

Partial Regulatory Impact Assessment

Consultation on Incentives for Recycling by Households

May 2007

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Title of Proposal

1. Encouraging sustainable waste behaviour by households.

Purpose and Intended Effect of Measure

Objective

2. To give local authorities in England the tools to help encourage householders to recycle and compost more, minimise the amount of non-recyclable waste they throw away and, therefore, reduce the costs of waste management by allowing authorities to introduce revenue-neutral financial incentive schemes.

Background

3. 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 and recycle waste. The European Landfill Directive states that:

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

4. 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.

5. 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.

6. 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.¹ Failing to minimise, home compost and separate waste also increases greenhouse gas emissions, mainly from the demand for new products made from virgin materials.

7. Variable charging for waste, or "pay as you throw", is common elsewhere in Europe. The principle behind it is that householders pay according to the amount of waste they throw away. In Flanders for example, 98% of municipalities have waste charging in place. In most cases, waste bills have fallen as a result of introducing charging. Flanders households recycle 70% of their waste, compared to 27% in England.

8. The Local Government Association (LGA) has 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." Sir Michael Lyons has recommended that Government give authorities the freedom to implement such schemes, developed in close consultation with local residents and other stakeholders.

9. The Local Government White Paper published in October 2006 sets out the Government's intention to empower local communities by giving them greater freedoms and powers to improve public services. Granting local authorities new powers to meet their waste management challenges is an important part of increasing local flexibility as part of the Government's devolutionary agenda.

Rationale for government intervention

10. Current legislation prohibits local authorities from charging for household waste collection. The UK is currently the only EU15 country to prohibit these types of schemes. Financial incentives are one tool that could help authorities to change waste behaviour, and hence to reduce costs and minimise carbon impacts. Experience overseas suggests that financially incentivising householders to reduce the amount of non-recyclable waste they throw away can be a powerful tool in reducing waste quantities, boosting recycling and, vitally, reducing costs. Modelling carried out for Defra (see para 54) suggests that financial incentive schemes could save local authorities across England some £94 million per year nationally.

Consultation

With government

11. Ministers and officials in the Department for Environment, Food and Rural Affairs have worked closely with other government departments in developing these proposals, including in particular the Department for Communities and Local Government and HM Treasury.

¹ 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 £150 for every tonne over the limit.

Public consultation

12. In responding to the 2006 Waste Strategy Review Consultation a number of local authorities, environmental groups and other stakeholders raised waste charging as an issue that Government should consider. Many respondents cited such schemes' potential to incentivise householders' behaviour, while also stressing the need to minimise negative impacts on large families and disadvantaged social groups, as well as on fly-tipping. Of those that commented on the issue of waste charging, 76% were in favour and 5% were opposed, with the remainder giving neutral or mixed views.

13. The LGA has called for the power to offer financial incentives to households for sustainable waste behaviour, because of their potential to reduce waste and encourage recycling, therefore cutting costs.

14. Defra has held informal discussions with the LGA and waste officers from a range of local authorities to discuss financial incentives. Many waste officers wanted financial incentives as an option available to help authorities meet current waste management challenges, while recognising that it would not be suitable for all authorities.

15. The Government is holding a full public consultation on the proposals.

Options

16. Three options have been identified:

A) Do nothing

B) Allow authorities to levy a separate charge upon householders for waste collection

C) Introduce a new power to allow local authorities in England to introduce revenue-neutral financial incentives with the purpose of encouraging recycling and minimisation of waste.

Option A – Do nothing

17. 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 – Allow authorities to levy a separate charge upon householders for waste collection

18. 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, as in many European countries, would mean local residents paying more, because the cost would no 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.

19. Another variation on a local waste charge would involve turning the proportion of householders' Council Tax bills that fund 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 under such a system. Also, reorganising local government funding in this way would take time. This option has the potential to incentivise behaviour in a similar way to the Government's preferred option (described below), but our priority is to give local authorities additional tools to change waste behaviour quickly to help meet our European Landfill Directive targets, and we therefore favour a less complex solution.

20. Government commissioned a research report to examine existing international evidence for schemes of this nature, which modelled the potential benefits to England following the introduction of such schemes (see para 54). The Government has not chosen to pursue this option, but still believes that the findings of the research report are of value in assessing the potential impact of its preferred option.

Option C – Introduce a new power to allow local authorities in England to introduce revenue-neutral financial incentives with the purpose of encouraging recycling and minimisation of waste

21. This option would remove a ban on local authorities choosing to introduce financial incentives for household waste collection. This is the Government's preferred option.

22. 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, provided they met a number of requirements set out in legislation. 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.

23. There are several ways in which a scheme could be administered:

a) Seattle scheme. Based on bin volume: under bin volume schemes, households are typically asked at the beginning of a particular year to say which sized bin they would like to use. The amount households pay is related to the size of bin used. This system is common in the USA, with Seattle being one example;

b) Treviso scheme. Based on frequency of collection: frequency based schemes can operate in two ways:

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

Treviso in Italy uses a frequency-based system;

c) Maastricht scheme. Based on pre-paid sacks: 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. This system is used in the city of Maastricht in the Netherlands; and

d) Flanders scheme. Based on weight: For weight based 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 waste they produce. Some local authorities in England 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. This system is the norm in the Flanders region of Belgium.

Costs and Benefits

Sectors and groups affected

The public sector

24. This proposal will affect the public sector; specifically local authorities that decide to implement the financial incentive schemes. It will respond to calls from the LGA and some authorities who have been asking for this power. Government will not compel any authority to introduce a financial incentive scheme.

Businesses

25. This proposal will not affect businesses, who already pay for collection of their waste. It may discourage illegal disposal of commercial waste in the household waste stream.

Social groups

26. The proposal will affect householders, as they will be incentivised to recycle and compost more and reduce their household waste. Some householders will pay more to their local authority than at present, whereas others will receive a payment. All householders will have the opportunity to reduce the amount they pay by taking steps to recycle and compost more and throw away less. Any financial incentive scheme would be required to be revenue neutral – it must not increase the amount that residents as a whole pay to their local authority. The behaviour change created by the incentives should generate cost savings for authorities (see below for more detail), benefiting all residents by reducing pressure on authorities' waste management costs and hence on Council Tax bills.

27. Any local authority choosing to implement a financial incentive scheme would be legally required to take steps to ensure that it did not impact unfairly on particular social groups. Authorities would be legally required to take steps to mitigate any effects. Groups that would need to be considered include:

- householders receiving Council Tax benefit;
- families with young children (who tend to produce more waste); and

Partial Regulatory Impact Assessment (RIA)

- 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.

28. Experience from overseas and from current local authority practice shows that there are a range of options for managing potential impacts on these groups. Many authorities in England already offer assistance to those with disabilities, e.g. collecting waste and recycling from the house, and these services will be important in ensuring that all households are able to recycle as much of their waste as possible. In addition, authorities may choose to exempt certain households from the financial incentive schemes. Government legislation would not allow households who were not served by a comprehensive kerbside recycling service to be included in any scheme, and authorities would be free to choose to exclude other groups.

29. A further option would be to offer a free allowance to certain households, such as those receiving benefits or those with young children. This would help reduce any negative impacts on these households whilst still giving them some incentive to recycle and minimise waste.

30. 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 from the local authority) – an £18 reduction is offered to large families, and free extra bin capacity is offered for residents producing medical waste;
- 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.

31. Research shows no link between income and levels of waste generated.²

32. Research shows that larger households create more waste, but that they produce less waste per head than smaller households. There is significant variation in the amount of waste produced by different-sized households. For example, one study shows many five-person households creating less waste than average one-person households.³ According to one study, an average one-person household produces 19kg/week of waste, while a five-person household produces 29kg/week.⁴ On the basis of this information it is possible to estimate the financial effect of household size in a financial incentive scheme.

² Newcastle 2004. SWAT: a tool to enhance the precision and compatibility of solid waste analysis data. Warmer Bulletins, Issue 94, March 2004; Welsh Assembly Government (2003) The composition of municipal solid waste in Wales. Report by AEA Technology, December 2003; Parfitt J. R. Flowerdew and R. Pocock (1997) A review of the United Kingdom Household Waste Arisings and Compositional Data. Report produced for the Department of the Environment, May 1997.

³ Welsh Assembly Government (2003) The composition of municipal solid waste in Wales. Report by AEA Technology, December 2003.

⁴ Open University (2005) The Open University Household Study, Factsheet No. 2: Working Out the Factors that Affect Household Waste Generation, <http://www.defra.gov.uk/environment/statistics/waste/research/download/ou-fct02-20060621.pdf>

Example

Under a weight-based system, with non-recyclable waste billed at 10p/kg, an average one-person household would produce £1.90 worth of waste per week, while an average five-person household would produce £2.90 worth of waste per week.

33. Local authorities will be required to take into account potential negative impacts on particular groups, but will be able to decide exactly how this can most effectively be done. For example, an authority could make allowances for larger households, e.g. by offering a free allowance or reduced prices for bigger bins/sacks (see the examples in 30 above).

Example

In the example above, the authority might offer families of five or more a free allowance of 5kg per week for non-recyclable waste. This would mean that the average five-person household would produce £2.40 worth of waste, net of their allowance.

34. 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 reduce the amount they paid by recycling.

35. There is some evidence that waste arisings are linked to age group. Pensioners produce less waste than average, whereas families with young children produce large amounts (e.g. disposable nappies). Some authorities that have introduced alternate week collection allow households with babies to dispose of extra waste at no charge, and this could be replicated in a financial incentive scheme. Local authorities would be legally required to take account of the needs, of particular groups. It would be for local authorities to decide the exact nature of the measures they introduce to do this.

Fly-tipping

36. It is important that all authorities crack down on fly-tipping, whether or not they wish to introduce a financial incentive scheme. Government would require any authority introducing a financial incentive scheme to have in place a good fly-tipping prevention strategy, including robust enforcement measures as a last resort. Research shows that these schemes can lead to increases in fly-tipping, but also that careful scheme design and strong enforcement can prevent rises in fly-tipping. 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;

Partial Regulatory Impact Assessment (RIA)

- setup and training of enforcement teams;
- ensure 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.

37. Defra has funded a research project, which examined evidence from international household charging schemes and modelled the potential future effect of such schemes in England. The Government believes that, despite the report looking at charging schemes, the findings as regards costs and benefits apply equally to its preferred option – financial incentives. This research illustrates the additional enforcement and monitoring costs that local authorities could expect to face when a scheme is fully up and running to ensure there is no adverse impact from schemes on fly-tipping levels. The report predicts that costs associated with mitigating and dealing with fly-tipping would be covered by costs savings resulting from the schemes once they were up and running.

38. Government legislation would require any local authority introducing a financial incentives scheme to first have in place a fly-tipping prevention strategy. The detail of such strategies would differ according to local priorities. Defra would however like to see all authorities have fly-tipping prevention strategies in place regardless of whether or not they wish to introduce financial incentives. A fly-tipping prevention strategy would have wider benefits for a local area, not just in relation to dumping of household waste but also as regards dumping of commercial waste. Government has identified the following additional costs that authorities without well developed strategies might incur if they wished to introduce a financial incentives scheme, some of which were included in the research report costings and others that were not:

(a) Formulation of the strategy

39. A fly-tipping prevention strategy will need to be written in the first instance. Like all enforcement activities, a prevention strategy must not exist in isolation; it must be developed and integrated with a local authority's wider environmental enforcement strategies and with other strategies being taken forward by the authority and its partners, including any relevant corporate strategies. It is estimated that this process could cost up to £20,000, based on an estimate of the amount of staff time that would be needed to develop and approve such a plan and to have it signed-off by the necessary people or groups. The cost of this initial measure is not included in the research report's assumptions.

(b) Setting up enforcement teams

40. Costs will depend on the size of the team and salary costs. The research report assumes a cost of £50,000 for two officers and other associated administration and enforcement costs (based on a 50,000 household authority).

(c) Training

41. Enforcement staff and local authority lawyers will need to be fully trained before effective and proportionate enforcement against fly-tipping can take place. There are a number of training providers that could supply generic services although Defra has funded the Flycapture enforcement programme which delivers specific fly-tipping enforcement training through ENCAMS and the Chartered Institution of Wastes Management.

42. The full course of training for local authority officers is currently £1,400. Lawyer specific courses are £400. These costs are not included in the research report. The report assumes two officers (at £2,800), while one lawyer (at £400) would be sufficient for a regular authority. A 50,000 authority could therefore expect additional costs of around £3,200. This cost is not included in the research report.

(d) Communications campaign

43. Residents' awareness of an incentive scheme and effective communication between them and the local authority will be a significant pre-requisite to its success. Local authorities will be legally required to run a communications campaign before a scheme is launched and should also ensure that any successful enforcement action is publicised. Actions could include adverts in the local media, poster campaigns, leaflet or newsletter drops, resident events or house to house calls. The research report assumes £100,000 for an initial communications campaign.

(e) Prosecution costs

44. Visible and active enforcement, including taking action against offenders, will be important to prevent any initial increases in fly-tipping from becoming embedded in the local culture and to support implementation of the scheme. The Environment Agency has calculated the costs of carrying out each stage of the fly-tipping enforcement process. Costs may include:

- (i) cost of identifying suspect = £90;
- (ii) cost of issuing a formal caution = £87; and
- (iii) cost of prosecution = £600.

45. These costs do not include the cost to the Court of processing a case. These costs are not included in the research report's assumptions. A financial incentive scheme would not necessarily lead to more prosecutions for fly-tipping, but if it did, the cost would be an additional £600 per prosecution.

(f) Joint agency working

46. Local authorities will need to adopt a multi-agency approach, working with neighbouring authorities, local trading standards, housing associations and landowners amongst others to tackle fly-tipping in neighbouring authority areas or on private land. Dedicated resource to do this (if not done through the enforcement team as above) could cost in the region of £10,000. Any additional costs for joint agency working are not included in the research report's assumptions.

(g) Data monitoring

47. Although Flycapture, the national fly-tipping database, records incidences of illegal disposal, this is done at a high level and will not be detailed enough for more in depth spatial and geographical analysis that would allow local authorities to better mitigate fly-tipping in hot spot areas. Further analysis could cost around £50,000 where authorities are not already doing this (Defra will put in place fly-tipping monitoring schemes for the first schemes). These costs are not included in the research report.

48. Based on these estimations, a local authority with none of the above systems already in place might expect to incur additional costs to those predicted in the research project in the first year. The research report indicates that local authorities could expect to incur costs of between £2 and £4 per household (or between £100,000 and £200,000 per 50,000 household authority). Local authorities with none of the above systems already in place could expect to incur initial costs of up to £85,000 in addition to those predicted in the research report (depending on their size and the nature of the measures they chose to implement). This would not be a large enough sum to outweigh the benefits of financial incentives modelled in the research report, although this money may need to be found ahead of savings being realised. Government will consider making money available to help a small number of authorities with the costs of rolling out schemes, including costs related to fly-tipping. If these first projects confirmed the modelling predictions, we would expect further authorities to fund set up of financial incentive schemes from within existing budgets.

49. Defra would develop detailed best practice guidance for authorities on this issue working with the Local Government Association and the Environment Agency, and would also put in place monitoring of the first schemes in order to detect any impacts on fly-tipping and learn lessons regarding mitigation.

Race equality assessment

50. There is no evidence to suggest that overall quantities of household waste are affected by ethnicity. However, there is some evidence that different ethnic groups produce different types of waste. For example, one study found that Black communities produced greater quantities of paper waste than either Asian or White communities.⁵ However, the same study found that the average quantity of biodegradable waste produced by Asian, Black and White communities was the same (68%). How much a household pays for waste collection under these proposals would depend on the total quantity of non-recyclable waste set out for collection. Available evidence indicates that ethnic groups would have an equal opportunity to reduce the amount of non-recyclable waste they produced, provided that a good kerbside recycling service was available. The Government will require a good kerbside recycling service to be available to any household covered by a financial incentive scheme (we have proposed that the recycling service should cover a minimum of five waste streams). Authorities would need to ensure that the recycling service covered the major types of waste produced by different communities. The Government therefore does not consider that the proposal has a disproportionate or negative effect on different ethnic groups.

Rural considerations

51. The proposal would not have any adverse effects on rural communities.

Breakdown of costs and benefits

Option A – Do nothing

52. 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

⁵ EB Nationwide (2004) Variations in the Composition of Household Collected Waste, Report by AEA Technology, December 2004.

improve their waste minimisation and recycling performance. The “do nothing” option would be a missed opportunity to give Councils a tool that could potentially reduce the pressure on local authority budgets as well as reducing the carbon impact of our waste.

Option B – Allow authorities to levy a separate charge upon householders for waste collection

53. We would expect the impact of a separate waste charge on recycling rates, waste levels and costs to be similar to those set out for option C below. However, as explained in para 18 above, this would have additional drawbacks of increasing the cost burden upon local residents. The Government has therefore chosen not to pursue this option.

Option C – Introduce a new power to allow local authorities in England to introduce revenue-neutral financial incentives with the purpose of encouraging recycling and minimisation of waste.

Benefits

54. Defra funded a research project examining the potential impact of household waste charging in England. The full report is available on the Defra website.⁶ 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. 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.

55. 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 findings of the research report suggest that the largest savings would probably be seen by those authorities which did not already have alternate weekly collection of residual waste in place; and those authorities that switched from an already free garden waste collection to a charged garden waste collection as part of the incentive scheme.

56. Financial incentive schemes have the potential to increase level of recycling and home composting. Modelling in the research project predicts the best types of schemes see local recycling/composting rates rise from 37% to 54%. The least effective schemes see local recycling/composting rates rise from 43% to 44%.

57. Financial incentives can also help to reduce the total amount of waste that householders dispose of. Modelling in the research project predicts that total bin waste reduces between 4% to 31%, depending on the nature of the authority and the type of scheme used.

58. By increasing recycling and encouraging waste minimisation, financial incentive schemes can reduce the amount of waste that has to be disposed of. This can lead to cost savings and help reduce pressure on Council Tax bills. First, it can reduce authorities’ waste management costs. Modelling in

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

Partial Regulatory Impact Assessment (RIA)

the Defra-funded research project predicts cost savings to local authorities of up to £18 per household per year as a result. These cost savings are driven by the savings from avoided waste disposal. The costs of waste disposal will vary from authority to authority. If the marginal benefit of avoided disposal is low for a particular authority, then it would expect to experience lower cost savings – for example, if the authority's waste disposal contract committed it to a minimum level of charges even if waste volumes fell. Individual authorities would need to assess carefully the likely costs, savings and benefits for their locality before introducing any scheme. In addition, there could be further savings for authorities if they were able to sell surplus Landfill Allowances. It could also help some authorities to meet their obligations under the Landfill Allowance Trading Scheme, avoiding potentially large fines. Possible savings through the Landfill Allowance Trading scheme are not included in the figures above.

59. The figures quoted above are net of set-up and administration costs. The costs of the systems have been modelled to include the following:

- containers, vehicles and equipment costs;
- sorting/treatment/disposal costs;
- revenues from material sales;
- costs for scheme implementation (including billing, administration and communications); and
- costs of monitoring and clearing up fly-tips (assuming for prudence that these increase).

60. 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.

61. National level benefits would depend on the number of households covered by financial incentive schemes and the nature of authorities introducing them. The research report assumes that 62% of households in England would be covered by the schemes. This figure represents widespread coverage, with areas of flats and high-rise building exempted. Based on this assumption, the research report predicts:

- a net national cost saving of £94m annually;
- a 7% reduction in total national waste quantities annually; and
- a 15% reduction in national residual waste quantities annually.

62. Under the same scenario, the increased recycling would save between 200 thousand and 1.1 million tonnes of Carbon Dioxide equivalent a year, depending on the treatment method replaced. The carbon benefits associated with waste prevention are much larger. With widespread take up, Defra modelling suggests that prevention could yield up to 4.8 million tonnes of Carbon Dioxide equivalent annual savings. The impact of waste prevention is calculated based on the embodied energy in primary material (assumed to be produced using combined cycle gas turbine), and therefore inherently assumes the offsetting of virgin production.⁷

⁷ *Carbon Balances and Energy Impacts of the Management of UK Wastes*, report by ERM (with Golder Associates) for Defra, Final Report, March 2007. Available at http://www.defra.gov.uk/science/project_data/DocumentLibrary/WR0602/WR0602_4750_FRP.pdf

Costs

63. Costs to central Government:

Government will consider making money available to help a small number of authorities with roll out of financial incentive schemes. If these first projects confirmed the modelling predictions, we would expect further authorities to fund set up of financial incentive schemes from within existing budgets. Government would also fund research to monitor the impact of the first schemes, in terms of impact on waste behaviour, fly-tipping and attitudes.

64. Costs to local government:

The cost savings quoted above are net of set-up and administrative costs. There would be an initial set-up cost for local authorities, including the fly-tipping measures described in paragraphs 36 – 49. Individual authorities would need to assess very carefully the likely costs, savings and benefits for their locality before introducing any scheme, which could not receive any additional funding from council tax. 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;
- new billing arrangements;
- monitoring waste levels before, during and after the scheme to assess its effectiveness;
- monitoring fly-tipping levels before, during and after the scheme;
- court or arbitration costs related to new penalties connected to the scheme; and
- administration of the scheme.

65. An indication of the annualised costs a local authority might incur in introducing and administering the scheme are shown in the research report. The research report concludes that the costs would be outweighed by annual cost savings as a result of avoided treatment and disposal costs.

Small Firms Impact Test (SFIT)

66. The proposals would only affect local authorities and householders, so no disproportionate costs or benefits to small firms arising from the power to introduce financial incentive schemes have been identified.

Competition Assessment

67. The proposals would only affect local authorities and householders and so would have no direct effects on business and no implications for competition. Many local authorities currently contract out waste collection services to private contractors. Research suggests that 42% of waste collection contracts are won by the incumbent provider, indicating that there may be some incumbency advantage in the sector. If a local authority were to introduce a weight-based financial incentive scheme under Government proposals, there would be a risk that the more advanced weigh technology required to facilitate these schemes would favour larger, incumbent providers.

Enforcement, Sanctions and Monitoring

Enforcement

68. Local authorities would be given the power, not the duty, to introduce financial incentive schemes. Those local authorities that chose to implement the schemes would need to clearly communicate the details of the scheme to householders. The authorities would need to clearly outline how householders will be required to set out their waste for collection under the new scheme.

69. Authorities introducing financial incentive schemes would need to ensure they took steps to mitigate against possible increases in fly-tipping. Paragraphs 36 – 49 outline measures local authorities would need to take, and Government would also produce more detailed guidance. Evidence from overseas provides examples of measures that can be taken to avoid an increase in fly-tipping (indeed in some cases a decrease has been achieved).

Sanctions

70. Local authorities already have powers of enforcement under current legislation.⁸ These existing powers give local authorities the necessary tools with which to enforce financial incentive schemes, and it is not necessary to introduce new legislation in this respect. In some countries, municipalities refuse to collect waste from any household that is behind in its waste payments. However in England authorities are under a statutory duty to collect waste. Government does not propose to change the law to allow authorities to leave waste uncollected for long periods of time where householders had not paid or complied with a scheme.

Monitoring

71. The Government would fund a monitoring project to assess the progress of the initial schemes. Local authorities choosing to introduce the schemes would also need to closely monitor the schemes, especially any increases in incidences of fly-tipping.

⁸ The Clean Neighbourhoods and Environment Act 2005 (CNEA) added section 47ZA to the EPA and allows the WCA to impose a fixed penalty notice on persons breaching sections 46 or 47 of the Environmental Protection Act. Fixed Penalty Notices (FPN) can be issued by local authority officers and are penalties of £50. Receiving a FPN does not count as a conviction. Recipients have 14 days in which to pay the penalty or request a hearing. Failure to pay the penalty may result in a higher fine imposed by the court or imprisonment. For more information see <http://www.defra.gov.uk/environment/localenv/legislation/cnea/fixedpenaltynotices.pdf>

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