



The Local Authority Recycling Advisory Committee

# THE FUTURE OF LOCAL AUTHORITY WASTE FUNDING

A LARAC POLICY PAPER

Prepared by the LARAC Policy Team



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# Executive summary

Local authority funding has gone through a period of unprecedented contraction at the same time as there being a lack of effective UK level waste policy. These two factors have combined, resulting in the household recycling rate stalling, especially in England. This is after years of growth due to high expenditure by local authorities on increased kerbside, bring and HWRC services.

The Producer Responsibility system in the UK is predicated on achieving targets at lowest cost to business. This means that the public sector is paying for most of the materials and products to be collected for recycling, making the producer only marginally responsible – just 10% of costs in the case of packaging.

The EU Circular Economy Package talks of full Extended Producer Responsibility with full cost recovery and a household recycling target of 65%. DEFRA has announced a new Resources and Waste Strategy in 2018 with an ambition to be a world leader in resource efficiency. None of these aspirations will happen with the current funding mechanism for municipal waste services.

LARAC believes a fundamental shift in funding is needed and this paper outlines possible policy areas that need urgent exploration and, where appropriate, adoption if the UK is to see a sustained increase in recycling of household waste. The paper contains recommendations that governments and industry are strongly urged to take forward. This includes redesigning how producer responsibility is applied in the UK, encouraging citizens to become more focused on their purchasing and recycling habits and ensuring adequate funds are made available to local authorities to expand collection services and capture more of the valuable resources discarded each day.

The various recommendations are ranked in terms of high, medium and low priority as well as some policy areas that are rejected by LARAC as not being essential to take the industry forward.

LARAC appreciates that some of these recommendations require big changes within our industry along with some difficult conversations between different sectors and with citizens. Without fundamental change then the UK will not be able to meet high recycling levels and local services will continue to shrink. It is time to look at how we decouple provision of waste services from being considered ‘what Council Tax pays for’ and move it to something that producers and users are responsible for.

The main recommendations from this paper are:

## LARAC recommends

- A robust and comprehensive research programme should be undertaken to establish how a discretionary direct charging system for household waste collection could be implemented in the UK
- If a Deposit Return Scheme (DRS) system were introduced, it should target 'on the go recycling' and prioritise materials which are not universally collected at the kerbside and are currently hard to recycle. A full impact analysis should be completed for any proposed DRS system with specific reference to impacts on local authority operators
- Major producer responsibility reform should be urgently undertaken that sees producers funding more of the costs of household waste and properly promotes design with recyclability in mind
- There should be a managed process towards the standard use of the On-Pack Recycling Label (OPRL) system in the UK



# Introduction

If the UK is to shift to circular economy principles and become a resource efficient nation it will need to maximise the recovery and recycling of waste from households. Responsibility for this currently lies predominantly with local authorities, although producers of goods have obligations and targets through various producer responsibility legislation. The current system means responsibility and accountability is fragmented and the funding of dealing with waste from households is largely through the public purse. Local authority funding has been reduced by years of austerity following the financial crisis of the last decade and is no longer adequate to meet the aspirations that the UK holds to be a world leader in resource use.

There needs to be a radical rethink of how and who funds household waste collections if the UK is to push ahead and increase recycling rates. This paper aims to consider this subject and outlines possible areas of change to ensure that the strategic levers are in place and that the system is funded fairly and designed to maximise the capture of resources whilst minimising waste.

## Investigating options to change the funding landscape

Currently waste management is predominantly a linear process, with local authorities being responsible for organising the collection of the major part of municipal waste with little support from the producers of the products or reprocessors. Local authorities through their own resources and funding have built up comprehensive collection systems for items that are readily recyclable such as paper, glass, plastic bottles and cans. However, local authorities have an obligation to collect other household items such as mixed polymer plastics, polystyrene and mattresses which are challenging waste streams with little support from producers on how to manage these wastes.

Local authorities should not carry the burden of achieving high municipal recycling levels alone. The quality of recyclate is crucial to increasing the integrity of the recycling process, and it is therefore not just the collection service which needs consideration but the journey the product takes from production through to reprocessing.

If contamination levels are to be minimised, local authorities have a clear role in communicating this to residents to influence change in behaviours to maximise recycling and reuse over the long term. However, producers must also take some responsibility for improving the recyclability of goods and facilitate segregation. With local authorities facing increasing budget cuts alternative approaches need to be considered.

# History - local authority waste management recycling services over the years

The Environmental Protection Act 1990 was the first key driver for kerbside recycling collections in the UK. This set a recycling target of 25%, a requirement for local authorities to produce Waste Recycling Plans and for waste disposal authorities to share with waste collection authorities the savings made through avoided disposal via recycling credit payments. This resulted in a range of recycling collection services being introduced.

With the introduction of landfill tax in 1996, the Landfill Allowance Trading Scheme (England), Landfill Allowance Scheme (Wales, Scotland and N. Ireland) and EU landfill reduction targets, local authorities were faced with financial burdens if measures to reduce the amount of waste sent to landfill were unsuccessful. With these measures in place from 2001 to 2010 the UK's recycling rate increased faster than that of any other European country, rising from 12%-40%.

Local authorities have been streamlining services for many years. However, from the late 2000s the effect of the financial crisis and associated austerity measures had an even more noticeable impact on local authority services. Between 2015 and 2020 the Revenue Support Grant to English local authorities will have been cut by 75% (LGA 2017), with almost half of local authorities scheduled to no longer receive any core central government funding by 2019/20.

As council services evolve to achieve the required efficiencies it is not surprising that recycling performance has stalled. For example, there has been a net loss in the number of English councils providing food waste collections. 13 councils have removed food waste collections where it was mixed with the garden waste in the past two years, which is only partially compensated by nine authorities introducing separate food collections. More councils are introducing charges for garden waste collections. Whilst some residents do opt to pay for an optional garden waste kerbside service or utilise Household Waste Recycling Centres or home composting, some of this previously recycled waste is now disposed of through the residual waste collection.

England's recycling rate fell for the first time in 2015/16, falling by 0.6% and only rose by 0.3% in 2016/17 to achieve 44.6%. The Wales and Scotland devolved governments have continued to financially support recycling in local authorities, which is reflected by the continually increasing recycling levels. Wales achieved an increase of 4% in 2015/16 and 3.6% in 2016/17 to achieve 63.8%. Scotland achieved a 1.4% increase in 2015/16 and 1% in 2016/17 to achieve a recycling rate of 45.2%. Despite the funding from devolved governments this increase in recycling rate has come at a great cost to local authorities. In Wales, the 22 councils have collectively increased their own funding towards managing waste from £100 million a year in 2001 to £175 million a year in 2014.

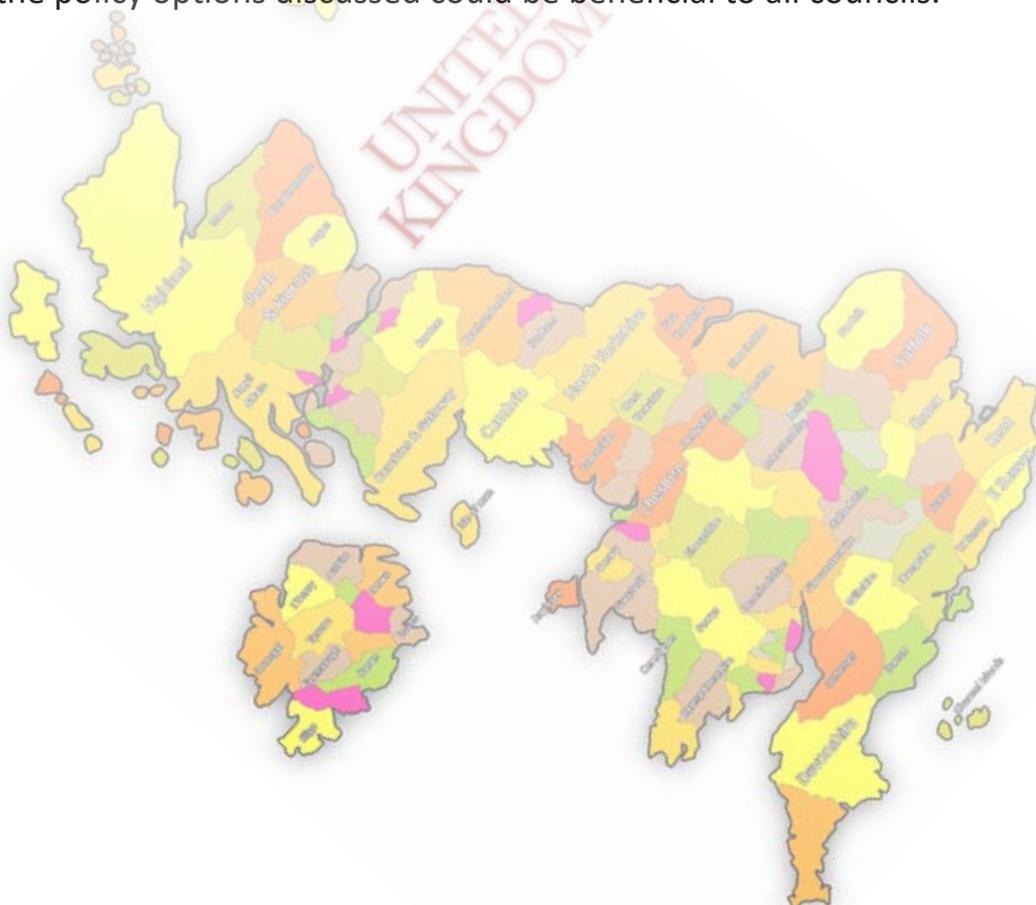
The approach to UK kerbside recycling has been one of encouragement rather than enforcement. Recycling is perceived by many as an additional service with the residual collection as core. To achieve sustainable long term behavioural changes, recycling needs to be considered as an integrated part of the service and not an optional added extra.

The EU has set a 50% target for recycling municipal waste by 2020 which the Circular Economy Package proposes to increase to 65% by 2030 (and which the UK government has indicated it will apply).

Without fundamental changes to the way in which household waste collections are funded achieving 65% will be a real challenge. Alternative funding approaches to municipal waste collections and integration of other waste collection and reprocessing responsibilities which offer long term self-sustaining solutions must be considered.

## UK local authorities

Local authorities operate under different structures for delivering local authority waste management across the country. The Environmental Protection Act 1990 designates the roles of “waste collection authority” and “waste disposal authority” to councils. Single tier unitary authorities have collection and disposal responsibility whereas two tier authorities have separate collection and disposal responsibilities between the district and county councils respectively. Although roles and responsibilities within these structures are different all the policy options discussed could be beneficial to all councils.



# New Funding Opportunities

For local authorities to function well within the principles of the circular economy, behavioural changes at a household level need to be influenced and the materials to be collected need to be easily recyclable. These elements are not mutually exclusive and there are a number of approaches which could be considered to address this. This is summarised in Figure 1 and further explained later in this report.



Figure 1: Opportunities for maximising household recycling

## Economic incentives

LARAC considers that reliance on the current revenue support system is not sustainable, is too narrow and should be widened to allow councils the option to introduce alternative approaches to fund municipal waste collection and disposal.

### i) Waste collection - direct charging

Direct charging schemes target household waste at the source making householders responsible for the quantity of waste discarded. This creates an incentive to increase recycling, reuse and potentially to reduce waste generation.

There is a common misunderstanding by residents that a significant part of their council tax is spent on waste management. If charges were decoupled from the council tax, residents would have a greater appreciation of the true cost of waste management and have the opportunity to make a saving. Having greater exposure to the costs is also more likely to influence behavioural changes.

Direct charging schemes have been in place in many other countries for some time, including Europe. The vast majority of direct charging schemes are funded through a combination of flat rate fees or taxes. The flat rates provide some certainty over the level of revenue generated to ensure certainty of income. Typically, the variable pricing element is levied in accordance with one of the following collection variables:

- Choice of container size (volume-based schemes)
- Number of sacks set out for collection (sack-based schemes)
- Frequency with which a container is set out for collection (frequency-based schemes)
- Weight of material collected in a given container (weight-based schemes)

Studies have found that weight-based systems are generally the most successful for reducing waste, followed by combined volume and frequency-based/sack-based systems, and then volume-based systems. Volume-based schemes generally have the weakest incentive for waste prevention and recycling as once a bin of a specific size has been purchased (or subscribed to) the incentive to reduce the quantity of waste disposed reduces significantly.

This is further emphasised in a study of two Irish local authorities which had equal access to kerbside recycling, one offered pay by weight and the other pre-paid tags (volume-based system). Under the weight-based system general waste presentation decreased by 49%, whereas under the tag system presentation decreased by 23% (Environmental Protection Agency 2008). In general, it is difficult to estimate potential changes to recycling in the UK based on case studies as other countries have different collection systems in place both pre and post direct charging. Although variations in the effectiveness of the direct charging schemes exist, on average cities with direct charging perform much better than the cities with a flat rate (Seyring et al 2015).

Direct charging can be a valuable method for raising funds to support recycling collections. The UK national frameworks all promote that separate food collection should be offered to households (mandated in Scotland). Many local authorities have been unable to add separate food waste collections due to the additional cost of collecting and recycling this material stream separately. Direct charging could set a framework to fund this sustainably through introducing:

- a higher variable charge for residual waste: this should be set proportionately so as not to encourage fly tipping and/or contamination of recycling containers and must be accompanied by appropriate enforcement interventions
- a lower (but non-zero) fee for organic waste if garden waste is targeted to encourage home composting
- a zero fee where only food waste is targeted
- a low or zero fee also be applied for dry recyclables

LARAC acknowledges the contentious nature of the concept of direct charging for household waste in the UK. Numerous examples in other countries show that a well-designed and implemented discretionary direct charging system has a dramatic effect on consumer behaviour and brings about a significant increase in recycling.

Initial acceptance of a direct charging scheme is likely to be difficult and there is the potential for increased contamination. Additional resources may be required to enforce this, especially in the short term.

Direct charging in isolation will not bring about the step change in sustainable waste management that LARAC advocates and must be supported by complementary measures, such as improved recyclability of products and measures to stimulate demand for materials collected.

## LARAC recommends

**A robust and comprehensive research programme should be undertaken to establish how a discretionary direct charging system for household waste collection could be implemented in the UK**

## ii) Deposit return scheme

Deposit return schemes (DRS) provide an incentive for users to return used containers to a collection point and receive a pre-determined rebate. This refund is funded by producers and may result in the price of the goods being increased to cover this cost.

DRS have the potential to increase recycling levels and reduce littering, which has been demonstrated in other countries. However, most countries have introduced DRS systems before mature and robust kerbside collection service to all households have been put in place. Local authorities in the UK have made considerable investment over the years in kerbside collection infrastructure and associated contracts in order to provide almost universal coverage across the UK for the four key material streams (glass, metals, plastics and paper). Yet, precisely these materials have been indicated by government as the most likely to be targeted for DRS.

If beverage containers are to be targeted through a DRS this would result in a reduction of material received through the kerbside collection system, and there is also the potential for higher quality material to be diverted from kerbside recycling to a DRS. The value from these higher quality materials supports local authorities in offsetting some of the costs of managing other low-value/high-cost recyclables. Removing this higher quality material from kerbside collections is likely to increase the overall cost of managing recyclables. This, combined with the reduction in material received, would reduce income and put further financial strains on local authorities.

Two recent studies have investigated the potential cost implications of a DRS on local authorities. The first by Eunomia in relation to Scotland stated that the possible cost savings to collection activities was very small and only limited to the residual collection fleet, and none for the recycling collection fleet. The main savings were said to come from avoided disposal of drinks containers, which would occur anyway if the drinks containers were collected in the recycling containers of the current kerbside systems.

The most recent report by Eunomia (2017) appeared to show that savings were possible in theoretical modelling, but the report itself acknowledged that “the analysis in this study shows that the fears about loss of efficiency of local authority collection services, and greater financial burdens on them from a loss of material revenue, have some basis as a consequence of contractual and local government structural realities”.

Collection of these containers in the UK has been built up around and through the kerbside system, and virtually 100% of local authorities collect glass, cans and plastic bottles at the the kerbside, so it does not make sense from an economic or communications point of view to introduce a competing collection system through DRS. Whilst it is recognised that efficiencies and collections rates could improve further, LARAC believes this current infrastructure is the more effective way to increase drink container recycling.

LARAC supports the concept of Extended Producer Responsibility that DRS would bring to the UK, providing it does not negatively impact on local authority budgets. Materials which are not universally collected at the kerbside are harder to recycle and should be considered as a priority for inclusion. This offers potential to help with the vast and expensive littering problem that local authorities are left to deal with and could include single use 'on the go recycling' items such as coffee cups, cartons and smaller drinks containers being considered as a priority over larger beverage containers which are regularly collected at the kerbside.

## LARAC recommends

If a DRS system were introduced it should target 'on the go recycling' and prioritise materials not universally collected at the kerbside and which are currently hard to recycle. A full impact analysis should be completed for any proposed DRS system with specific reference to impacts on local authority operations

### iii) Taxes and levies

#### Incineration tax

The landfill tax has been a very successful mechanism for reducing the amount of waste being sent to landfill.

The number of energy from waste plants in the UK is on the rise and has been a valuable mechanism for diverting waste from landfill. Sending waste for energy recovery is for some local authorities a cheaper option than investing in changes to the service to increase recycling. For example, introducing a separate food waste collection may not meet the best value test when the cost of disposal through an incinerator is cheaper. Whilst the imposition of a tax may force changes to be made it would represent an additional cost burden to local authorities, requiring resources to be diverted from other essential services. Diverting waste away from energy recovery plants could also have implications on PFI contracts.

The application of an incineration tax could result in an unintended consequence that waste is sent to the cheapest disposal route rather than diverted to recycling. Although incineration is lower down the hierarchy than recycling, if the material were exported it would be lost from the UK system altogether and no benefit would be achieved. An incineration tax is therefore only likely to be successful in a closed market situation and where local authorities receive appropriate funding or revenue sources to manage the change.

## Tax on materials or products

Taxes could be imposed on virgin materials or products which currently have a high environmental impact, low recycling level or have the ability to drive beneficial consumer behaviour with the aim of increasing capture and recycling levels. Examples include coffee cups, mattresses and polystyrene. For the tax to be effective more sustainable alternatives must be available for manufacturers to access alongside a recognised recycling route for the waste. For example, a tax on mattresses could assist local authorities with this problematic waste stream, with the revenue raised being ring fenced to ensure it is directed to recycling plants to treat this waste stream. The availability of recycling plants for mattresses is however limited, therefore before a tax is introduced sufficient recycling plants to accept all local authority waste mattresses would need to be in place.

## Advance disposal fees

Advance disposal fees can be levied at the point of sale, with the fee reflecting the cost of collection and recycling. This policy approach is relatively easy to apply with the consumer paying at the point of sale. This levy can be successful where products have a short lifespan. For products where there may be a long-time lag between purchase and disposal a levy paid at the point of sale may not reflect collection and recycling costs.

### LARAC recommends

**If taxes and levies are applied to items that form part of the household waste stream a proportion of the funds raised should be made available to local authorities to contribute towards the collection and disposal costs. Taxes should only be applied where sustainable alternatives are available**

### iii) Direct funding - reward schemes

To date, government policy has preferred to use incentives to encourage people to recycle more of the waste they create, rather than having powers to penalise them when they don't. The Reward and Recognition Fund (RRF) run by DEFRA between 2001-2014 explored approaches for rewarding and recognising people for adopting positive waste behaviours. Around £2 million of funding was made available to local authorities, community groups and partnerships to deliver schemes aimed at encouraging recycling. Of the 31 schemes to receive funding 14 were awarded to local authorities to incentivise kerbside recycling. Although cost savings were achieved by some schemes, overall it was found they were expensive to run and appeared to cost more than the savings they could have potentially generated. This was particularly evident for the kerbside collections which tended to only experience a marginal increase in recycling tonnage. The DEFRA review of reward schemes in 2016 by Brook Lyndhurst concluded that, "Overall, schemes did not experience a sea change in recycling tonnage, participation or claimed behaviour".

A well-designed scheme, which rewards residents for maximising recycling through the kerbside collection has the potential to encourage better recycling behaviour and can be targeted to specific audiences. Any scheme introduced would have to be innovative, taking into account previous case studies to develop something which would represent best value.

Compliance schemes could be used as a mechanism to fund or top up a reward scheme. The WEEE compliance scheme currently offers a small fund to local authorities for campaigns to increase WEEE collection. For reward schemes to be adopted on a national scale, substantial funding would be required to allow all local authorities access to funds rather than being on a competitive application basis.

#### **LARAC recommends**

**Reward schemes should not be considered a priority for a national policy drive. LARAC recognises there can be some value in reward schemes although these have been expensive to deliver for the outcomes achieved**

## Direct regulation

### i) Statutory targets

Wales has imposed statutory recycling targets, which can result in fines for councils if targets are not achieved. Whilst imposing statutory targets with the threat of fines can lead to increasing recycling performance it is essential to consider how the service changes would be funded. With decreasing funding to local authorities, increased funding to one service area would inevitably require a reduction in funding to another service, potentially resulting in the cessation of non-statutory but highly valued services.

Geographical and demographic differences between authorities can make it harder for some local authorities to achieve high recycling levels. For example, an authority with a high population density (i.e. with a high number of flats and properties with multiple occupants) will find achieving high recycling levels more challenging.

Funding has been made available in Wales to meet statutory targets. Whilst this funding has been welcomed, additional investment from local authorities has been necessary to top up the government funding to improve recycling performance in order to comply with the targets. If statutory targets were introduced, substantial funding would be required to ensure that funds were not taken from other essential services to meet recycling targets.

Putting greater requirements on local authorities to achieve recycling targets may also have the consequence of reducing the responsibility on the producer for certain elements of the household waste stream by placing it on the public sector.

If the Circular Economy Package proposal for a 65% target by 2030 is adopted by the UK there needs to be an agreed manner in which local authority responsibility for it is administered.

### LARAC recommends

**Statutory targets should not be adopted for local authorities. Even if accompanied by funding support, this is unlikely to be sufficient to cover the true costs**

## ii) Producer compliance schemes

Producer compliance schemes (PCS) include take back schemes for WEEE, batteries, end of life vehicles and packaging. These schemes have the potential for reducing the burden on local authority collections for these difficult waste streams although provide little incentive to consider design changes. An effective PCS should:

- Provide incentives to change product design
- Take a lifecycle approach
- Have clear definitions of responsibilities

Most producers pay in to producer responsibility schemes rather than taking on the responsibility directly. This often dilutes the incentive for individual producers to redesign products and packaging and adopt the lifecycle approach. The scheme fees should be linked to actual end-of-life treatment costs of the product which may provide a greater incentive to minimise resource use and take full responsibility for the product.

### Packaging

The producer compliance system for packaging has done little to support local authorities in the UK. Local authorities in the UK have no formal obligation under the Packaging and Packaging Waste European Directive (94/62/EC). They do however have a pivotal role in providing recycling collections to householders and in supplying material to reprocessors and exporters.

Packaging makes up a large proportion of a household's waste stream, a considerable amount of which can already be easily recycled. Other components such as cartons, plastic film, pots, tubs and trays and particularly black plastics, continue to be a problematic waste stream with limited options for recycling.

In order for the United Kingdom to meet the 2025 packaging recycling targets a further 172,000 tonnes of non-municipal packaging waste will have to be collected compared to levels recorded in 2012 (Eunomia 2016). Considering the current composition of household and commercial and industrial packaging waste, it is likely that the majority of this shortfall would need to be met from household sources in order for the target to be achieved.

Packaging compliance in the UK is delivered through an economic and market-based approach known as packaging recovery notes (PRN) and is claimed to be one of the lowest cost packaging recovery schemes in Europe. The PRN system in the UK is worth around £60 million a year. This is not a true reflection of the cost of recovering packaging waste, as local authorities spend around £600 million collecting packaging that producers are not directly contributing towards (Environmental Audit Committee 2017). This means that producers only fund around 10% towards the collection of the material they produce, and local authorities face a disproportionate share of the cost burden for collecting this packaging.

To operate effectively, schemes require a sophisticated interaction between government and industry. It is also reasonable to expect the consumer to accept a degree of the cost to encourage behavioural change for low packaging, recyclable options or avoidance.

There are a number of successful initiatives which have shown how the industry and local authorities can work together to increase recycling. For example, Metal Matters is funded by the metal packaging/recycling industry and leading brands, and has provided assistance to local authorities for communication campaigns. Whilst welcomed, these measures need to be supported by other initiatives.

The PRN system should better reflect holistic lifecycle costs by ensuring materials are sustainably sourced, easily recyclable and the design allows for components to be easily separated for recycling. The current PRN framework does not encourage investment as there is no obligation on reprocessors and exporters receiving PRN revenue to invest sufficiently in the whole UK infrastructure. Furthermore, the uncertainty in income resulting from fluctuating PRN prices is not conducive to sustained investment, which LARAC considers is a key contributor to the relatively immature recycling market in the UK.

For circular economy principles to be adopted, clearer effective government policy and a fundamental revision of the packaging producer responsibility system is needed to provide long-term security in the market to allow industry to risk investment at the required scale. With the demand for poor-quality recycle from Far East economies diminishing, a reduction in overseas options for the UK materials is likely to require more local reprocessing options. These local solutions would provide for a greater resilience of the local market as they would not be subject to the same degree of volatility and would be consistent with circular economy principles.

Almost all EU Member States make producers responsible, partly or fully, for meeting the packaging recycling targets. Whilst examples in Europe are useful reference points it is difficult to make direct comparisons due to the lack of data and differences in how data is collected and presented.



Member states have provisionally agreed on the EU Circular Economy Package which includes specific targets for various packaging materials and minimum requirements for producer responsibility schemes. This will include a requirement for producers to pay a financial contribution for the collection of used goods, sorting and treatment for recycling, with the contribution calculated on the basis of the treatment cost.

LARAC believes that for producer responsibility to deliver the circular economy principles there needs to be a reform of the UK packaging producer responsibility system. There needs to be a balance between burdens on business and the public-sector funding situation. Producers must take greater responsibility for the design to minimise the environmental impact of their products and maximise recycling. The true costs for collecting and reprocessing of these materials should be reflected through the compliance scheme, which transparently transfers fees to local authorities to meet the cost of collecting the packaging.

### **LARAC recommends**

**Major producer responsibility reform should be urgently undertaken that sees producers funding more of the costs of household waste and properly promotes design with recyclability in mind**

### **iii) Performance standards**

Performance standards can be mandatory or applied by industries themselves through voluntary programmes. For voluntary performance standards to be effective other support systems need to be in place to provide sufficient incentives.

Packaging design can be strongly influenced by standards. The current PRN system provides insufficient incentives for producers to adequately consider packaging design and maximise recyclability. Mandatory standards can be effective but can be counterproductive as innovation can be stifled and so these should be applied with caution. That said, there should be a move towards mandatory standards that help create demand for recycled materials and increase design for recycling.

### **LARAC recommends**

**Minimum standards be applied to products that encourage the demand for recycled materials and also promote better design for end of life re use and recycling**

## iv) Compulsory recycling/fines

Section 46 of the Environmental Protection Act includes provision for local authorities to apply penalties for not recycling, although has rarely been used. Low levels of enforcement may partially be due to insufficient resources to monitor and apply penalties. The decriminalisation of section 46 also made enforcement more onerous for local authorities.

A number of local authorities have encouraged participation in recycling through reducing the collection frequency of residual waste or reducing bin sizes. Through providing a lower weekly capacity this has 'nudged' residents to divert recyclable material from residual bins to recycling containers. Introducing these measures has enabled local authorities to limit the increased costs of service provision whilst improving recycling performance. Previously, it was suggested that these changes were potentially open to abuse with the recycling service being used for excess residual waste. Case studies have shown this has not been the case, with contamination rates remaining relatively constant.

### LARAC recommends

**Local authorities should retain the flexibility to apply compulsory recycling as deemed necessary, in a revised, more enforceable form. There should be national backing for it being seen as a legitimate instrument for local authorities to apply**



## Information based instruments

Product information and recycling symbols on packaging can sometimes be confusing and misinterpreted leading to materials not being appropriately recycled. On-pack labelling is essential for assisting residents with the knowledge of how to recycle. LARAC is one of the partners owning the On-Pack Recycling Label (OPRL) and has been working hard to develop labelling which provides clearer recycling information.

### LARAC recommends

There should be a managed process towards the standard use of the OPRL system in the UK

## Consistent collection standards

There is general agreement that inconsistencies throughout the supply chain are a barrier to high recycling levels. In order to address this, Scottish and Welsh Governments have proposed a consistent approach to household collections through the Household Recycling Charter in Scotland and Collections Blueprint in Wales. WRAP produced a Consistency Framework for England that promotes three standardised collection systems and aims to promote more consistency in packaging design and end markets.

Funding has been made available in Wales and Scotland for authorities to adopt the systems outlined by the respective Governments which have been fundamental to the service changes.

Wales recently reported a recycling rate of 64% ranking it third in the world. However, with only half the councils in Wales following the blueprint, harmonised collections alone should not be seen as panacea for improved recycling rates.

WRAP provides assistance in completing business case assessments to adopt one of the three recommended approaches presented in the consistency framework. Whilst modelling at a national level has shown that moving to more consistent collections has the potential for savings, this has been shown not to be the case for all local authorities. Local options appraisals completed through the WRAP funding have often proved that adopting the consistency framework would result in increased costs over the current service. In these

cases, the shift to one of the recommended consistent approaches is not viable unless external funding is available to cover transitional and ongoing operational costs. WRAP has provided funding to support assessment of possible service changes but there is no large-scale funding available in England for service changes.

The general assumption that standardised collection systems will have efficiency gains and improve both the quality and quantity of recyclate collected is often too simplistic. A range of factors determine the cost effectiveness of specific collection and disposal arrangements, including waste composition, demographics and the location and availability of reprocessing and disposal facilities. In order to deliver consistent waste and recycling collection services, local authorities must rely on consistent material inputs and a standardised approach to reprocessing in order to provide the long-term certainty to support investment. Local authorities require a degree of flexibility to adapt to local situations to allow for the services to demonstrate best value.

## LARAC recommends

**That a switch to a consistent collection system is only made where the business case for that area demonstrates a clear financial benefit or where long-term funding is made available to completely cover the additional costs involved in changes**

# Recommendations

The options discussed in this report have been ranked in priority order and summarised in the appendix.

## High priority actions

### i) Direct Charging

Charging for household waste at source provides an opportunity for essential funds to be raised to support household recycling collections. Applying a higher charge for residual waste and lower or zero charge for recyclables provides a financial incentive for the waste hierarchy principles to be adopted by residents. LARAC wants to see a robust and comprehensive research programme undertaken that establishes the basis for how a discretionary direct charging system for household waste collection could be implemented in the UK.

### ii) Producer compliance schemes

The UK's producer compliance system for packaging is met through the packaging recovery notes system (PRN). This compliance system is the least effective for funding local authorities. Through this system producers are not fully meeting the cost recovery of their packaging, shifting the burden to local authorities at a cost of approximately £600 million a year. A packaging compliance system should reflect holistic cradle-to-grave lifecycle costs providing a balance between the burdens on business and the public sector and encourage local investment.

LARAC believes there is an urgent need for major producer responsibility reform that sees producers funding more than 10% of the costs of household waste and that properly promotes designing with recyclability in mind. For packaging this is much more fundamental than simply reforming the PRN system which has been shown to be ineffective in channelling funds transparently to local authorities.

### iii) Information based instruments

Lack of information and confusion is regularly cited as a reason for low recycling. Providing residents with easy to understand information such as on-pack labelling can encourage recycling and reduce contamination. LARAC will continue to work with partners to promote a clear recycling message on packaging and wants to see the OPRL system become standard in the UK.

## Medium priority actions

### Deposit return scheme

Deposit return schemes (DRS) offer the potential to reduce littering and increase recycling levels, if the targeted materials are those not already universally collected at the kerbside. The UK already has an established kerbside collection system, with most local authorities collecting glass, paper, bottles and cans; those materials indicated most likely to be included in a DRS. Introducing a competing DRS system which collects material already widely collected at the kerbside will reduce the amount local authorities collect and negatively impact on budgets. If a UK DRS system was introduced, it should be designed to prioritise materials which are not universally collected at the kerbside and are hard to recycle. Any consideration should first be given to a DRS system that targets 'on the go recycling' items and funds the required infrastructure. A full impact analysis needs to be undertaken for any proposed UK DRS system with specific reference to impacts on local authority operations.

## Low priority actions

### i) Taxes and levies

- Tax on materials or products - Material taxes should be targeted towards products with a high environmental impact or low recyclability. Sustainable alternatives must be available for the tax to be effective
- Advance disposal fees - Advance disposal fees can be effective. The cost of recovery changes over time, products with a short life span are therefore more likely to accurately reflect the cost of recovery

LARAC believes that where taxes are applied to items that form part of the household waste stream, in order to encourage circular economy principles a proportion of the funds raised from these streams should be made available to local authorities.

### ii) Performance standards

For voluntary performance standards to be effective other support systems need to be in place to provide sufficient incentives. The PRN system does not incentivise producers to adequately consider packaging design and mandated standards can stifle innovation. LARAC urges reform of the packaging producer responsibility system to improve performance standards.

### iii) Consistency

The adoption of consistent collection systems is widely being encouraged to minimise the supposed confusion over recycling streams. Funding has been provided in Scotland and Wales to adopt consistent approaches. Whilst WRAP has provided funding to assess business cases for change, funding for changes has not been made available in England and some business cases have shown it is not an economically viable solution. Flexibility to adapt to local situations will allow for the services to demonstrate best value. LARAC only supports a switch to a consistent collection system where the business case for that area demonstrates a clear financial benefit or funding is made available to completely cover the additional costs involved in changes. A move to consistency in materials and reprocessing would greatly assist any potential moves to consistency in collections. The inconsistency in the materials from products and the variance of materials accepted by reprocessors should therefore be tackled first.

### iv) Compulsory recycling/fines

Compulsory recycling has rarely been applied in the UK. Local authorities have been indirectly introducing compulsory recycling through reduced collection frequency and slim bins and both have been effective in increasing recycling rates. Local authorities should retain the flexibility to apply compulsory recycling as deemed necessary.

## Actions not recommended

### i) Incineration tax

For an incineration tax to work effectively there must be a cost-effective recycling market and a closed market for RDF to prevent the potential for cheaper exports.

### ii) Reward schemes

Research to date has shown that reward schemes aimed at improving the recycling and disposal behaviour of householders can be expensive to deliver with little long-term effect. LARAC does not believe reward schemes should be a priority for a national policy drive.

### iii) Statutory targets

Statutory targets can be a mechanism to force change. To be truly effective appropriate finances must be in place to ensure funds are not directed away from other essential services. LARAC does not support the concept of statutory targets for local authorities. Even if targets are accompanied by some funding support, this is unlikely to be sufficient to cover the true costs and will place further strains on other services. Placing statutory targets on local authorities may also have the consequence of reducing the responsibility on the producer.

## Next steps

This paper is not intended to provide the answers to the problem of funding local authority waste services. It does intend to show the policy areas where the answers lie and need to be seriously considered, investigated and implemented in conjunction with the local authority family. LARAC wants to do more than stimulate the debate with this paper; it wants to stimulate action from policy makers and the wider industry at a pivotal time for waste policy in the UK. If the recommendations do not form the basis of clear advances in waste policy in the new Resources and Waste Strategy, then a golden opportunity will have been lost and the UK cannot seriously expect to see a meaningful increase in the recycling of household waste.

The first step should be the convening of industry wide stakeholders and policy makers to agree a national way forward on how we solve the funding issues that local authorities face. Then through WRAP and others, work should begin on researching and designing policies based on these recommendations that can be taken forward into the Resources and Waste Strategy. This would see a second “golden age” of recycling from household to match that in the 1990s and 2000s which saw the UK grow its recycling rate faster than other European countries.

This research phase needs to strike a balance between being thorough and timely. Enough needs to be done so that potential policies within the Resources and Waste Strategy can be informed to the point where they could be outlined in that document with further work being done prior to implementation.



# Appendix

Opportunity	Pros	Cons	Target	Priority for Action
Direct charging	<ul style="list-style-type: none"> <li>Self-funding</li> <li>Strong incentive to maximise recycling</li> </ul>	<ul style="list-style-type: none"> <li>Potentially contentious especially in the short term</li> <li>May increase contamination levels</li> </ul>	Households and local authorities	High
Producer compliance schemes	<ul style="list-style-type: none"> <li>Has the potential to improve design and collection although current system requires reform</li> </ul>	<ul style="list-style-type: none"> <li>Current framework does not encourage investment and provides little incentive to consider design</li> <li>Producers currently do not meet full cost of the product at the end of life</li> </ul>	Producers	High
Information based instruments	<ul style="list-style-type: none"> <li>Provides further recycling information for householders</li> </ul>		Producers and local authorities	High
Deposit return scheme	<ul style="list-style-type: none"> <li>Littering levels likely to fall</li> <li>Design should target hard to recycle items which would result in higher recycling levels</li> </ul>	<ul style="list-style-type: none"> <li>Requires high set up cost</li> <li>May increase LA costs</li> <li>May result in lower quality recycling at kerbside</li> </ul>	Households	Medium (subject to evidence on negative financial implications for local authorities)
Taxes and levies	<ul style="list-style-type: none"> <li>Incentive to provide more sustainably designed products</li> <li>Relatively easy to apply</li> </ul>	<ul style="list-style-type: none"> <li>Viable alternatives need to be readily available</li> <li>Only successful for products with a short lifespan</li> </ul>	Producers	Low
Performance standards	<ul style="list-style-type: none"> <li>Encourages more sustainable design</li> </ul>	<ul style="list-style-type: none"> <li>Current obligations provide insufficient incentive for change</li> </ul>	Producers	Low
Consistency	<ul style="list-style-type: none"> <li>Potential to reduce confusion</li> <li>Allows for consistent communications</li> </ul>	<ul style="list-style-type: none"> <li>May not represent best value</li> <li>One size doesn't necessarily fit all due to demographics, location and availability of facilities</li> </ul>	Local authorities	Low
Compulsory recycling/fines	<ul style="list-style-type: none"> <li>Direct influence on residents' behaviour</li> </ul>	<ul style="list-style-type: none"> <li>Can be costly to administer</li> </ul>	Local authorities	Low

## Appendix continued

Opportunity	Pros	Cons	Target	Priority for Action
Incineration tax	<ul style="list-style-type: none"> <li>Incentive for change is dependent on set tax level</li> </ul>	<ul style="list-style-type: none"> <li>Needs economically viable alternatives to be available</li> <li>Needs a closed market situation to operate effectively</li> <li>Could have implications on PFI contracts</li> </ul>	Local authorities	Not recommended
Reward schemes	<ul style="list-style-type: none"> <li>Can be tailored for specific audiences</li> </ul>	<ul style="list-style-type: none"> <li>Have in the past been shown to be expensive</li> </ul>	Householder - funding through government or producers	Not recommended
Statutory targets	<ul style="list-style-type: none"> <li>If targets are enforced large incentive to comply</li> </ul>	<ul style="list-style-type: none"> <li>Without additional funding can take resources from other valuable services</li> </ul>	Local authorities	Not recommended



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