



# Consultation on the Incentives for Recycling by Households

Defra has published a consultation on removing the ban on local authorities introducing schemes to financially incentivise householders to recycle and reduce waste where this is desired locally. The strategy applies to England only.

TO: All Chief Executives, main and email contacts (England)

CC: All Chief Executives, main and email contacts (Wales, Scotland and Northern Ireland)

## Key issues

1. The Government proposes that local authorities are given the power to decide to introduce a revenue-neutral financial incentive scheme, where this is desired locally.
2. To introduce a scheme, local authorities will be required to provide at least 5 kerbside recycling facilities- not including garden waste.
3. The redistribution of money in this scheme would be self-contained: the incentive would be funded by householders. Money would transfer from those householders who continued to dispose of large quantities of residual waste to those who disposed of smaller quantities.

## **1. Introduction**

Despite major increases in recycling by local authorities, England still disposes 63% of municipal waste via landfill with methane emissions from landfill accounting for 38% of all UK methane emissions and 3% of all UK greenhouse gas emissions. To reduce the reliance on landfill (and in conjunction with the Government's Waste Strategy 2007 - see APSE Briefing 07-41) Defra have launched a consultation on incentives on recycling for households. The consultation and accompanying papers can be downloaded from the following hyperlink

<http://www.defra.gov.uk/environment/waste/strategy/incentives/index.htm>. The consultation period matches that of the Waste Strategy 2007 with both closing on 16 August 2007.

## **2. Background**

The consultation starts with the warning that if householders do not change their behaviour then local authorities may need to invest in more expensive waste technologies, plus they may also face penalties. Experience from Europe (see annex 1) shows that charging householders according to the amount they throw away can boost recycling and reduce waste. This is currently prohibited in the UK. The Government has decided to consult on removing the ban on financial incentive schemes that encourage recycling, but does not want to introduce a local waste charge as seen elsewhere in Europe, as this could lead to local residents paying more. Additionally, the Government believes it is right for local authorities to have the power to choose to implement financial incentive schemes.

Research carried out for Defra suggests that authorities choosing to implement charging schemes, such as those in operation overseas, with the greatest potential to encourage recycling and reduce waste overall could achieve savings on their budgets of up to £18 multiplied by the number of households in the authority (Defra suggest this is 15% of the total bill for all households in the authority's area).

## **3. Proposals**

The Government has chosen not to pursue the option of giving local authorities the power to introduce waste charging schemes, but believes that the cost and benefits apply equally to a charging scheme or the Government's preferred option – a financial incentive scheme.

The proposal is to allow authorities to introduce financial incentive schemes that are revenue neutral with no provision for an increase in local charges or taxes as a result of this change. This means any money raised has to be returned in full to local residents. Where authorities choose to introduce these schemes, householders who recycled, home composted and minimised waste as far as possible would gain financially.

The Government did not consider the option of funding waste entirely through a local charge because it would mean local residents paying more. This is due to the cost currently being funded through a combination of sources (75% of current funding is through central Government grants, source Defra). Additionally, the Government

wants to “incentivise behavioural change without increasing the burden on local residents”.

The Government proposes therefore that local authorities are given the power to decide to introduce a revenue-neutral financial incentive scheme, where this is desired locally with the aim of increasing the range of options available. This coincides with the conclusions of the Lyons review that local authorities should have the power to design schemes according to their local circumstances and needs. The schemes however must meet the following criteria, which will be set out in legislation:

- ✓ Have as its aim the promotion of recycling and waste reduction;
- ✓ Waste separated for recycling or composting will continue to be collected free of charge (with the exception of garden waste, for which authorities would be free to levy a charge, as at present);
- ✓ Be revenue neutral and must not increase the amount residents as a whole pay to their local authority;
- ✓ Good kerbside recycling facilities must be available to any household covered by a scheme.
- ✓ **Local authorities will be required to provide kerbside recycling facilities for at least five waste streams (not including garden waste) – for example, paper, glass, cans, plastics and food waste;**
- ✓ Clear communication strategies must be in place to communicate the nature of the scheme to householders;
- ✓ Take account of any possible impact on groups potentially disadvantaged such as families with young children or council tax benefit recipients.
- ✓ Make provision to avoid fly-tipping, littering and illegal disposal of waste.

The Government would also make legislative changes to allow financial incentives to be implemented at civic amenity (CA) sites to avoid a situation where household waste was simply diverted to CA sites. However no suggestions on how this may operate are put forward. In two-tier areas, waste disposal authorities (where they run the civic amenity sites) and waste collection authorities (who would administer the financial incentive schemes), would need to work together to implement financial incentives.

Local authorities would be able to enforce the schemes using their existing powers. Beyond these requirements, authorities would have the flexibility to choose the exact nature of the scheme, including

- ✓ the levels of payments and rebates;
- ✓ the process of administering the incentive, including the frequency and process of billing and providing rebates;
- ✓ which households in the authority’s area the scheme should apply to (some housing types may not be suitable);

### **3.1 Type of scheme.**

There are a number of options available to local authorities, including:

**Volume based;** Households on these schemes are asked at the beginning of a particular year to say which sized bin they would like to use. The incentive is then related to the size of bin used.

**Frequency based;** Two possibilities outlined in the consultation:

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

**Sack based;** These are also volume based schemes but in these schemes, either specific and readily identifiable sacks are sold to households, or tags/stickers are sold to households, which must be attached to the sacks.

**Weight based;** In these schemes, bins are usually equipped with a transponder (or chip) which is used to identify a bin as belonging to a particular property. The bin is weighed when it is loaded on the vehicle and householders are billed according to the amount of non-recycled waste they throw away. Some local authorities currently use transponders to identify lost bins or to monitor levels of waste created in different neighbourhoods and target information and education accordingly. Despite public concerns (stoked up by the tabloid press) transponders can not record information on what is placed into the bin.

It is accepted that it will not be appropriate to introduce financial incentive systems to every household in a local authority, because of difficulties associated with housing type or because they are able to meet their waste objectives without changing existing systems.

The scale of any savings that could be achieved will differ according to local circumstances including;

- ✓ the extent to which householders in an area are already recycling and minimising waste;
- ✓ the infrastructure and waste collection system an authority already has in place;
- ✓ the waste treatment options available to a particular local authority;
- ✓ the type of scheme chosen.

Therefore individual authorities would need to assess very carefully the likely costs, savings and benefits for their locality before introducing any scheme. Schemes should not require any additional funding from council tax. Additionally, consideration needs to be given as to how funding the introduction of the schemes before potential cost savings were realised. Potential costs include:

- ✓ the purchase of any new technology, containers, vehicles, e.g. weigh technology for collection trucks;
- ✓ advertising the scheme in advance;
- ✓ billing arrangements for the incentive scheme;
- ✓ monitoring waste levels before, during and after the scheme to assess its effectiveness;
- ✓ monitoring fly-tipping levels before, during and after the scheme;

- ✓ setting-up and enforcing new fly-tipping strategies;
- ✓ enforcement of compliance, including court or arbitration costs related to new penalties connected to the scheme;
- ✓ administration of the scheme.

Authorities in two-tier areas would need to work in partnership if choosing to introduce financial incentive schemes. In two-tier areas, the majority of the cost-saving benefits will go to WDA, because of the reduced quantities of waste going to treatment or landfill. Modelling by Defra suggests that in some cases WCA would face higher costs because of the need to make changes to collection systems. For this reason, authorities in two-tier areas would need to work together on financial incentive schemes and agree on an appropriate sharing of costs and savings. The consultation indicates that this could be achieved through the existing Recycling Credits system, or by other means. Authorities introducing the scheme would also need to consider the impacts on any neighbouring areas not on the schemes through fly-tipping and increased use of other CA sites would involve close cooperation between neighbouring authorities.

The key aim of the any scheme is to reward those who take steps to recycle and minimise their waste, and incentivise those who do not. Those who recycled and minimised their waste would gain financially from their behaviour, because the rebate they received from the local authority would be larger than the amount they had paid. Local authorities would be free to decide on both the level of rewards and payments although the consultation states that “overseas schemes achieve benefits with typical charges of £35 to £50 per household per year”.

The redistribution of money in this scheme would be self-contained: the incentive would be funded by householders. Money would transfer from those householders who continued to dispose of large quantities of residual waste to those who disposed of smaller quantities. **None of the money raised directly through the scheme would stay with the local authority and would operate entirely separately from Council Tax.**

This is explained in the following examples which are taken from the consultation

***Weighing wheelie bins.*** Through the year the amount of non-recycled rubbish produced by each household is weighed. At the end of the year, a bill for each household is produced with waste billed at 10p/kg, equating to an average £50 per household. This is offset against a flat rate rebate of £50 per household. Household A is a low waste house, and has disposed of £20-worth of waste. With the £50 rebate, it receives a payment of £30 at the end of the year. Household B is a high waste house, disposing of £80 of waste. When the £50 rebate is deducted, the final balance to pay is £30. Household A has gained £30 through the scheme, whereas Household B has lost £30.

***Selling sacks for residual waste.*** Households are required to buy sacks at 60p each and use them for collection of residual waste. Householders buy sacks as required throughout the year shops. At the end of the year the local authority returns the money raised by

*sending each household on the scheme a rebate of £50. Household A is a low waste household and uses 50 sacks over the year (£30) and, with the £50 rebate, gains £20 at the end of the year. Household B is a high waste house, using 110 sacks over the year (£66). After the £50 rebate, Household B has lost £16 through the scheme.*

### **3.2 Distributional impacts**

The consultation indicates that previous research has shown there is no link between income and level of waste generated. However household size and age does effect levels of waste. The consultation makes clear that local authorities will be required to design schemes to avoid disadvantaging certain groups such householders on benefit and families with young children.

### **4. APSE Comments**

Overall, APSE generally welcomes the proposals especially as they are not compulsory and give flexibility in the choice of a particular scheme. The results from this consultation should give greater opportunities for local authorities to bring about behavioural change in how households look at waste especially when viewed in conjunction with the wider Waste Strategy document.

The consultation does offer a number of options within a framework on incentives for householders. APSE welcome the fact that it should allow local authorities to make choices based on local circumstances. It is also welcome that it accepts the importance of not penalising families and the less well off in society.

APSE does however have concerns as to why green or garden waste is excluded from the list of allowed kerbside collections. This may be to encourage home composting or to keep it separate from other organic waste streams (e.g. food) but it is not made clear as to the reasons in the consultation. The nature of green waste means that if no other facility exists then many will resort to burning to keep out of the residual waste stream. Additionally, there is little advice in the consultation on how CA sites will be policed if restrictions are placed on types of waste especially in areas where only part of authority are on a charging scheme and some householders can use CA sites free of charge.

These and other issues will be discussed at the forthcoming APSE national waste management, refuse collection & street cleansing advisory group being held on 20 June. If you want to join the debate and feed in to APSE's response to the consultation, but can't attend the meeting then please forward any comments to John Marsh ([jmarsh@apse.org.uk](mailto:jmarsh@apse.org.uk)). The 10 consultation questions are attached as Annex 2.

An APSE e-publication (the Future for Waste Management) that outlines an APSE approach to these issues can be downloaded from the APSE website.

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**Principal Advisor**

## Annex 1

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

## **Annex 2 – Consultation questions**

### **Question 1:**

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

### **Question 2:**

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

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

### **Question 3:**

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

### **Question 4:**

(a) Do you agree that any financial incentive scheme should be revenue neutral?

(b) Do you agree with the Government's definition of revenue neutrality?

(c) Do you agree that local authorities should be free to determine the level of charges under a financial incentive scheme?

### **Question 5:**

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

### **Question 6:**

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

a) If the Government were to allow financial incentives, what requirement should the Government place on local authorities as regards:

i) existing recycling services – do you agree with the proposal to require authorities to offer a recycling/composting service for at least 5 waste streams to any household covered by a financial incentives scheme?

ii) waste crime strategies, and

iii) disadvantaged groups?

b) How far should these issues be determined by the Government, and how far at local level?

### **Question 7:**

a) Do you agree that waste disposal authorities should have the power to implement financial incentive schemes at civic amenity sites?

b) If so, how could financial incentives be administered at civic amenity sites?

### **Question 8:**

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

### **Question 9:**

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

a) encourage greater recycling and waste minimisation by households and

b) manage waste more effectively and efficiently?