception of garden waste, for which authorities would be free to levy a charge, as at present);
- the scheme must be revenue neutral and must not increase the amount residents as a whole pay to their local authority;
- good kerbside recycling facilities must be available to any household covered by a scheme. Local authorities will be required to provide kerbside recycling facilities for at least five waste streams (not including garden waste) – for example, paper, glass, cans, plastics and food waste;
- clear communication strategies must be in place to communicate the nature of the scheme to householders;
- schemes must make provision for the needs of particular groups that could potentially be disadvantaged (e.g. Council Tax benefit recipients, families with young children). See paras 5.21–5.25 for more detail; and
- schemes must make provision to avoid fly-tipping, littering and illegal disposal of waste. See paras 5.19–5.20 for more detail.

5.5 The Government agrees with Sir Michael Lyons that local authorities should develop financial incentive schemes in close consultation with their communities so that schemes can be tailored to fit local circumstances and priorities. This is consistent with the devolutionary agenda set out in the local Government White Paper (see para 3.10).

5.6 The Government would also make legislative changes to allow financial incentives to be implemented at civic amenity (CA) sites to avoid a situation where household waste was simply diverted to CA sites. The way in which financial incentive schemes would operate at CA sites would be determined by local authorities. In two-tier areas, waste disposal authorities (where they run the civic amenity sites) and waste collection authorities (who would administer the financial incentive schemes), would need to work together to implement financial incentives.

5.7 Beyond these requirements, authorities would have the flexibility to choose the exact nature of the scheme, including:

- the levels of payments and rebates;
- the process of administering the incentive, including the frequency and process of billing and providing rebates;
- which households in the authority's area the scheme should apply to (some housing types may not be suitable); and
- the type of scheme. There are several options here, including:

a) bin Volume-based Schemes: 'The Seattle scheme'. Under these schemes, typically, households are asked at the beginning of a particular year to say which sized bin they would like to use. The incentive is then related to the size of bin used.

b) frequency-based schemes: 'The Treviso scheme'. Two possibilities exist:

- The household subscribes for a particular service frequency, or
- either tags, or electronic chips, are used to record when bins are emptied following their being presented in a specific way

c) sack-based schemes: 'The Maastricht scheme'. Sack-based schemes are also, essentially, volume based schemes. In these schemes, either a) specific (readily identifiable) sacks are sold to households, or b) tags / stickers are sold to households, which must be attached to the sacks.

d) weight-based schemes: 'The Flanders scheme'. In these schemes, bins are usually equipped with a transponder (or chip) which is used to identify a bin as belonging to a particular property. The bin is weighed when it is loaded on the vehicle and householders are billed according to the amount of non-recycled waste they throw away. Some local authorities currently use transponders to identify lost bins or to monitor levels of waste created in different neighbourhoods and target information and education accordingly. Transponders do not record information on what is placed into the bin.

5.8 Authorities would be able to enforce the schemes using their existing powers.

5.9 Research carried out for Defra (see para 4.6) suggests that authorities choosing to implement charging schemes, such as those currently in operation internationally, with the greatest potential to encourage recycling and reduce waste overall could achieve savings on their budgets of up to £18

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multiplied by the number of households in the authority (or 15% of the total bill for all households in the authority's area). Government has chosen not to pursue the option of giving local authorities the power to introduce waste charging schemes, but believes that the cost and benefits identified in the report apply equally to a charging scheme or the Government's preferred option – a financial incentive scheme.

5.10 It is likely too that for some authorities it will not be appropriate to introduce financial incentive systems, because of difficulties associated with housing type and other local factors, or because authorities are able to meet their waste objectives without changing existing systems. The scale of any savings that could be achieved will differ according to local circumstances (including the extent to which householders in an area are already recycling and minimising waste; the infrastructure and waste collection system an authority already has in place; the waste treatment options available to a particular local authority; and the type of scheme chosen by a particular local authority). Therefore individual authorities would need to assess very carefully the likely costs, savings and benefits for their locality before introducing any scheme. Schemes should not require any additional funding from council tax.

5.11 Authorities would need to consider how they would fund the introduction of the schemes before potential cost savings were realised (it might for example be possible for set-up costs to be annualised as part of the authority's waste collection contract). Implementation costs would vary depending on the type of scheme chosen, but potential costs include:

- the purchase of any new technology, containers, vehicles, e.g. weigh technology for collection trucks;
- advertising the scheme in advance;
- billing arrangements for the incentive scheme;
- monitoring waste levels before, during and after the scheme to assess its effectiveness;
- monitoring fly-tipping levels before, during and after the scheme;
- setting-up and enforcing new fly-tipping strategies;
- enforcement of compliance, including court or arbitration costs related to new penalties connected to the scheme; and
- administration of the scheme.

Two-tier areas

5.12 Local authorities would be free to choose to implement the scheme in only part of their area, if they wished. Authorities in two-tier areas would need to work in partnership if choosing to introduce financial incentive schemes. In two-tier areas, the majority of the cost-saving benefits will go to Waste Disposal Authorities, because of the reduced quantities of waste going to treatment or landfill. Modelling suggests that in some cases Waste Collection Authorities would face higher costs because of the need to make changes to collection systems. For this reason, authorities in two-tier areas would need to work together on financial incentive schemes and agree on an appropriate sharing of costs

and savings. Authorities might choose to do this through the existing Recycling Credits system,⁷ or by other means. Authorities introducing the scheme would also need to consider the impacts on any neighbouring areas not on the schemes. Strategies to deal with any potential rises in fly-tipping and increased use of civic amenity sites would involve close cooperation between neighbouring authorities.

Government's proposed model for a revenue neutral financial incentive scheme: the recycling incentive scheme

5.13 Government has developed the recycling incentive as a model of how a revenue neutral scheme could operate. This is only one model. Local authorities may want to design their schemes differently according to local circumstances and needs, though these will need to meet the criteria set out in paragraph 5.4.

5.14 The purpose of the recycling incentive scheme would be to provide an incentive for minimising waste, in addition to increasing home composting and recycling without increasing the overall amount paid by local residents. Householders would pay according to the amount of non-recyclable waste they threw away over the year. Money raised by the scheme would be returned to residents in full, making the scheme revenue neutral. The money would be redistributed to households on a flat-rate basis – i.e. it would be shared between all households on the scheme, each receiving the same amount. The aim of the scheme would be to reward those who take steps to recycle and minimise their waste, and incentivise those who do not. Those who recycled and minimised their waste would gain financially from their behaviour, because the rebate they received from the local authority would be larger than the amount they had paid. The redistribution of money in this scheme would be self-contained: the incentive would be funded by householders. Money would transfer from those householders who continued to dispose of large quantities of residual waste to those who disposed of smaller quantities. None of the money raised directly through the scheme would stay with the local authority. This would therefore operate entirely separately from Council Tax.

Example 1

An authority implements a recycling incentive scheme that operates by weighing wheelie bins (the Flanders scheme). Through the year it weighs the amount of non-recycled rubbish produced by each household. At the end of the year, it calculates a bill for each. The waste is billed at 10p/kg, which equates to an average £50 per household. This is offset against a flat rate rebate of £50 per household. Household A is a low waste house, and has disposed of £20-worth of waste. With the £50 rebate, it receives a payment of £30 at the end of the year. Household B is a high waste house, disposing of £80 of waste. When the £50 rebate is deducted, the final balance to pay is £30. So Household A has gained £30 through the scheme, whereas Household B has lost £30.

⁷ Recycling credits are a means to pass on to recyclers the savings in the disposal and collection costs which result from recycling household waste. Recycling Credits payment are made between local authorities in two-tier areas and by local authorities to third parties (community groups, business and other organisations carrying out recycling activity).

Example 2

An authority implements a recycling rebate scheme that operates by selling special sacks for non-recycled waste (the Maastricht scheme). Households are required to buy the sacks, at 60p each, and use them to set out their non-recyclable waste for collection. Householders buy sacks as required throughout the year from local shops. At the end of the year the authority returns the money raised by sending each household on the scheme a rebate of £50. Household A is a low waste household and uses 50 sacks over the year (£30) and, with the £50 rebate, gains £20 at the end of the year. Household B is a high waste house, using 110 sacks over the year (£66). After the £50 rebate, Household B has lost £16 through the scheme.

Levels of payments and rebates

5.15 It would be up to local authorities to decide the level of payments and rewards in their own financial incentive schemes. There would be no incentive for an authority to set payments at a higher level than was necessary to encourage behavioural change, because all money raised would have to be returned to residents.

5.16 The average cost of waste collection and disposal in England was £100 per household in 2002. Research carried out for Defra suggested that, in existing international charging schemes, an average charge of £100 per year is too high. Overseas schemes achieve benefits with rather lower average charges (typically £35-£50 per household per year). The precise amounts that any household would pay or gain as a result of a recycling incentive scheme would depend on the details of the scheme set up locally, as well as the way in which households in the area changed their behaviour to minimise and recycle their waste.

Cost savings to local authorities

5.17 The research report predicts overall cost savings to local authorities as a result of financial incentive schemes, resulting from the benefits of avoided treatment and disposal. This would provide a further benefit to all residents (up to £18 per household per year). These savings could help reduce pressures on Council Tax or free up funds for spending on other local priorities.

5.18 In addition, financial incentive schemes could also help authorities to reduce the amount of biodegradable municipal waste they send landfill. This could help them comply with their obligations under the Landfill Allowance Trading Scheme (LATS), and hence avoid penalties. The highest performing authorities would be able to sell excess landfill allowances to bring in further income. Possible savings related to LATS are not included in the cost saving figures above.

Fly-tipping

5.19 It is important that all authorities crack down on fly-tipping, regardless of whether an authority decided to introduce a financial incentive scheme. Government would require any authority introducing a scheme to have in place a good fly-tipping prevention strategy, including robust enforcement measures as a last resort. In the design phase of any scheme, authorities will need to ensure that incentives and opportunities for fly-tipping are minimised. They will also need to continue to take robust action against fly-tipping once a scheme is up and running. Important measures to tackle the potential for increases in fly-tipping include:

- clear communication by authorities to residents;

- development of a prevention strategy which could also address existing fly-tipping problems in an area;
- setup and training of enforcement teams to deal quickly with offenders;
- ensuring existing waste and recycling services and civic amenity sites are of a high quality;
- partnership working with other agencies and private land owners; and
- close monitoring and a flexible response so that any fly-tipping incidents can be dealt with quickly.

5.20 Government would issue guidance to local authorities on tackling fly-tipping. It will also be important to consider means for preventing evasion of the incentive by disposing of waste in others' bins. Options include using pre-paid sacks or bins or offering residents lockable wheelie bins.

Example

The last 2 years have begun to see a positive step change in the way that local authorities approach and deal with illegal waste disposal. Partnership working and effective enforcement are becoming more commonplace. Recent examples include the authorities within Durham County Council who pooled resources to fund an ex-police sergeant as a full time fly-tipping enforcement officer and Kent County Council who are using a Local Area Agreement to ensure multi-agency buy in to specific targets.

Distributional impacts

5.21 Research shows no link between income and levels of waste generated. However larger households tend to produce more waste. There is also variation according to age group, with pensioners producing least waste, and families with young children producing most (disposable nappies being a major factor).

5.22 The Government will devolve decisions on specific mitigation of distributional impacts to local authorities. However, Government guidance will identify categories which should be considered when making decisions on exemption or mitigation. Authorities will be required to design schemes to avoid disadvantaging certain groups. Those that could be covered include:

- householders receiving Council Tax benefit;
- families with young children (who tend to produce more waste); and
- groups that might have difficulties in separating waste for recycling or adjusting to new waste collection systems, such as the elderly or people with disabilities.

5.23 Authorities could mitigate any negative impacts on these groups by providing assisted collection to ensure that those with disabilities were able to participate in recycling; or by offering exemptions, extra rebates or free waste allowances to certain groups or households. The following mitigation measures already practiced by authorities in England and other parts of Europe are examples:

- Blaby's extra waste capacity scheme (whereby residents needing extra non-recyclable waste capacity can purchase larger bins) – An £18 reduction is offered to large families, and free extra bin capacity is offered for residents producing medical waste;

Consultation paper on the incentives for recycling by households

- Harrow's compulsory recycling scheme – residents using disposable nappies are entitled to rent an extra bin at low cost;
- Fingal County, Ireland – disadvantaged residents are offered free tags (to identify their waste for collection in a sack-based system); and
- Leuven, Belgium – households with new born babies are give 40 free pre-paid sacks to use over time.

5.24 The Government would work with the LGA and the first local authorities choosing to take up the powers in order to share best practice with those subsequently introducing the schemes.

5.25 It is important to note that as these schemes would only be introduced in areas with kerbside recycling services, there would be opportunities for households of all sizes to benefit from the incentives by recycling.

Example

An authority implements a recycling incentive scheme that operates by weighing wheelie bins (the Flanders scheme). Households are billed 10 pence per kg of waste, and receive an automatic rebate of £50 per year. For households larger than 4 people, the authority gives a free allowance of 300kg waste per year.

Household A is a 2-person household. It produces 800kg/£80 of waste over one year. With the £50 reward, it receives a bill for £30 at the end of the year.

Household B is a family of 5. It also produces 800kg of waste over the year, but has a free allowance of 300 kg. When the £50 reward is deducted, the final balance to pay for household B is zero.

Question 1:

Do you agree that local authorities should have the power to introduce financial incentives for promoting recycling and reducing household waste? Why?

Question 2:

a) Do you agree that a power to introduce financial incentives would help local authorities to meet their recycling targets and their obligations under the Landfill Allowances Trading Scheme?

b) Are there other barriers that Government could address to help authorities boost recycling and meet their obligations under the Landfill Allowances Trading Scheme?

Question 3:

Do you agree with that a waste financial incentive with net neutral impact upon local residents (Option C) is the best of the three options outlined in paragraph 5.2?

Question 4:

- (a) Do you agree that any financial incentive scheme should be revenue neutral?**
- (b) Do you agree with the Government's definition of revenue neutrality?**
- (c) Do you agree that local authorities should be free to determine the level of charges under a financial incentive scheme?**

Question 5:

Apart from the 'recycling incentive scheme', what other models might meet the aim of incentivising behavioural change without increasing the overall cost to local residents?

Question 6:

The Government's view is that it would be essential for local authorities to have good recycling services, fly-tipping prevention and enforcement strategies and measures to help disadvantaged groups in place before introducing financial incentive schemes. Good communication with local communities before the implementation of any scheme will also be critical.

- a) If the Government were to allow financial incentives, what requirement should the Government place on local authorities as regards:
 - i) existing recycling services – do you agree with the proposal to require authorities to offer a recycling/composting service for at least 5 waste streams to any household covered by a financial incentives scheme?**
 - ii) waste crime strategies, and**
 - iii) disadvantaged groups?****
- b) How far should these issues be determined by the Government, and how far at local level?**

Question 7:

- a) Do you agree that waste disposal authorities should have the power to implement financial incentive schemes at civic amenity sites?**
- b) If so, how could financial incentives be administered at civic amenity sites?**

Question 8:

Are there other issues that Government needs to consider concerning financial incentive schemes?

Question 9:

Are there any other powers, currently not available to local authorities, that would help them:

- a) encourage greater recycling and waste minimisation by households and**
- b) manage waste more effectively and efficiently?**

Section 6: Summary of Government's Preferred Option

6.1 Local authorities are given the power to decide to introduce a revenue-neutral financial incentive scheme, where this is desired locally.

Appendix 1: Research project

Defra has funded a research project examining the potential impact of household waste charging in the UK. The full report is available on the Defra website⁸. Government has opted not to go for a waste charging system as seen elsewhere in Europe, but instead to introduce a financial incentive scheme in order to give local authorities the chance to achieve the same behavioural change benefits without increasing the amount residents as a whole pay to their Council. Government believes that the costs and benefits identified in this report apply equally to a charging scheme or a financial incentive scheme.

The study consists of a literature review, examining waste charging schemes overseas; and modelling of the potential impact of waste charging in England in the future. The project models the impact of household charging at both a local authority and national level. The precise costs and benefits of any such schemes will differ from area to area, and any authority considering such a scheme will need to assess the likely impacts for its own locality taking into account factors such as existing infrastructure, recycling rates and contracts as well as housing types. Additionally, the level at which the local authority set the incentive would affect the results – a high average level may encourage a more pronounced change to household waste behaviour than a lower one. The largest savings would probably be seen by those authorities which did not previously have Alternative Week Collection in place; and those authorities that moved from a free garden waste collection to a charged service as part of the incentive scheme (because this would encourage more home composting).

The results quoted here are based on the assumptions used in the report and it would be necessary for Government to gather information on the performance of initial schemes in order to more fully assess the impact of financial incentives in an English context.

The project uses 2006/7 costs and waste arisings predicted by Defra for 2011/12. It models the introduction of full financial incentive schemes in a range of authorities with differing baseline collection systems. The national level results reflect the assumption that 62% of households in England would be covered by financial incentive schemes. The cost savings predicted by the report are driven by the benefits of avoided waste disposal. They do not take into account any savings associated with the potential avoidance of penalties under the Landfill Allowance Trading Scheme. The costs modelled include:

- container costs;
- vehicle costs;
- equipment costs;
- sorting/treatment/disposal costs;
- revenues from material sales;
- costs for scheme implementation; and
- costs for clearing up fly-tips.

The modelling also assumes lower billing costs than those currently incurred for Council Tax (mainly due to efficiency savings).

⁸ www.defra.gov.uk/environment/waste/strategy

The following changes are forecast by the modelling:

Waste behaviour

Increase of total national recycling and composting rate from 39% to 44% (NB not all households are subject to financial incentives in the model; the modelling only includes kerbside waste, suggesting that higher recycling rates would be possible in areas in civil amenity sites).

- Best types of schemes see local recycling/composting rates rise to 54%.
- 7% reduction in total national waste quantities.
- 15% reduction in national residual waste quantities.

N.B The report looks at the impact of introducing financial incentives across England, but assumes that only 62% of all households are covered by schemes. No households living in high-rise flats are covered, for example.

Costs

- Financial incentive schemes are estimated to deliver a net national cost saving of £94 million.
- In some cases cost savings to local authorities of up to £18 per household could be achieved.
- There would be an average annual national cost saving of £4 per household.
- The highest performing authorities could also expect to benefit from additional savings as a result of LATS, which are not included in the report's modelling.

The actual quantum of savings would depend on the type of schemes taken forward, the level of the incentives, and the coverage of the schemes.

Collection costs could rise following the introduction of financial incentive schemes, despite the waste prevention effect, as more of what is being collected is being collected through more expensive recycling systems. However, the model suggests that overall cost reductions would be achieved due to reduced treatment and disposal costs, which would offset increases in collection, set-up, running and illegal activity monitoring and enforcement costs.

Climate Change

Defra modelling suggests that with widespread take up, the increased recycling alone would save between 500 thousand and 1 million tonnes Carbon Dioxide equivalent a year.

Sensitivity Analysis

The assumptions used in the modelling will inevitably affect the extent of the benefits achieved. For this reason sensitivity analysis has been undertaken to model how the schemes would perform on the basis of assumptions that differ from those in the central case. More detail is given in the full research report.

Published by the Department for Environment, Food and Rural Affairs.
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for uncoated paper and 75% recycled fibre for coated paper.

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PB191558