



House of Commons  
Communities and Local  
Government Committee

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# Refuse Collection: Waste Reduction Pilots

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**Sixth Report of Session 2007–08**

*Report, together with formal minutes, oral and  
written evidence*

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## Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government and its associated bodies.

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Sir Paul Beresford MP (*Conservative, Mole Valley*)

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### Committee staff

The current staff of the Committee are Huw Yardley (Clerk of the Committee), David Weir (Second Clerk), James Cutting (Committee Specialist), Sara Turnbull (Committee Specialist), Clare Genis (Committee Assistant), Gabrielle Henderson (Senior Office Clerk), Kerrie Hanley (Secretary) and Laura Kibby (Select Committee Media Officer).

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# Paying for refuse collection

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## Recycling incentive pilot schemes

1. On 29 October 2007, the Government announced that a maximum of five waste collection authorities in England would be allowed to introduce pilot schemes offering householders financial incentives for improved recycling performance.<sup>1</sup> On 15 November, the Minister for Waste, Joan Ruddock MP, said that for the first time “authorities will be able both positively to reward those who recycle and charge those who do not.”<sup>2</sup> Subject to parliamentary approval, the schemes will be given legislative force by the Climate Change Bill. This Report is intended to contribute to debate on the proposals contained in the Bill, which is currently passing through the House of Lords and due to be considered by the House of Commons later in this Session.

2. The Government announced last May in the *Waste Strategy for England 2007* that “the option to introduce [a financial incentive] scheme would be available to all Waste Collection Authorities (WCAs) in England.”<sup>3</sup> There was at that time no intention to restrict the schemes to only five of England’s 354 local authorities; nor were pilots thought necessary. The United Kingdom is the only one of the 15 older European Union (EU) member states that does not allow its local authorities to make separate charges for waste collection. The UK also sends more municipal waste (63 per cent) to landfill sites than all but Greece and Portugal. Landfill sites produce methane, one of the most toxic greenhouse gases, and are responsible for 3 per cent of UK greenhouse gas emissions.<sup>4</sup> EU directives require the UK to reduce the amount of waste it sends to landfill to 75 per cent of the 1995 total by 2010, to 50 per cent by 2013 and to 35 per cent by 2020. Failure to do so will result in substantial fines, and the Government has the power to pass those on to councils, potentially driving up the costs of waste management and resulting in significant council tax increases.

3. Local authorities, primarily through the Local Government Association (LGA), have sought a charging power for several years. Sir Michael Lyons, following his two and a half-year inquiry into local government, recommended last March that authorities should have the power to charge and should be able to raise revenue by doing so.<sup>5</sup> The Government accepted the first half of that recommendation but rejected the second, preferring “revenue-neutral” schemes under which councils would return all money collected to residents. The Local Government Minister, John Healey MP, told us in December that the Government was “not interested in pursuing” Sir Michael’s aim in that respect “because we do not wish to add to the charging tax burden of the local population.”<sup>6</sup>

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<sup>1</sup> Department for Environment, Food and Rural Affairs, *Taking Forward the UK Climate Change Bill: The Government Response to Pre-Legislative Scrutiny and Public Consultation*, October 2007, Cm 7225, p. 34

<sup>2</sup> HC Deb, 15 November 2007, col. 72WS

<sup>3</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 15

<sup>4</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 7

<sup>5</sup> Sir Michael Lyons, *Lyons Inquiry into Local Government: Final Report*, March 2007, paras. 4.223 to 4.235

<sup>6</sup> Q 20

4. After the Waste Strategy was published in May, the Government's proposals went out to consultation and met a mixed, but not markedly negative, response. Local authorities largely favoured the financial incentive scheme plan; private individuals were "evenly divided between those who agreed ... and those who did not".<sup>7</sup> Questions were raised about the concept of revenue-neutrality, focusing particularly on allowing local authorities to pay the set-up and administrative costs of schemes from revenues raised, but the consultation responses broadly favoured the principle of allowing councils to introduce their own schemes if they chose to do so.

5. In July, in our Report on *Refuse Collection*, we noted the timidity of the Government's proposals, pointing out that councils would be unlikely to introduce schemes that raised them no money, that householders would object to paying additional charges for a service they believe they already pay for through council tax, and that the Government's proposed schemes offered comparatively paltry returns to those who recycled more of their waste. **We criticised the Government for making a "half-hearted tilt in the direction of charging" householders directly for the collection of their rubbish.**<sup>8</sup> **It has since, in the face of highly negative media coverage, mounted a wholehearted retreat from even the limited policy outlined last May.**

## European experience

6. The Government has chosen to restrict the number of schemes to just five to allow it to learn what might work best in the UK. The Minister for Waste and the Minister for Local Government have, however, repeatedly made the case to us that there is widespread experience of recycling incentive schemes and waste charging systems in European Member states. Broadly, four types of scheme operate in other European countries:

- bin volume-based schemes
- weight-based schemes
- frequency-based schemes
- sack-based schemes

Among the other 14 older EU member states, charging systems are widespread in Austria, Belgium, Finland, France, Germany, Luxembourg, the Netherlands and Sweden. Charging is compulsory in Ireland and due to become so in Italy. Various schemes operate in Denmark. In the remaining three states, local authorities have the power to charge but do not use it, and these are Greece, Portugal, and Spain. Landfill volumes in these three countries, as in the UK, are at the bottom end of the league table.<sup>9</sup> Daniel Instone, the Head of Waste Strategy at the Department for Environment, Food and Rural Affairs (Defra), told us several lessons had been learned from EU-wide experience:

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<sup>7</sup> Department for Environment, Food and Rural Affairs, *Summary of responses to the consultation on the 'Incentives for Recycling by Households'*, October 2007, para 17

<sup>8</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 93

<sup>9</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 13

... you get improved levels of not only recycling but also waste prevention; you get lower levels of waste than would otherwise be the case ... so you have these double benefits on the plus side. But you also have savings to local authorities particularly, because they have less waste they have to deal with.<sup>10</sup>

**7. Given the range of experience that already exists within our EU neighbour states, we question how much additional information can be gained by operating a mere five pilot schemes by 2012 in England.** The Minister for Waste told us: “we want to see in some depth just what would be the nature of the schemes... we are quite confident that five is a good enough number to give us a range of different schemes which can then be monitored in depth and from which we can learn sufficient to decide whether we want to propose to Parliament that we roll out nationally such schemes.”<sup>11</sup> She also said that five pilots would “cover the possible range of types of scheme. Also, we clearly want to do rural and urban, we clearly want to do different areas of the country, and within five pilots we expect to have sufficient scope.”<sup>12</sup> **We do not believe that allowing only five of England’s waste collection authorities to introduce schemes, covering four different collection methods, in a mixture of rural and urban settings, and across the whole country, will provide significant additional evidence on which to judge whether all authorities should be able to offer such schemes.**

8. The Minister for Local Government, John Healey MP, said the success of the continental European experience gave him confidence to believe that a similar scheme or schemes would work in the UK, but that our circumstances were sufficiently different from those of our EU partners to require a design appropriate to ourselves.<sup>13</sup> The Minister for Waste, however, came close to suggesting that the European experience offered enough lessons for any British scheme:

I would just say that we are making a huge debate about these particular schemes when they have been running in many other Member States for a considerable length of time with proven results, so we should not be so afraid of being able to deliver a proper scheme in Britain.<sup>14</sup>

**We remain to be convinced that incentive, or charging, schemes, either as currently conceived or as outlined in the *Waste Strategy*, would work well in England, but we agree with the Minister for Waste that “we should not be so afraid of being able to deliver a proper scheme”.**

## Local authority reaction

9. In our Refuse Collection Report we questioned whether councils would be willing to introduce revenue-neutral incentive schemes, suggesting that set-up costs and ongoing administrative and enforcement costs represented substantial revenue disincentives for

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<sup>10</sup> Q 62

<sup>11</sup> Q 23

<sup>12</sup> Q 33

<sup>13</sup> Q 66

<sup>14</sup> Q 55

local authorities already facing rising waste collection and disposal costs.<sup>15</sup> The Government replied that it intended merely to enable local authorities to introduce schemes and that whether to do so was up to authorities themselves.<sup>16</sup> The Minister for Waste emphasised that “nobody is forcing local authorities to undertake pilots; they have to come forward as volunteers.”<sup>17</sup>

10. We still question how many volunteers will be found. When we took evidence last year on refuse collection, almost all the local authorities we heard from supported in principle the idea of charging schemes but were reluctant to charge their own residents. Perhaps the most revealing answer on the point came from Councillor Paul Bettison, Leader of Bracknell Forest, and, as Chair of the LGA’s Environment Board, the public face of the LGA’s longstanding campaign in favour of charging:

I am in favour of local authorities having that power. If you are asking whether, if we had the power, I would use it in my authority, the answer would have to be that I do not think I would.<sup>18</sup>

11. By mid-December, the Government received inquiries from only 14 authorities following the announcement of its current proposals.<sup>19</sup> The Minister for Waste told us that “that is sufficient for us to be confident that we will have authorities coming forward when they know the details of what is available”, but agreed that “the inquiries that these particular authorities have made may not mean that they come forward with a proposal to be one of the pilots.”<sup>20</sup> **We repeat what we said six months ago: it is hard to see why any council will want to set up a complicated charging scheme that earns it no money and risks widespread public disapproval. The Government’s decision to seek only five councils appears to reflect the understandable reluctance of local authorities to do so.**

### Set-up and administrative costs

12. The principle of revenue-neutrality means that councils that operate schemes will have to return all funds raised to local residents, although money will be redistributed from those who fail to recycle adequately to householders who meet the required recycling standard. The Minister for Local Government confirmed to us that “the local authority will not be able to hold on to any element of what may have been raised through an incentive scheme in order to cover its administrative costs.”<sup>21</sup> This means that authorities will have to fund the set-up of schemes and pay ongoing administrative costs. During our inquiry into Refuse Collection, Gary Alderson, Director of Environmental and Planning Services at Mid-Beds District Council, estimated the set-up costs for his council at £500,000

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<sup>15</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 78

<sup>16</sup> Communities and Local Government Committee, *Refuse Collection: Government Response to the Committee’s Fifth Report of Session 2006-07*, Second Special Report of Session 2006-07, HC 1095, p. 11

<sup>17</sup> Q 61

<sup>18</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 78

<sup>19</sup> Q 24

<sup>20</sup> QQ 25 and 28

<sup>21</sup> Q 71

with ongoing administrative costs of £100,000 to £150,000.<sup>22</sup> Councils will be unable to recover such costs directly from schemes, but the Government believes that significant improvements in local recycling will result in sufficient waste disposal cost savings to pay for them in the longer run.<sup>23</sup>

13. Although councils would be required to meet those costs from within their own resources following a full national roll-out of incentive schemes, the Government has committed up to £1.5 million a year for three years to support the five pilot schemes.<sup>24</sup> The Ministers for Waste and for Local Government jointly told us: “the authorities in question will ... be free to set their own priorities, to pay for short term set up costs for example.”<sup>25</sup> **Under the Government’s initial proposals, any local authority operating a financial incentive scheme would have carried the costs of setting up, administering and enforcing it. For the five pilot schemes, those costs may be paid out of the £1.5 million a year the Government is providing. As such support is unlikely to be available to councils in the event of any national roll-out, we recommend that reports back to Parliament on the pilots fully reflect the impact those costs would have had on council budgets and services had the five pilot authorities been required to pay them themselves.**

14. The Government believes that financial incentive schemes may raise recycling rates sufficiently to save councils around £18 per household per year and that this provides a means by which costs may be recovered.<sup>26</sup> In addition, local authorities should benefit from sending less to landfill as householders recycle more waste. In May, Defra hoped that “this could help them comply with their obligations under the Landfill Allowance Trading Scheme (LATS) and hence avoid penalties.”<sup>27</sup> The Government’s current proposals suggest all hope has been abandoned of achieving that goal. None of the five pilot schemes will begin until the 2009-10 financial year and they are expected to run for three years and be followed, according to the Minister for Waste, by “a report back to Parliament before a decision is made whether to roll them out more widely.”<sup>28</sup> **The decision to limit the number of schemes to just five, none starting before April 2009, all running for three years before Parliament is asked to decide on a national roll-out, means that financial incentive schemes will have no discernible effect on local authorities’ duty to meet European Union landfill diversion targets before penalties fall due in 2010 and 2013.**

## The limits to devolution

15. In the Waste Strategy, the Government set out its commitment to local decision making:

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<sup>22</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 80

<sup>23</sup> Ev 1-2

<sup>24</sup> HC Deb, 15 November 2007, col. 73WS

<sup>25</sup> Ev 2

<sup>26</sup> Q 42

<sup>27</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 20

<sup>28</sup> HC Deb, 15 November 2007, col. 72WS

The Government believes that giving authorities the power to determine locally how to respond to the waste management challenges they face is an important part of increasing local flexibility as part of the Government's devolutionary agenda.<sup>29</sup>

One element of this "maximum flexibility to decide the best way to encourage sustainable waste behaviour in their local area" was the proposal that authorities should themselves decide how much or how little they should offer as rebate, or take as a charge, in the financial incentive schemes they were to design for themselves.<sup>30</sup> The Government trusted councils to set their own levels because they would have "no incentive to set payments at a higher level than was necessary to encourage behavioural change, because money raised would have to be returned to residents."<sup>31</sup>

16. On this point, too, the Government has now retreated, and Ministers intend to take a power to cap the level of any incentive offered. The Minister for Waste told us: "I honestly do not think that any of us believes that local authorities are going to come forward with foolish proposals but we felt we should put it there just in case there was such a need and perhaps also to give confidence ... that this is something that is not going to be a 'stealth tax'."<sup>32</sup> **The decision to cap the amounts that local authorities may offer their residents as incentives, or charge them, runs counter to the Government's rhetoric on devolution and local decision making.**

## Public reaction

17. Opinion polls have suggested that the public supports the idea of separate charging systems for refuse collection with certain conditions attached. In a poll conducted by Defra, 52 per cent of those interviewed said they would favour a system that rewarded them if they recycled everything they could and penalised them if did not. An IPSOS Mori poll found that 64 per cent of people would support their local council operating a system whereby direct charges for refuse collection were coupled with reductions in council tax.<sup>33</sup> The Minister for Waste told us that "most people believe it is fair to charge people who do not do what is expected of them in terms of their waste. If people will not do these simple tasks of separating their waste and recycling, the public do think that they should have a charge imposed upon them."<sup>34</sup>

18. Once again, however, as with councils desiring the power to introduce incentive or charging schemes but being more reluctant to do so in their own areas, we believe there may be a distinction between principle and practice here. In principle, the public supports the idea that those who produce most waste should pay most for its removal. In practice, the comparatively small sums likely to be offered by incentive schemes may prove disappointing, particularly if applied as rebates or reductions on council tax. The then Minister for Waste, Ben Bradshaw MP, told us last year that figures of around £30 were in

<sup>29</sup> Department for Environment, Food and Rural Affairs, *Waste Strategy for England 2007*, May 2007, Cm 7086, p 37

<sup>30</sup> Department for Environment, Food and Rural Affairs, *Waste Strategy for England 2007*, May 2007, Cm 7086, p 38

<sup>31</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 20

<sup>32</sup> Q 63

<sup>33</sup> Ev 2

<sup>34</sup> Q 82

“the right kind of ballpark” as likely rewards or rebates.<sup>35</sup> The average council tax bill for a band D home was £1,056 in 2006-07.<sup>36</sup>

19. Evidence from other European countries that operate charging systems suggests that amounts around £30 can have an impact on behaviour change, and the wider example of supermarket loyalty cards has also been cited as an example of people responding to fairly small rewards.<sup>37</sup> The Minister for Waste has also pointed out that the pilots will enable the Government “to test what kind of sum would create an incentive”, but she added that it “could be that here [in the UK] we would believe that it had to be a higher sum of money in order to create an incentive.”<sup>38</sup>

20. The other side of the coin is that revenue-neutral schemes of the sort the Government proposes require rewards for one householder to be funded from charges imposed on another, either directly or via local authority funding supplied by central government grant and council tax. The Minister for Waste confirmed for us that householders who do not recycle to the standard required by any scheme will pay more to have their refuse collected:

That is certainly the point of an incentive scheme ... Those who did very well could get rewards and those who failed to meet whatever was deemed to be the norm would then be people who had an additional charge made on them or a specific charge made on them because of their failure to recycle.<sup>39</sup>

Any authority allowed to operate a pilot scheme will be required to put “clear communication strategies ... in place to communicate the nature of the system to householders.”<sup>40</sup> The Minister did not think the “question of fairness and unfairness needs to come up if the schemes are very properly explained and people at local authority level are able to give this information to people about the intrinsic fairness and the behaviour that is expected within any community.”<sup>41</sup> **We believe that the Government is over-optimistic about the impact charging will have on householders who find themselves paying more for a service many believe they pay for already through council tax.**

21. A question of fairness also arises. Residents living in neighbouring local authority areas may or may not benefit from incentive schemes or pay more for failing to recycle adequately. This will depend on whether or not their council introduces a scheme. The principle of devolution implies that differing areas will have differing policies, and the Government’s original proposal could also have resulted in neighbouring councils offering significantly different rewards and charges. But limiting the number of authorities that may participate in schemes potentially exacerbates the feeling that a “postcode lottery” will leave some residents better or worse off than others. **If the schemes are as successful as**

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<sup>35</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 77

<sup>36</sup> Department for Communities and Local Government, <http://www.local.communities.gov.uk/finance/ctax/data/ctax067t1.xls>

<sup>37</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para

<sup>38</sup> Q 57

<sup>39</sup> Q 78

<sup>40</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p. 16

<sup>41</sup> Q 82

**the Government hopes, then those living in the five pilot areas will benefit substantially while those who live in the vast majority of collection authority areas will be unfairly prevented from gaining similar benefits. On the other hand, individuals in the five pilot areas who are required to pay significant additional charges for their failure to meet recycling standards that do not apply in neighbouring areas are likely to feel unfairly singled out.**

## Council tax

22. Council tax does not pay for refuse collection. The Government estimates that about a quarter of local authority waste collection and disposal costs are in fact accounted for through council tax, with the rest paid out of funds centrally provided to local authorities.<sup>42</sup> None the less, rubbish collection is a highly visible local authority service. Indeed, unlike even education or social care, it is a truly universal service: every home has a dustbin. This leads many householders to see a link between their council tax and the collection of their refuse.

23. In the Waste Strategy proposals for incentives the Government specified that schemes should operate separately from council tax. As late as 16 October, the Government held this line, telling us in its response to our Report on *Refuse Collection* that: “Under the Government’s proposal, schemes would be separate from Council Tax.”<sup>43</sup> Less than two weeks later, once the Secretary of State for Environment, Food and Rural Affairs announced his proposals for the Climate Change Bill, the Government, apparently as a result of issues raised by us and which it had just dismissed, changed its mind:

in response to issues raised by the [Communities and Local Government] Committee and a number of other stakeholders during the consultation process, the Government has taken the decision to allow local authorities to link waste incentives with council tax should they wish to do so, subject to the enactment of the Climate Change Bill.<sup>44</sup>

24. Allowing authorities to use council tax to administer the scheme if they wish should ease the difficulties of setting up a scheme, although it may also serve to make new financial incentive schemes less visible than a wholly separate system would be. It will also allow authorities to choose, if they wish, to offer pure rebate schemes, under which residents would receive a rebate in their council tax bill and no one would pay any additional charge. If any council did choose to do that, it would have to fund the rebates from elsewhere in its resources, however, raising the question of whether some other service would be reduced to encourage increased recycling (at least until any savings in collection or landfill costs materialised). **We agree with the Minister for Local Government that allowing authorities who wish to administer any recycling incentive schemes through council tax is welcome and sensible.**<sup>45</sup>

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<sup>42</sup> Department for Environment, Food and Rural Affairs, *Consultation on the Incentives for Recycling by Households*, May 2007, p.

<sup>43</sup> Communities and Local Government Committee, *Refuse Collection: Government Response to the Committee’s Fifth Report of Session 2006-07*, Second Special Report of Session 2006-07, HC 1095, p. 20

<sup>44</sup> Ev 2

<sup>45</sup> Q 69

## Taxes, charges, penalties and incentives

25. We argued in our *Refuse Collection* Report that any householder who pays an additional charge under a “financial incentive” scheme is likely to regard that charge as a tax, a point the Government did not answer in its response.<sup>46</sup> Nor did the Minister for Waste and the Minister for Local Government agree when they appeared before us on whether any charge is, in fact, a new tax. The Minister for Waste first told us: “It is definitively not a tax.”<sup>47</sup> A few minutes later, the following exchange occurred:

**Joan Ruddock:** I have just been told, by the way, that technically these charges are considered by the Treasury as being a form of tax. My understanding is that this is not taxation. For the record, I am being told that I may be mistaken. I do not want to mislead the Committee.

**John Healey:** I am not sure that is entirely helpful to the Committee.

**Joan Ruddock:** I know it is not but I do not want to be incorrect.

**John Healey:** It is the Office of National Statistics that independently makes a judgment about what should be treated as a tax for the purposes of national accounting ... Your [Joan Ruddock’s] basic argument to Mr Olnier that this is not a tax—it has the potential for charging to be an element of the pilot schemes—is absolutely right.<sup>48</sup>

**It is a matter of considerable concern that the Minister in charge of the financial incentive pilots appears not to know whether the charges she intends to introduce are or are not a tax.**

## Conclusions

26. In its proposals in the Climate Change Bill, the Government has:

- limited the number of recycling incentive schemes to just five local authority areas
- capped the amounts local authorities may offer as incentives or take in charges
- and delayed any possibility of allowing England-wide schemes before 2012-13.

**This represents a comprehensive retreat. The Government appears to lack the courage of its previous convictions that local authorities are best placed to decide what will work in their own areas and that recycling incentive schemes can contribute towards a genuine, measurable reduction in the volume of waste being sent to landfill.**

27. **The Government’s retreat has resulted in a messy compromise that achieves the worst of both worlds—maximum hostile media coverage for a set of pilot schemes that will have only limited impact before EU fines fall due in 2010 and 2013. The Minister**

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<sup>46</sup> Communities and Local Government Committee, *Refuse Collection*, Fifth Report of Session 2006-07, HC 536-I, para 72

<sup>47</sup> Q 81

<sup>48</sup> Q 82

for Waste told us that “if we learn from these pilots that they are not enabling us to move forward in a different way from the progress that is being made from all the other mechanisms that are in place then we could make a decision not to go further.”<sup>49</sup> **We recommend that the Government withdraw its financial incentive pilot proposals from the Climate Change Bill and reconsider devolving the power to introduce schemes to local authorities themselves. They, both in our view and according to the Government’s own rhetoric, are best placed to judge how refuse should be collected and whether local residents should be asked to gain incentives by increasing their recycling or to pay additional charges if they do not.**

## Conclusions and recommendations

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1. We criticised the Government for making a “half-hearted tilt in the direction of charging” householders directly for the collection of their rubbish. It has since, in the face of highly negative media coverage, mounted a wholehearted retreat from even the limited policy outlined last May. (Paragraph 5)
2. Given the range of experience that already exists within our EU neighbour states, we question how much additional information can be gained by operating a mere five pilot schemes by 2012 in England. (Paragraph 7)
3. We do not believe that allowing only five of England’s waste collection authorities to introduce schemes, covering four different collection methods, in a mixture of rural and urban settings, and across the whole country, will provide significant additional evidence on which to judge whether all authorities should be able to offer such schemes. (Paragraph 7)
4. We remain to be convinced that incentive, or charging, schemes, either as currently conceived or as outlined in the Waste Strategy, would work well in England, but we agree with the Minister for Waste that “we should not be so afraid of being able to deliver a proper scheme”. (Paragraph 8)
5. We repeat what we said six months ago: it is hard to see why any council will want to set up a complicated charging scheme that earns it no money and risks widespread public disapproval. The Government’s decision to seek only five councils appears to reflect the understandable reluctance of local authorities to do so. (Paragraph 11)
6. Under the Government’s initial proposals, any local authority operating a financial incentive scheme would have carried the costs of setting up, administering and enforcing it. For the five pilot schemes, those costs may be paid out of the £1.5 million a year the Government is providing. As such support is unlikely to be available to councils in the event of any national roll-out, we recommend that reports back to Parliament on the pilots fully reflect the impact those costs would have had on council budgets and services had the five pilot authorities been required to pay them themselves. (Paragraph 13)
7. The decision to limit the number of schemes to just five, none starting before April 2009, all running for three years before Parliament is asked to decide on a national roll-out, means that financial incentive schemes will have no discernible effect on local authorities’ duty to meet European Union landfill diversion targets before penalties fall due in 2010 and 2013. (Paragraph 14)
8. The decision to cap the amounts that local authorities may offer their residents as incentives, or charge them, runs counter to the Government’s rhetoric on devolution and local decision making. (Paragraph 16)
9. We believe that the Government is over-optimistic about the impact charging will have on householders who find themselves paying more for a service many believe they pay for already through council tax. (Paragraph 20)

10. If the schemes are as successful as the Government hopes, then those living in the five pilot areas will benefit substantially while those who live in the vast majority of collection authority areas will be unfairly prevented from gaining similar benefits. On the other hand, individuals in the five pilot areas who are required to pay significant additional charges for their failure to meet recycling standards that do not apply in neighbouring areas are likely to feel unfairly singled out. (Paragraph 21)
11. We agree with the Minister for Local Government that allowing authorities who wish to administer any recycling incentive schemes through council tax is welcome and sensible. (Paragraph 24)
12. It is a matter of considerable concern that the Minister in charge of the financial incentive pilots appears not to know whether the charges she intends to introduce are or are not a tax. (Paragraph 25)
13. In its proposals in the Climate Change Bill, the Government has:
  - limited the number of recycling incentive schemes to just five local authority areas
  - capped the amounts local authorities may offer as incentives or take in charges
  - and delayed any possibility of allowing England-wide schemes before 2012-13.

This represents a comprehensive retreat. The Government appears to lack the courage of its previous convictions that local authorities are best placed to decide what will work in their own areas and that recycling incentive schemes can contribute towards a genuine, measurable reduction in the volume of waste being sent to landfill. (Paragraph 26)

14. The Government's retreat has resulted in a messy compromise that achieves the worst of both worlds—maximum hostile media coverage for a set of pilot schemes that will have only limited impact before EU fines fall due in 2010 and 2013. (Paragraph 27)
15. We recommend that the Government withdraw its financial incentive pilot proposals from the Climate Change Bill and reconsider devolving the power to introduce schemes to local authorities themselves. They, both in our view and according to the Government's own rhetoric, are best placed to judge how refuse should be collected and whether local residents should be asked to gain incentives by increasing their recycling or to pay additional charges if they do not. (Paragraph 27)

# Formal Minutes

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**Monday 4 February 2008**

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts  
John Cummings  
Jim Dobbin

Greg Hands  
Anne Main  
Mr Bill Olner

***Refuse Collection: Waste Reduction Pilots***

Draft Report (*Refuse Collection: Waste Reduction Pilots*), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

*Resolved*, That the Report be the Sixth Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 18 February at 4.20 p.m.]

## Witnesses

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### Monday 17 December 2007

Page

**John Healey MP**, Minister for Local Government, and **Mr Graham Duncan**, Deputy Director, Local Government Finance, (Strategy, Revenue and Payments), Department for Communities and Local Government

Ev 3

**Joan Ruddock MP**, Parliamentary Under-Secretary of State, and **Mr Daniel Instone**, Head of Waste Strategy, Department for Environment, Food and Rural Affairs

Ev 3

## List of written evidence

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Joint Memorandum by Department for Communities and Local Government and Department for Environment, Food and Rural Affairs

Ev 1

# Reports from the Committee during the current and previous Sessions

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2007–08

First Report	Coastal Towns: the Government's Second Response	HC 70
Second Report	DCLG Annual Report 2007	HC 170
Third Report	Local Government Finance—Supplementary Business Rate: the Government's Response	HC 210
Fourth Report	Work of the Committee in 2007	HC 211
Fifth Report	Ordnance Survey	HC 268
Sixth Report	Refuse Collection: Waste Reduction Pilots	HC 195

## Session 2006–07

First Report	The Work of the Committee in 2005-06	HC 198
Second Report	Coastal Towns	HC 351 ( <i>Cm 7126</i> )
Third Report	DCLG Annual Report 2006	HC 106 ( <i>Cm 7125</i> )
Fourth Report	Is there a Future for Regional Government?	HC 352-1 ( <i>Cm 7119</i> )
Fifth Report	Refuse Collection	HC 536-1
Sixth Report	Equality	HC 468 ( <i>Cm 7246</i> )
Seventh Report	Local Government Finance—Supplementary Business Rate	HC 719
Eighth Report	Local Government Finance—Council Tax Benefit	HC 718
First Special Report	Local Government Finance—Council Tax Benefit: Government's Response to the Committee's Eighth Report of Session 2006-07	HC 1037
Second Special Report	Refuse Collection: Government's Response to the Committee's Fifth Report of Session 2006-07	HC 1095

# Oral evidence

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## Taken before the Communities and Local Government Committee on Monday 17 December 2007

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts  
John Cummings  
Mr Bill Olnier

Dr John Pugh  
Emily Thornberry

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### Joint Memorandum by the Department for Communities and Local Government and the Department for Environment, Food and Rural Affairs

#### REFUSE COLLECTION

1. Thank you for your letter of 1 November seeking some further information and clarification of several points within the Government's response to the Committee's report on Refuse Collection (Fifth Report of Session 2006–07, HC 536-I). This is a joint response from Communities and Local Government and the Department of the Environment, Food and Rural Affairs.

2. As the Committee noted, on 29 October the Government published a Command Paper for the Climate Change Bill which set out its intention to provide in the Bill powers to pilot local authority incentives for household waste minimisation and recycling.

3. The Bill was introduced in the House of Lords on Wednesday 14 November, and published in full on Thursday 15 November when the Minister for Waste announced the waste incentives proposals to Parliament via a Written Statement.

4. At the Annex is a factsheet which provides more information about waste incentives policy. The factsheet can also be found on DEFRA's website at: <http://www.defra.gov.uk/environment/waste/strategy/incentives/index.htm>.\*

5. In this letter the Committee raises the issue of what it sees as growing financial pressures on local authorities. The Government has been working closely with local authorities during the Comprehensive Spending Review (CSR07) in order to identify all the pressures over the next three years and the ways that they can be managed. The pressures from demographic changes in the area of waste management were one of the priority areas identified by the Local Government Association.

6. The Government has been able to provide increases in local government resource Departmental Expenditure Limit (Del) of 4.2 per cent/3.5 per cent/3.4 per cent over the CSR period, including £677 million/£853 million/£1,069 million to support PFI projects. To support waste/recycling targets and reflect the seriousness with which Government takes this issue, Defra's PFI allocation more than doubles—providing over £2 billion in the CSR07 period. Local authorities will also receive Area Based Grant which is a new non ring-fenced general grant.

7. Specific grants will also be provided by departments. Details on most grants will be available at the time of the announcement of the provisional local government finance settlement.

8. Delivering further efficiency gains is key to ensuring that local government can meet the pressures they face over the CSR07 period. The delivery of 3 per cent efficiency gains each year, in line with the rest of the public sector, will generate £4.9 billion over the CSR07 period which local authorities can use to fund the pressures they face from 2008–09 onwards. So the real terms increase in local government resource Del of 1 per cent a year on average is only part of the picture. The spending review eases the financial pressures on councils, giving them greater flexibility to respond to local priorities, to plan ahead and to find innovative ways of achieving better value for money.

9. The Committee's letter discusses the level of the incentive local authorities could set in relation to a waste incentive scheme. The Government would like to confirm the Committee's understanding that the £30 figure for a waste incentive was purely indicative but that similar figures are common in schemes overseas. The Government would also like to confirm that it intends to leave local authorities to set their own amounts for their own schemes. However, the Committee should note firstly that the pilot authorities must be

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\* Not printed

designated by the Secretary of State for Environment, Food and Rural Affairs before introducing a scheme, and secondly that the Government intends to retain a reserved power to place a cap on the level of incentive at some point in the future, in exceptional circumstances, should this be necessary.

10. The Committee asks how councils will finance a non-revenue-raising incentive scheme, paying for, for example, costs relating to administration and enforcement. The Government is proposing non-revenue-raising incentive schemes because the Government thinks it is important to avoid placing additional burdens on local residents. Under the proposals which the Government has put forward, any revenue collected by authorities through a pilot scheme must be returned to local residents. The implication of this is that any additional administrative and enforcement costs relating to the scheme would need to be met by the authority outside the scheme.

11. A recent research report commissioned for Defra shows that the benefits of incentive schemes, resulting from lower levels of waste for disposal, can be sufficient to outweigh the costs of setting up and running a scheme (including costs associated with administration and enforcement). The Impact Assessment which Defra published on 15 November analyses the likely costs and benefits of the Government's proposal. This modelling suggests that local authorities will be able to finance administrative and enforcement costs from the savings which they make through avoided waste to landfill and treatment. However, the Government has committed up to £1.5 million per year for three years to support pilots, and the authorities in question will also be free to set their own priorities, to pay for short term set up costs for example. (Both the research report and Impact Assessment can be found on Defra's website at: <http://www.defra.gov.uk/environment/waste/strategy/incentives/index.htm>.)

12. The Committee expresses concerns that residents will perceive an incentive scheme as an additional charge or tax. Though in effect there will be no new overall burden on residents and many people will benefit potentially from rebates, effective communication and consultation with local residents will be essential to counteracting misapprehensions and delivering effective local schemes.

13. The Committee may be aware that, in response to issues raised by the Committee and a number of other stakeholders during the consultation process, the Government has taken the decision to allow local authorities to link waste incentives with council tax, should they wish to do so, subject to the enactment of the Climate Change Bill.

14. This means that under pure rebate schemes, residents taking steps to reduce and recycle their waste would simply receive rebates from council tax, with no residents paying any extra for the waste they throw away. The Government thinks it is unlikely that this would be seen as an additional charge or a tax.

15. Some pilots may wish to supplement rebates with charges for householders who throw away most. As previously, any such scheme would need to be revenue neutral, with all revenue collected being returned to residents through the rebates. Again, though, local authorities would now be free to make rebates and charges through the council tax system.

16. In fact, recent polls by Defra and IPSOS Mori show that a majority of the public agree with schemes which reward good recyclers and penalise those not making the effort.

17. In the Defra poll, 52 per cent of those interviewed said they would favour a system that rewarded them if they recycled everything they could and penalized them if they did not.

18. The IPSOS Mori poll found that 64 per cent of people would support their council operating a system whereby you pay a reduced council tax rate and then get charged directly for the amount of household rubbish you produce, so that the more you recycle the less you would pay.

19. Finally, the Committee raises concerns around the take-up of incentive schemes amongst local authorities. The Government considers that the pilots will be particularly important here, allowing the benefits that incentives can deliver to be tested and demonstrated. This will help inform other local authorities as well as the Government's future policy making in this area.

20. It is of course right that the decision to pilot an incentive scheme is left to the local authority. They will make that decision on the basis of their own assessment of costs and benefits. However, the Government considers that, with the costs of landfill rising, the possibility to reduce waste for disposal is likely to be a sufficient driver for some local authorities to come forward with proposals for pilots.

21. The Government shares the Committee's ambitions to minimise waste and give local authorities the tools to collect and dispose of waste once generated. The Government looks forward very much to working with the Committee as it takes forward important proposals in this area.

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*Witnesses:* **John Healey MP**, Minister for Local Government, and **Mr Graham Duncan**, Deputy Director, Local Government Finance (Strategy, Revenues and Payments), Department for Communities and Local Government, **Joan Ruddock MP**, Parliamentary Under-Secretary of State, and **Mr Daniel Instone**, Head of Waste Strategy, Department for Environment, Food and Rural Affairs, gave evidence.

**Q1 Chair:** We are very grateful to the pair of you for being here at our meeting today to help us to explore in slightly more detail the proposed local government pilots, as a follow-up to our earlier report on waste collection in general. I will leave it between you to decide which of you responds to which question unless members of the Committee ask a question directly. To begin with, could I explore the issue of the increasing cost to local authorities of waste disposal, particularly the looming issue of increasing landfill taxes and fines on waste to landfill if local authorities do not manage to reduce the amount of waste that is going to landfill. What has the local government finance settlement done specifically to ease that pressure?

**John Healey:** Perhaps I could begin by introducing Graham Duncan. He is the Deputy Director of our Local Government Finance Team, so he is the man with the figures at his fingertips. My answer would essentially be this—and of course I was able to see this on both sides of the fence, having been in the Treasury for part of the preparation for the Comprehensive Spending Review and then subsequently in this Department with its responsibility when it was confirmed. The first important thing is that the work went back at least 18 months in the preparation of the Comprehensive Spending Review, work in detail within Government and with the Local Government Association, with other experts and the local authorities, to try to analyse where the biggest pressures on local government were likely to be over the next few years. They were essentially adult social care and waste. The settlement then reflected and incorporated that work. I think you can see it in two ways. First of all, a very importantly increasing provision for PFI credit to help fund the infrastructure in new recycling and new disposal capacity. In, essentially, a flat cash PFI settlement over the next three years, waste is the big, big winner. In the first year, instead of PFI cover of about £280 million this year, it will be more than doubled, and in the following two years, it will go up to £700 million in each year; in other words, an extra £2 billion in PFI cover over that period. The second is an increase in the specific capital grant cover for waste. That has been incorporated into the general provision for capital expenditure, but, once again, shows a very significant increase. Over the three-year period it is almost £217 million. That is certainly an extra, from the current baseline, of about £50 million over that period. Of course, that is an arrangement where government bears the cost of the borrowing.

**Q2 Chair:** What percentage increase is that £217 million over and above inflation?

**John Healey:** The waste performance and efficiency grant is worth £55 million this year. If you take £55 million over the three years of the spending review, the total of £217 million over the three years represents around about a £50 million increase over those three years.

**Q3 Chair:** Is that £50 million in cash terms or in real terms?

**John Healey:** That is in the total amount over the three years—now paid through the general grant system.

**Q4 Dr Pugh:** PFI money is very welcome and very important and crucial to the task in hand. Sir Michael Lyons recommended that local authorities should form joint waste authorities and so on. There are in fact a number of waste disposal authorities which are effectively planned and there are some very good examples of where the money going into the waste disposal end helps councils, helps collection rates and helps recycling. In Hampshire they have invested in plastic recycling facilities and all the local authorities have bought into that. In my own area, Merseyside, there is a substantial PFI credit but there are a number of different authorities with numbers of different approaches towards waste collection. Before granting a credit or considering writing off the plans, I wonder whether the Department looks at not just the money they are giving at the waste disposal end but how well, collectively, across the piece, the recycling is going to be delivered, progressed or whatever. What do you do to ensure not that the credit is given but that the credit is used within a particular area to maximum effect, ensuring that all the local authorities' consents are brought into the plan? There is a serious danger in my own area that a plastics recycling and separation facility will not occur, simply because not enough local authorities think at the moment they are going to go ahead and involve themselves in this.

**John Healey:** You are quite right: one of Sir Michael Lyons' recommendations and observations was that often authorities act alone when they could do better acting together. He advocated in his report back in the spring that there ought to be the power to create joint waste authorities. You may be aware that in the new Local Government Act which received Royal Assent last month we have created just that power, to create joint waste authorities specifically reflecting the analysis that Lyons had.

**Q5 Dr Pugh:** But you will still have a multiplicity of collection authorities, will you not? The overall template will not work where there are different authorities, different regimes in terms of what they collect and how they collect it. I am worried about a disconnection between the collection policies of individual constituent local authorities and the grand plans of whatever joint body gets the PFI credit. I am trying to rule out the possibility of that happening and you are telling me that, in a sense, it ought not to happen but there is nothing to prevent it happening.

**John Healey:** The power to form joint authorities is clearly a potentially important step. There is always, in my judgment, a risk where you have different collection and disposal authorities in two-tier areas that it makes the relationships more difficult, it

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makes the contracts potentially more difficult, but there are good examples around the country which demonstrate this can be overcome, particularly if you have local authorities who are willing to be more collaborative and recognise the scale of the challenge they face.

**Joan Ruddock:** Daniel Instone from my team of officials working on waste may want to say something in addition, but the PFI criteria do include joint municipal waste management strategies being in place, so that everything that is done is now redirected to trying to get the kind of co-operation you envisage.

**Q6 Dr Pugh:** When the PFI credit is given, you need to know from the constituent local authorities, the collection authorities, as it were, what their collection policy will be over the next  $x$  number of years.

**Joan Ruddock:** As far as they are able to determine that.

**Q7 Dr Pugh:** They are not.

**Joan Ruddock:** That is why I made that caveat. There are no absolute certainties, I suppose, in any of this, but we are all very, very clear on the direction in which we need to go and which is set out in the Waste Strategy 2007. Joint working, which was recommended and which has been put in place, is one of the necessary ways forward. Clearly, if we are going to invest serious money in big infrastructure projects then it has to be from the point of view of being able to deliver waste from a number of outlets that will probably be more than one authority and, indeed, into the future, probably taking commercial waste as well.

**Q8 Dr Pugh:** To work well, it would help if all the constituent local authorities who buy into working together all had the same collection policy or similar collection policies to generate similar amounts of the same stuff. If only one collects plastics, it would not justify the case for having, for example, expensive plastic sorting facilities at the waste disposal authority end.

**Joan Ruddock:** That might make life much easier for all of us who are working centrally. However, as you will know very well, it is government policy that local government should decide what is appropriate in its own area, for its own population and for its own collection methods. We cannot dictate that there are common policies across the piece. However, in bringing forward infrastructure, people have to be convinced there are going to be enough of the appropriate waste products to justify the facilities.

**Q9 Dr Pugh:** Your attitude towards PFI credits will be influenced by the degree of integration you see on the ground.

**Joan Ruddock:** Indeed. Without a doubt.

**Mr Instone:** The waste implementation programme within Defra looks very hard, when expressions of interest for PFI and PFI contracts are received, at a great range of factors, including the Waste Strategy

and the amount of joint working that is going on, so that is definitely one of the issues that would be looked at. I completely take your point that how authorities dispose is going to be to be a function of the collection policies that the authorities have. There is no doubt that looking across at what the collection policies are is a function of that examination.

**Joan Ruddock:** Also, value for money criteria are going to impact upon these kinds of considerations and decisions.

**Q10 Mr Betts:** Could we look at the landfill tax escalator and the relationship to grants given to local authorities. The Government has said in the past that the escalator would be revenue neutral as far as local government is concerned. If that is the case, it is not immediately obvious that the extra amounts of money that local government has to find because of that—which they have estimated to be about £350 million in 2008–09 rising to £600 million in 2010–11—have been passed over in the grant settlement. Can that be demonstrated in a transparent way?

**John Healey:** The landfill tax was one element of the analysis that we undertook to identify the pressures on local authorities over the next three years and was taken into account in the settlement. Essentially, you will find, Mr Betts, that there is really no dispute between, say, central government and the Local Government Association over the sort of scale of waste pressures and there is a recognition, broadly, that the settlement deals with the next three years' pressures. The attention, therefore, turns to the mitigation measures and policies that can be put in place: How can the extra incentive, not just of the landfill tax increases but other policies, be used to increase recycling rates and move to more environmentally friendly disposal methods that get us as rapidly as possible away from a reliance on landfill?

**Q11 Mr Betts:** Does “revenue neutral” essentially mean that the Government's approach is to calculate the extra that local authorities would be paying because of the escalator but then taking off what it is assumed they can do to mitigate that effect by reducing the amount of rubbish that is sent to landfill?

**John Healey:** In a sense we have had an approach to the landfill tax increases, both in relation to local government and to business, which has lasted to this point in the financial cycle. In the next spending review, it is not just the approach to local government that has changed, where we have incorporated any pressures on landfill tax increases into our overall assessment and incorporated that into the general settlement—which we think is the right way of doing it and gives, incidentally, local government plenty of flexibility—but the same is true on the business side, where, instead of there being an automatic recycling of 100 per cent through into the Business Resource Efficiency and Waste Programmes fund that was there for business, we

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have made it clear that the corporation tax cuts in prospect for business are, essentially, the offset for business for increases in landfill tax.

**Q12 Mr Betts:** There are offsets to the escalator assumed in the grant.

**John Healey:** Yes, indeed.

**Q13 Mr Betts:** Which are effectively calculations of how far local authorities can go in reducing their landfill tax.

**John Healey:** The sort of additional costs, a part of the increasing pressure on costs, we have tried to analyse, assess and then reflect properly in the cover that we give within the settlement, and that is the way we have dealt with the landfill tax implications for local government over the next three years.

**Q14 Mr Betts:** It obviously is a fairly complicated area. Is it possible to have a note to explain how precisely these calculations have been dealt with?

**John Healey:** We have provided plenty of evidence and further information for the Committee but if the Committee would like further information on the sort of assessment we have made, in the way that we have tried to go about assessing pressures on local government over the next three years, we are very happy to do that.

**Q15 Chair:** It may be that I am missing the point here but I thought that the escalator was a financial incentive or penalty (depending on which way you look at it) to persuade councils to do something to reduce waste going to landfill. If there is an offset for the increased costs, then there is no incentive on councils to reduce waste going to landfill.

**John Healey:** I used the term “offset” in relation to business. You are right about the rationale for the landfill tax. Increasingly, to the rate that we plan it, it is designed to intensify the incentives on local government, in particular, to reduce the reliance on landfill. But it also—and this is important—changes the economics in the business case, for private sector investment in the sort of infrastructure that allows us to recycle and dispose more in a greener way. However, there is also—and I think this is right—a recognition that for local authorities a landfill tax rate that rises by £8 a year from April next year is likely, particularly over the next three years, also to add to the cost pressures of waste and it is right that we reflect an element of that in the overall assessment of the pressures that we have made in the spending review—which is what we have done.

**Q16 Chair:** Is it an element or is it a total offset? If it is a total offset, what incentive is there for local authorities to recycle or create less waste?

**John Healey:** Any aggregate element of the analysis of pressures is clearly part of the overall settlement that we have made. Each individual local authority will be looking at the actual costs they are likely to incur if they do not improve their recycling rates and they do not reduce their reliance on landfill. It is that which provides the very sharp incentives for them to look for those alternatives and encourage

investment, to use perhaps some of the PFI credits we have made available and to look in particular at how they can leverage in some of the private sector investment that, increasingly—with an increasing escalator and level of landfill tax—I expect we will start to see.

**Q17 Chair:** It is not a total offset. There are additional costs to councils of the landfill tax which are not offset by any increases in grant or PFI.

**John Healey:** Yes. I think I have made it clear that we have changed our approach in this spending review period from the way we ran the BREW fund and the way that we had the full and automatic offset for local government in the previous period.

**Q18 Mr Betts:** Could I ask a question in relation to this financial year? What has been indicated is a change for approach to, at least, the medium term. I think local councils were somewhat miffed this year, and probably reasonably so, when the escalator was increased from £3 per tonne to £8 per tonne in May with no real warning. It was very difficult for local councils, with that sort of notice, to take any action to reduce their landfill.

**John Healey:** Can I just be clear: it is £24 a tonne at the moment. It goes up by £8 but in April 2008. There was really a long-term signal for the decision that we would make that big rise and that it would rise again by £8, at least each year until 2011.

**Q19 Mr Betts:** You feel that is enough warning to allow councils to adjust their activities and approach.

**John Healey:** Yes, I do. It was important that we gave that sort of lead-time signal also to business.

**Joan Ruddock:** Within Defra we have the waste implementation programme which is specifically set up in order to help local authorities to find the most appropriate and effective ways of reducing the waste they are sending to landfill. It is not as though we left them out there stranded, facing this big hurdle. They had a lot of notice but they have also had positive assistance in order to divert. The answer to being faced with a financial burden is to divert more and more of your biodegradable waste away from landfill.

**Q20 Chair:** Another suggestion of Sir Michael Lyons, when he was trying to broaden the basket of taxes that local authorities might be able to use, different sources of income, was that charging for refuse collection could be viewed as an additional source of revenue to help towards dealing with waste costs. The Government appears to have rejected that and is only looking at waste charges being revenue neutral. Why exactly did you reject that suggestion? Would it not have killed two birds with one stone, because it would have more effectively sought to change householders' behaviour and would also have raised the issue of funds to deal with the increasing waste costs?

**John Healey:** Lyons saw two policy objectives in the idea of waste charging. One was to create a source of additional income for local authorities and the

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second was to create an incentive to try to influence behaviour, particularly the behaviour of householders but also the approach that local authorities took. We believe the approach to incentive schemes that we have set out will do the latter and we are interested in pursuing that policy aim. We are not interested in pursuing the first of Sir Michael Lyons' policy aims because we do not wish to add to the charging tax burden of local population.

**Q21 Chair:** We were told in our inquiry—and I think Mr Woolas who was then a minister confirmed it—that the additional costs on council tax of getting rid of waste was likely to be of the order of £130–£150 on council tax. If the incentives are not sufficiently high to encourage enough people to reduce waste, you are making all council tax payers, even those who are reducing their waste, pay for those who are irresponsible enough not to bother.

**John Healey:** I do not recognise those figures. Obviously, if they are the figures he used, they would have been pre the Comprehensive Spending Review. We believe, on the other hand, that the sort of incentive scheme we are looking for local authorities to pilot—and I think of the very good work that Joan's department has done to look at what the experience in other countries suggests—could have the sort of impact on levels of recycling that we would want to see, and we would share that aspiration with the Committee.

**Chair:** Perhaps we could move on to look at the detail of the pilot schemes.

**Q22 John Cummings:** I have some questions relating to the financial incentive schemes in the pilots. Why will only five local authorities be chosen to participate in the pilot schemes?

**Joan Ruddock:** We think five is an appropriate number to—

**Q23 John Cummings:** Based on what?

**Joan Ruddock:** If I may continue, five is an appropriate number to run pilot schemes because we want to see in some depth just what would be the nature of schemes. We want to offer local authorities the opportunity to come forward with a variety of suggestions and we will pick from those five schemes. On the Continent there are really three or four variations of incentive schemes that we have been able to study, so we are quite confident that five is a good enough number to give us a range of different schemes which can then be monitored in depth and from which we can learn sufficient to decide whether we want to propose to Parliament that we roll out nationally such schemes.

**Q24 John Cummings:** How many local authorities have expressed an interest in participating?

**Joan Ruddock:** At the last check, 14 authorities had made inquiries. The extent to which they will or will not be interested when they know the details, clearly we cannot predict, because, until we have the legislation in place, it is impossible, but just the announcement of it led to a spate of inquiries from

local authorities. We are confident that there is interest out there and that we will be able to run pilots appropriately.

**Q25 John Cummings:** Are the 14 authorities who have expressed an interest evenly spread throughout the country: north, south, east and west?

**Joan Ruddock:** Pretty evenly, I think. At this stage it would be invidious to release any names of councils or to go any further than I have because, clearly, people can ring up/make a phone call/send an email and for all we know they will not follow it through at a later date. I can say to you, however, that the announcement itself produced inquiries and that is sufficient for us to be confident that we will have authorities coming forward when they know the details of what is available.

**Q26 John Cummings:** Are you able to tell the Committee whether they are predominantly rural or urban? Large or small?

**Joan Ruddock:** At this stage it would make no sense to tell you the nature of these inquiries.

**Q27 John Cummings:** It would make sense to me.

**Joan Ruddock:** We do not know whether these are inquiries which will lead to anything. If I were to suggest at this stage that—

**Q28 John Cummings:** You say the inquiries might not lead to anything?

**Joan Ruddock:** Exactly. The inquiries that these particular authorities have made may not mean that they come forward with a proposal to be one of the pilots. It could be any other authority in the country that comes forward. At this stage we have nothing more to tell you, only our confidence—

**Q29 John Cummings:** You are working in the blind, Minister.

**Joan Ruddock:** Not at all.

**Q30 John Cummings:** So you do have the information.

**Joan Ruddock:** We do not yet have the legislation in place. Until it is in place, clearly authorities are not going to come forward with a worked out suggestion.

**Q31 John Cummings:** I did not ask that. I have asked a simple question. Are they large or small, rural or urban, and could you tell me whether they are predominantly district councils or unitary authorities?

**Joan Ruddock:** I could turn to the page and look them out but I do not think it would be advisable. I can tell you that they have come from all parts of the country and, indeed, we have a mix of rural and urban.

**Q32 John Cummings:** You do know the sizes, then. It is a simple enough question. Good gracious me, why the secrecy, Minister?

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**Joan Ruddock:** There is no question about secrecy; it is about how sensible it is to make declarations when we know these are absolutely the most initial inquiries. The authorities that may come forward in a year's time might be a completely different set of authorities and those who bring their proposals forward could be a different set again.

**John Healey:** It is very, very early days, Mr Cummings. The earliest the pilots are likely to start is April 2009, which is what we want to see, so we are 16 months away from that. The reassurance in general terms that you might wish for is that we are setting up the scope to do these pilot schemes very much because local government says it wants it and we expect, therefore, quite a level of interest in these schemes. As Joan has said, it is very early days, but clearly the point of piloting is that we will want to see a range of schemes tried and that is likely also to involve a range of authorities.

**Q33 John Cummings:** Are you reassuring the Committee that there will be a correct balance of the authorities or are you not?

**Joan Ruddock:** Of course. When I said to you five, we think that will cover the possible range of types of scheme. Also, we clearly want to do rural and urban, we clearly want to do different areas of the country, and within five pilots we expect to have sufficient scope.

**John Cummings:** We are 75 per cent of the way there. All we need now are the names.

**Q34 Emily Thornberry:** Do you expect there to be interest expressed from inner city authorities, particularly areas in which a very large proportion of the citizens might be sharing refuse chutes and so on; where fly-tipping, when you have so little space, would be dreadful; and where people are already having terrible problems with rats?

**Joan Ruddock:** The evidence of schemes that have been introduced in other countries does not suggest to us that fly-tipping increases automatically follow. They do not. In a study in the U.S in some cases, there was no increase in fly-tipping in the round: in just over half the cases, no increase, and, in some, even a decrease. There is no absolute correlation there. We will be clear that any pilot which did go forward would only be approved if it had a proper fly-tipping strategy in place. We encourage all authorities to have fly-tipping strategies in place; we have a fly-capture reporting system. In the case of these pilots, that clearly would be part of the criteria on which a judgment was made. As to whether we would have inner city areas where people share refuse chutes: clearly, if they are sharing refuse chutes then it would be much more difficult to do incentive schemes—but not impossible, and an interesting scheme might be if an incentive could be created for a whole block of flats or for a whole community. It is not out of the question that a very imaginative authority might come forward with such a proposal. The other thing to bear in mind is that the scheme has to be appropriate in the judgment of that authority. Many inner city authorities will have areas where they have street

homes, individual collections and multi-storey blocks. In the street homes they might decide they wanted to offer that for a pilot and not the whole of their authority. Again, that could be considered.

**Q35 Mr Betts:** Given the importance of recycling and the role it can play in the general approach to trying to deal with climate change, there is not exactly a great deal of urgency about this, is there? We are not going to get a pilot until 2009 anywhere; then we are going to have three years to evaluate it; and at some stage we might get some legislation to broaden the scheme out. We are probably talking, as we sit now, of six or seven years before we get an effective roll-out across the country.

**Joan Ruddock:** I do not think it necessarily need be as long as that but we cannot anticipate at this stage. Certainly the legislative timetable is that we expect and hope we will have Royal Assent by next summer. Then, because of the consultation, the coming forward of schemes, it would really not be realistic to expect a scheme to start before the financial year beginning 2009. It would not be realistic.

**Q36 Mr Betts:** This is a pull back, is it not? Initially, the Government's plans, when they came to the Committee before, were that there was going to be a general power and authority to get on with it.

**Joan Ruddock:** Indeed. We have had to listen to all of the feedback that came from the initial proposals. As you will know, we have made some changes. I personally think changes for the better have been made over the period of consultation and coming forward with the legislation. Having said that, we now want to do the pilots. If we get the pilots right and we do go for roll-out, there will be much greater confidence, based on much better information because we have had to make judgments based on schemes abroad. In all these ways, we cannot do it faster. We may have a pilot that is working so well that within a year perhaps we will be able to make some judgment. We will do the best we can. Let me also say to you that over the last few years local authorities have increased recycling rates very considerably. Great progress is being made in some authorities and in Defra we are making huge efforts to bring the worst performing authorities up to meet the average. There is still scope, even without incentive schemes of this kind, for local authorities to do much more and we are working extremely hard to ensure that they maximise the contribution that they can make within existing schemes.

**John Healey:** I think it would be a fair criticism if this was the only policy that was designed to increase recycling rates, but the fact that Defra and other sources have provided such important advice and assistance to authorities—we have the landfill allowance trading scheme; the increase in the landfill tax rate; the PFI capital investment that is available there for authorities and a range of other things—means that it is not entirely fair criticism in those circumstances. Joan is right: the fact that last year recycling rates for local authorities were up 31 per cent, the fact that the National Audit Office in their

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survey of disposal authorities this summer found that 70 per cent of them were confident or very confident of meeting their 2013 targets is (a) encouraging and (b) grounds for believing that we are beginning to put in place the sort of policy framework that will have the results that we need. But this incentive scheme has an important part to play as long as we get it right.

**Q37 Mr Betts:** Given that there is, as you say, considerable progress being made on improving recycling rates anyway and initiatives going on in addition to any pilot that might be introduced in an authority. How are you going to evaluate properly the effectiveness of these pilots and distinguish between the improvement in recycling rates that there might be without the pilot and the specific contribution by the pilot in an authority with the charging policy?

**Joan Ruddock:** You can be on a trajectory which you can measure and you can create a baseline from which you start. We would expect, if the incentives really work, that you would alter the course of that trajectory and there would be a bigger improvement. This is why the design of pilots will take some time and will be very important. One of the things we do know is that once a local authority starts talking to people on the ground and putting in information and education, you automatically get an increase in recycling rates. The fact you would have to explain the scheme to people in itself brings up the rate. You could do that by other means. It is a complicated field, but we have confidence, because when these schemes are being done in other countries and other cities they have driven up and made a really significant change.

**John Healey:** The counterfactual: "If this were not in place, what would happen?" is always very difficult. But one of the advantages of piloting is that you have control areas which are comparable against which you can compare the impact of those areas that do have the incentive schemes.

**Q38 Mr Betts:** Presumably you are going to get a range of authorities. Presumably you have a plan B if you do not, say, get a major city or a London borough that wants to participate.

**Joan Ruddock:** We are pretty confident we are going to get an appropriate mix. No doubt you can question us again, Mr Betts, when we are at that point.

**John Healey:** Also, the Local Government Association have been very strong in their welcome for the announcement that Joan made in November. They have described it as good news for councils and local people and they have said they want to work with us and with local authorities in helping to get it off the ground. The conditions are such that we are pretty confident that we will be able to choose five good pilot areas.

**Q39 Mr Betts:** When the pilots are set up, will there be publicly published criteria at the beginning, about how you are going to evaluate the scheme, so that it will be clear what the success is?

**Joan Ruddock:** Absolutely. We have undertaken that this will all be reported to Parliament. It has to be absolutely clear, what we are doing and why we are doing it. Not least, of course, it will be essential for the accountability and transparency of the local authority that is piloting that, and all that is in the public domain *vis-à-vis* their own population.

**Q40 Mr Betts:** Could we look at the costs of the scheme. We understand that you have put £1.5 million on one side to help with the pilots. Does that mean that authorities which enter into the pilot schemes will have their administrative, enforcement and set-up costs paid for by government directly?

**Joan Ruddock:** The basis of this will be the local authority coming forward to government, making a proposal, and that will then be evaluated. One of the issues will of course be the amount of the set-up costs, how realistic they are, and then the contribution that is required by them from government to make that a viable option for them. We ought not to prejudge that. We have set aside the specific amount of money and we will spend up to that amount of money each year for three years in order to support the pilots.

**Q41 Mr Betts:** When we did the previous inquiry one of the issues that came out was that there could be quite substantial costs for setting up, pursuing people who do not pay, all the administrative arrangements that an authority would have to charge. The authority cannot recover those from the financial arrangements of the scheme itself.

**Joan Ruddock:** No.

**Q42 Mr Betts:** But then relies on government to help fund the pilot. There is no way you can evaluate a pilot on the basis of drawing conclusions about what would happen if the same arrangements were run country-wide, because government would not fund the country-wide scheme on the same basis, would it?

**Joan Ruddock:** No. The modelling has been done by Defra using our own situation here as opposed to overseas but the models are based on the knowledge that has come from overseas. Based on what we know here, the expectation is that you will get a saving of up to £18 per household if the recycling rates were driven up, in the way they have been driven up elsewhere, in the way we would expect in the pilots. Pilots then offer you the confidence, if there were to be a roll-out, that long-term and very substantial savings could be made by the local authority. That clearly would compensate for set-up costs.

**Q43 Mr Betts:** Therefore £18 could be saved over and above any savings that would be made by what the authority would do to improve recycling anyway. That is over and above because of the scheme.

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*John Healey:* Waste disposal costs.

**Q44 Mr Betts:** Waste disposal costs of £18.

*John Healey:* Per household.

**Q45 Mr Betts:** Over and above anything that would have been achieved without this pilot. Therefore, £18 is the maximum incentive you can give to be made in a revenue neutral authority. Is that right?

*Joan Ruddock:* No. No. Incentives that can be deemed so that the local authority would make a proposal that said, "This is the size of the incentive that we want to put into this pilot." They do not have to be based on savings or costs; they are incentives which the local authority would think in their area would be appropriate to get behaviour change.

**Q46 Mr Betts:** Who is going to pay for the incentive?

*Joan Ruddock:* The incentive is based on the local authority collecting in, if you have a charging scheme, whereby they would collect in monies from those who recycled least and rebate those who recycle most. The figure is one that is deemed by the authority to make the calculations of how the whole scheme would work.

**Q47 Chair:** There is also the suggestion, is there not, that no resident is going to have to pay any more for waste disposal under this scheme? Therefore how are they going to pay penalties? If they do not pay penalties, you do not have any money to pay incentives.

*Joan Ruddock:* I am sorry, could you repeat your question, please. I was speaking to Daniel.

**Chair:** Do you want to have a go at it, Clive?

**Q48 Mr Betts:** The suggestion is that there will not be any penalties, there will simply be incentives in this scheme, as we understand it. If you only have incentives, where is the money coming from?

*Joan Ruddock:* You mean rewards.

**Q49 Mr Betts:** Yes.

*Joan Ruddock:* You mean reward-only schemes.

**Q50 Mr Betts:** Yes.

*Joan Ruddock:* It is possible to do reward-only schemes but clearly the council that did reward-only schemes would have to find the means to create the rewards from within its general level of council tax.

**Q51 Chair:** But they can do that now. My own council is doing that at the moment. It is giving a prize—to a tiny number of households, admittedly. It has the power to do that anyway. What is going to be different under this scheme?

*Joan Ruddock:* The other important thing we are doing under this scheme is of course to link it with council tax itself. That is very different from the kind of rewards which, as you say, are going to a small number—a very, very small number. This is a scheme which, because it will be linked to council tax, will be affecting and can affect every household in the area where the pilot takes place.

**Q52 Mr Betts:** In terms of administrative costs, you say there will be anticipated savings.

*Joan Ruddock:* Yes.

**Q53 Mr Betts:** If in the pilot scheme itself the councils receive particular help from government funding which will only be available for the pilots and not for the generality of councils ultimately, you have to be very careful about the lessons you draw from the pilots.

*Joan Ruddock:* Of course.

**Q54 Mr Betts:** They simply cannot be transferred onto a national basis because the Government is not going to fund the administrative costs on a national basis. Is that an understood and accepted situation?

*Joan Ruddock:* It is understood to the extent that, as you are illustrating in your questions, because it is complex and we have to be extremely careful that the pilots are properly controlled, properly monitored and analysed, so that we know the basis on which we can then suggest it is appropriate to move forward, we will put the money in for the set-up costs. But we do believe that will demonstrate the savings that could then be used by councils to justify putting up the money for their own set-up costs. That is the confidence that we expect to give them.

**Q55 Mr Betts:** The reason we are pushing this is that, when we did the inquiry before, we found incredible enthusiasm, almost universally, from local authorities who wanted the power to be able to have these charges or incentives in terms of waste collection but we could not find an authority which wanted to embark on it because of what they saw as the quite prohibitive costs of setting up, of administering and of enforcing what are fairly small sums of money.

*Joan Ruddock:* It is because of that kind of reaction, which we have been able to appreciate from the inquiry you undertook and the evidence that came, that we decided to do the pilots, to do them in a way which is going to be very thorough and to put the money behind it so that we can get out of those pilots what we need as a government to make a decision whether to roll this out. I would just say that we are making a huge debate about these particular schemes when they have been running in many other Member States for a considerable length of time with proven results, so we should not be so afraid of being able to deliver a proper scheme in Britain.

**Q56 Dr Pugh:** I must admit that I share the bewilderment of my colleagues here. Let us be clear about this: the Government want an incentive scheme. There are going to be two sorts of incentives possibly incorporated in the scheme: positive incentives (which I think you just defined as rewards) and negative incentives (which you could call fines, penalties or whatever). From my simple way of looking at it, the cost of the scheme is in giving any sort of reward; in other words, a rebate. I think the former Minister of Waste Ben Bradshaw said £30 was the right ball-park figure. I think you have said £18.

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**Joan Ruddock:** No. No, you misunderstand me. The £18 is per household that the local authority could conceivably save in the amount of money they would otherwise be sending to landfill.

**Q57 Dr Pugh:** My supposition was that if I was a zealous recycler in a pilot area I might get £30 off my council tax or something like that. Am I wrong in thinking that?

**Joan Ruddock:** The whole point of having pilots is for us to be able to test what kind of sum would create an incentive. All it has been possible to do is to give indicative figures based on Continental experience. It could be that here we would believe that it had to be a higher sum of money in order to create an incentive. That is what we will be able to judge. Obviously inflation has been occurring since this period.

**Q58 Dr Pugh:** Are you supposing that local authorities, when they start a scheme, are not really going to be in a position to vary it bit by bit, month by month, week by week? There will have to be some fixed rate to tell people about.

**Joan Ruddock:** Yes.

**Q59 Dr Pugh:** That when they reach a certain threshold they will get £30 off or they might have a taper or whatever, but they are going to have to have fixed prices to start the scheme off? Otherwise householders simply will not know what they are doing, will they, or what the benefits are of them adopting a path of virtuous recycling? If we take it there is a fixed sum—that is the cost of the scheme—and then you have to take off that the administrative costs, the collection costs, the disposal costs and so on, and, working in the other direction, you have a reduction in landfill levy and whatever market value the recycling will have, and then you presumably have some income also from what I have learned to recognise as “negative incentives” or penalties or fines, at some point that scheme might possibly break even in a pilot scheme. After how many years do you think that will be? Assume you have some clever model of a Treasury kind here that is going to assist you—you certainly claim to have a model—would you anticipate that some of these schemes, if the appropriate numbers stacked up, would be, not out of cost, but breaking even?—and not in profit, of course, because they are not allowed to do that.

**Joan Ruddock:** That is right, they are not allowed. All we have said is that over a number of years local authorities would even out these costs and it would be revenue neutral. I do not know, I will ask officials if they are able to answer you in any more detail.

**Q60 Dr Pugh:** The modelling of the Continental experience does not tell you that after a period of time most people migrate into the virtuous recycling side of things and do not simply throw things into the waste stream willy-nilly. I assume that that affects the numbers.

**Joan Ruddock:** Increasingly. There would be no point in having these schemes if we did not bring more and more people into the virtuous recycling place from being poor recyclers. That is obvious.

**Q61 Dr Pugh:** If that happens, on your calculation—we know what landfill levy is, that is fairly predictable; presumably income from penalties goes down and presumably collection costs remain fairly constant—you must have a shrewd idea at which point, if any, it becomes self-sustaining and is not a loss-leader, as it were.

**Joan Ruddock:** Pilots may give us some indication, because, whereas we may learn enough to make an early decision about whether to roll out pilots, we could of course, in running them for the whole of the three years that we have the fund available, be able to see just how the graph is moving and that will enable us to make projections. If we knew every answer to the questions that you are posing, then there would be no point in doing the pilots in the first place. The whole point about these pilots is to be able to understand behaviour change, how rapidly it occurs, what are the implications for that, what are the savings for the local authorities. That is what we will find in the pilots. Nobody is forcing local authorities to undertake pilots; they have to come forward as volunteers. Frankly, if we learn from these pilots that they are not enabling us to move forward in a different way from the progress that is being made through all the other mechanisms that are in place then we could make a decision not to go further.

**Q62 Dr Pugh:** Does the Continental experience, which you have studied and which you are using as evidence quite a lot during this session, tell you that once the schemes kick in the incentives or the rewards tend to decline and can decline without costing the authority prohibitively?

**Joan Ruddock:** I would assume so. I am going to ask Daniel if he feels he wants to contribute anything.

**Mr Instone:** We have looked very hard at the experience overseas, as I think the Committee knows and it is important to note that we get several different effects from the schemes that have been introduced as far as we can tell. One is that you get improved levels of not only recycling but also waste prevention: you get lower levels of waste than otherwise would be the case—that appears to be the case—so you have those double benefits on the plus side. But you also have savings to local authorities particularly, because they have less waste they have to deal with. You can get some quite significant savings and environmental benefits which will of course help us to our landfill diversion targets. That is over and above. That can be done from a variety of different kinds of schemes. We have a lot of experience of different schemes, as I think we have demonstrated in the earlier evidence we have provided, but they all tend to have those combined benefits.

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**Joan Ruddock:** Dr Pugh, when you were speaking earlier I think you were suggesting that the costs of collection and disposal were somehow dependent upon these schemes, whereas of course they are funded through the CSR settlements.

**Q63 Dr Pugh:** I am thinking of the overall cost profile of it and how it affects the local authorities and their willingness to do it. On the key point of your open-mindedness and so on, your preparedness to see what will happen and not to prescribe too much: why under those circumstances are you going to offer to cap rewards and incentives?

**Joan Ruddock:** It is there as a possible instrument to be used in the future. I honestly do not think that any of us believe that local authorities are going to come forward with foolish proposals but we felt we should put it there just in case there was such a need and perhaps, also, to give confidence—because there has been a lot of discussion about these schemes, some of it hostile.

**John Healey:** And misleading.

**Joan Ruddock:** Extremely misleading. I think it gives confidence that this is something that is not going to be a “stealth tax”.

**Q64 Dr Pugh:** You do not think it is necessary but as a reserve power.

**Joan Ruddock:** It is a reserve power.

**Q65 Mr Betts:** Coming back to this European model you have talked about, is it not the truth that most European countries which have a waste charging policy, charge for the totality of their waste, rather than having schemes which charge at the margin or give rewards at the margin, which is what our pilots will be looking at?

**Joan Ruddock:** No, as I understand it the schemes that have been studied are specific in the sense of schemes that—

**Q66 Mr Betts:** Which country would be most similar to the sorts of arrangements we are talking about?

**Joan Ruddock:** The examples I have been given—and again I will get officials to check that detail in a moment—are people from Sweden and people from Italy.

**John Healey:** The point about the Continental experience is that it gives us the confidence to believe that some form of incentive scheme can have an impact on recycling rates, can have an impact on the waste disposal costs and rates for local authorities. The point is that our circumstances in Britain are different from those in every other country and we have to design a scheme or the principles of schemes which we think are appropriate to Britain. Defra are leading on that work now.

**Q67 Mr Betts:** It might be helpful to have a note about those two countries, Italy and Sweden, if they are your best models.

**Mr Instone:** They are not the only models. I think it is important to note, as we have said before, that the UK is the only country out of the EU 15 which prohibits local authorities from charging. It is also

the case that, although schemes vary quite a lot in different countries and, indeed, in different parts of our European countries, we are very unusual in the UK in not having these kinds of schemes anywhere at all. The examples go quite wide.

**Joan Ruddock:** If they have a flat rate charge, as you implied in your first question, they also have a small variable charge and that is where they see incentives working.

**Q68 Mr Betts:** It might be helpful just to have the example of those.

**Joan Ruddock:** Yes, we will get the examples.

**Q69 Mr Betts:** When we did the inquiry, the ministers were quite clear that it is something that might appear in the same levy with the council tax but it was going to be separate from the council tax completely. It was going to be another specific and distinct charge. It seems now that that has changed and the Government are saying that local authorities will be free to incorporate any reward or incentive scheme into the council tax. Would you explain why there has been that change?

**John Healey:** Because it was a point that was put to us by a number of local authorities and others during the consultation—it stemmed from many of the concerns that you raised, Mr Betts, a little earlier with us—which was: Why set up a separate parallel scheme with all the administrative overheads when the local authority has arrangements for billing council tax? We are putting in the Climate Change Bill the provision for those authorities which pilot these schemes to be able to integrate any rebates and charges with their council tax and to include them in the billing of council tax. Broadly, that has been a welcome move and it seems to be a sensible response to the views you have put to us.

**Q70 Mr Betts:** If we are looking at something which relates people’s activities to rewards or penalties, then presumably we would be looking to have council tax varying on at least a monthly basis, would we? We are not going to wait until the end of the year to incorporate any penalties or rewards into next year’s council tax, are we?

**John Healey:** As Joan Ruddock has already indicated to Dr Pugh: in order for this to be an incentive, there has to be a responsiveness—whether that is on the rebate side or on the charging side—to the behaviour and the level of recycling or the waste that households produce. Clearly, it is going to be an area where we will want to see how the pilots run; it will be an area in which those proposing to run pilots will make proposals for themselves; and I think it will be quite a useful part of the lessons that we can learn from the pilots.

**Q71 Mr Betts:** It might be an authority could come forward with a proposal which simply added an amount to the council tax bill for the costs of waste collection and then built in rewards for those people who produce less waste and recycle more. That would be the sort of scheme you might find would do better.

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**Joan Ruddock:** It is possible that you could put a sum which is not specific to the costs. It is not as though you would say this is a rebate that you all get but then those people who did not meet the average recycling rate, or however you deemed the recycling rate, would have to pay an additional supplementary charge on their council tax. There is quite a variety of ways in which you could do this and enter it on to your council tax bill.

**John Healey:** There are two important principles on which it is important for the Committee to be clear. The principle of revenue neutrality means that the overall burden of tax and charging for residents in an area would not change. Secondly, any revenue that is raised through any form of relative charge in any charge and rebate scheme—if that is what is proposed in these pilots—will be fully paid back to residents through rebates. In other words, the local authority will not be able to hold on to any element of what may have been raised through an incentive scheme in order to cover its administrative costs.

**Q72 Mr Betts:** It will be an interesting question about whether the local authority gets capped on the amount before they pay the rewards back or the amount they set in the first place.

**John Healey:** It is something perhaps to look at very closely in the pilot.

**Q73 Mr Betts:** There is one very serious point that we did look at. Given that you have quoted the inquiry back to us as to why you would be more flexible and willing to look at different arrangements, there is the whole issue of people on council tax benefit and how you incentivise a scheme for them when they will get no reward potentially, or do you even give a reward to people who are paying no council tax?

**Joan Ruddock:** This is one of the things that we will have to work out through the pilots. We specifically have said that in terms of pilots we need to look at people who would have less scope than others for reducing the amount of residual waste. Because people are on benefit, it does not necessarily mean they are in that category. In fact, they may buy less and they may therefore produce less residual waste. People who are on benefits would not be a category because they could not participate in the scheme. They could clearly participate as well as others. It will be a matter for the design of the scheme as to whether those people could benefit from an incentive or not.

**Q74 Mr Betts:** I can probably put the question a bit more strongly then. Presumably the Government would not want to see a scheme where people, because of their low incomes, could not participate and benefit?

**Joan Ruddock:** Quite. We specifically have said that it is about people who might have difficulties in reducing their rate and participating in the scheme, not low income people *per se* for example, as a group, for the reasons I have just outlined. We are not saying it is vulnerable people in a general way which means generally thought to be on a low

income but people who would have recognised difficulties in making a contribution towards greater recycling. That could be people with disabilities, for example. The schemes that come forward will have to have taken that into account and will be judged accordingly.

**John Healey:** Could I make an observation about terminology because both Dr Pugh and Mr Betts have referred to penalties. There is clearly scope for proposals in the pilots to have a scheme, revenue neutral overall, that incorporates both charges and rebates. It is perhaps clearer if we use the term “penalties” for those situations where those charges are not paid when they are due, rather than use the term “penalties” for what may be a charging element for some households that do not meet recycling targets or do not reduce their rubbish as part of any scheme.

**Q75 Mr Olnier:** In your comparison with continental countries, they have the same difficulties that we have, where we have a conflict between the collection authority and the disposal authority. Sometimes they do not ride easily very well together. I just wondered whether you had given that any thought because the disposal authority will pay the landfill tax. How does that get fed back to the collection authority to distribute between its taxpayers?

**Joan Ruddock:** I think I might need some advice on that.

**Mr Instone:** I think this comes back to the question we were talking about before on joint working. The idea of having a scheme of the kind we have been talking about is that the people at the front line would be the collection authorities where this is two-tier working. We obviously assume that the collection authorities would work very closely with the disposal authorities if they were separate, and of course they would not be separate with unitary authorities, to produce a scheme which stacked up in terms of the implications for disposal. They have a joint interest clearly in ensuring that the waste is reduced because that saves them money as well as having the environmental benefits, and also as much waste as possible is diverted from landfill. We were saying earlier about the increasing importance we attach to joint working. In working out these kinds of schemes, including at the pilot stage, that is one of the issues we want to take very carefully into account.

**Q76 Mr Olnier:** One of the difficulties is that the district authority who is the waste collection authority is the authority that really deals with the recycling end of it. I probably recycle better in Westminster than I do in Nuneaton because Westminster has mixed recycling collection and I put virtually everything in the recycling bin; whereas my own collection in Nuneaton has to be separate. I wonder whether you are going to look at like for like on the opportunities for recycling.

**Joan Ruddock:** I think we need to take account of all of these issues when we are looking to the pilots. You have made a very telling point and we should take that into account when we see what kind of pilots

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come forward and whether there is an example that we should definitely work on that will give us this split interest, to see how well we can make the pilot work in such a circumstance.

**Q77 Mr Oler:** Coming back to what Mr Betts was saying about the charges, what is going to be the tolerance between a heavy bin that is going to the landfill site, that has had recyclable material put in it because the resident has not bothered to separate it or recycle it? What sort of tolerance is there between a good bin and a bad bin?

**Joan Ruddock:** I am sorry to keep coming back. I sound as if I am constantly repeating myself. All of these things are what we are going to see in the pilots. What is good practice? How do you make judgments? How do you measure? There are so many different schemes that already operate. As you suggest, co-mingling in sacks, sack schemes, bin schemes, bigger bins, weighed bins, bigger bins versus small bins. These will be the things that are actually in the pilots, where we will be able to see just how easy or difficult it is for an authority to make a judgment as to whether a particular bin has met the norm within their scheme and therefore has met the recycling rate that they require, or whether it is failing to meet that recycling rate.

**Q78 Mr Oler:** Could you perhaps confirm for the record that some very bad individual householders who do not believe in recycling will pay more to have their refuse collected?

**Joan Ruddock:** That certainly is the point of an incentive scheme. Either in a reward scheme you could reward only those who do well by whatever your well criterion is in that authority, so you could simply have a reward scheme that rewarded those who did well and you could set the bar wherever made sense. That is again the point of piloting. Alternatively, you can have a scheme which has both rewards and charges in it. In those cases, clearly you would set a level at which people would do what is regarded as the norm for recycling. Those who did very well could get rewards and those who failed to meet whatever was deemed to be the norm would then be people who had an additional charge made on them or a specific charge made on them because of their failures to recycle.

**Q79 Mr Oler:** Anybody who pays any more money at the end of the day will be seeing that as an extra tax.

**Joan Ruddock:** We do not see that they will see that as an extra tax because everybody has the opportunity not to pay that charge. It will be very clear to them what they have to do and if they fail to do it then they will be charged. They will not be taxed. There will be no taxation system for the whole community. There will simply be a charge on those who have failed to meet whatever is the normal standard for that community in terms of recycling. It is clearly not a tax; it is a charge, if they are operating that type of scheme.

**Q80 Mr Oler:** In your original letter to the Committee you mention effective communication and consultation with local residents to counteract misapprehensions. What does that mean in practice?

**Joan Ruddock:** The sort of thing perhaps that you have just suggested. They are not going to be taxed but they are going to have to pay for normal rubbish collections. The fact is they are not going to pay for normal rubbish collections. They are going to be charged in some schemes if they fail to do what is the norm in terms of recycling. Remember of course also that any of the money that is taken in, in charges, has to be redistributed which is another very significant difference from a taxation system.

**Q81 Mr Oler:** Surely if a householder does not recycle anything and puts everything in the bin, they will get penalised and they will see that as an additional tax?

**Joan Ruddock:** You may suggest that they may see it as a tax. It is definitively not a tax. The communication strategy of the local authority will be very, very important because it will be saying to people, if we are in a rebate and charge scheme, "If you do what we would expect any normal citizen to do, you will be okay. You will not be having a charge. Maybe if you do very well you are getting a rebate. Those of you who fail to do this will get a charge. There will be no general taxation involved and anything that the local authority takes in you will see returned to your community." That will have to be transparent. People will have to be able to see how the scheme works so the local authority will be able to prove to people that this is not a tax.

**John Healey:** If they are chucking away a lot more or recycling a lot less than their next door neighbour, it is true that their next door neighbour is likely to be paying less than them. However they see it, what we want them to do is to concentrate their minds and say, "Perhaps we should be doing more to recycle just like our next door neighbours because it is in our interest to do so."

**Q82 Mr Oler:** Can I just ask this tongue in cheek, perhaps a little cynically: will the local council taxpayer be blaming government for these initiatives or will they be blaming their local authority who will be administering it? I do see a real dilemma between what the local authority want and need to do and what we as a Government are trying to encourage.

**Joan Ruddock:** Many local authorities are just as ambitious as central government is. Many local authorities want to drive up their recycling rates. Some of them have done spectacularly well. At the end of the day, I think we really ought to remember—which you have already seen in evidence before you—that most people believe it is fair to charge people who do not do what is expected of them in terms of their waste. If people will not do these simple tasks of separating their waste and recycling, the public do think that they should have a charge imposed upon them. I do not think this question of fairness and unfairness needs to come up if the schemes are very properly explained and people at local authority level are able to give this

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information to people about the intrinsic fairness and the behaviour that is expected within any community. It will depend a lot on the communication strategy and again that is what we can see or not see in the pilots. I have just been told, by the way, that technically these charges are considered by the Treasury as a form of tax. My understanding is that this is not taxation. For the record, I am being told that I may be mistaken. I do not want to mislead the Committee.

**John Healey:** I am not sure that is entirely helpful to the Committee.

**Joan Ruddock:** I know it is not but I do not want to be incorrect.

**John Healey:** It is the Office of National Statistics that independently makes a judgment about what should be treated as a tax for the purposes of national accounting. It will be the ONS, not the Treasury, that makes that sort of judgment. Your basic argument to Mr Oler that this is not a tax—it has the potential for charging to be an element of the pilot schemes—is absolutely right. Mr Oler is right. We face this dilemma generally of whether it is central or local government and who gets the blame for these things that people may not like. What is clear about this proposed incentive scheme is that no one is forcing any local authority to come forward with pilots, but we expect those proposals. In the end, it will be a permissive power if we choose to trigger it. It will be for local councils to decide whether or not in the long run, after the pilots, they may want to introduce their own incentive scheme.

**Q83 Chair:** Can I just take up that point? The more I listen to this, the more I am wondering why the Government is going down this essentially incredibly cautious route. I think Mr Instone pointed out that we are the only EU Member State which does not permit local authorities to charge for collecting waste. Surely by far the simplest thing would be for central government to give local authorities that power, to then allow 1,000 flowers to bloom so to speak, and local authorities to then not have to ask permission to do pilots but just do pilots. If the Government wanted to encourage them, it could indeed make grants available for people who did something really interesting that might then be a beacon to other councils. Then we would be able to roll this out much more quickly because, instead of the incredibly lengthy procedure of not getting all this tied up until 2009 and then having to wait and evaluate all these pilots before permitting all local authorities to do it, if the pilots turned out to be as wonderful as the Government appears to think they would be, they would probably roll out quite quickly. Public opinion would presumably be persuaded that this is an essentially very sensible way to go because it would reduce the amount of waste. It would reduce waste costs. It would reduce costs for everybody who was being virtuous and the whole thing would be solved without the Government having to take any blame or credit at all, just leaving local councils to do it. Why have we not gone down that route?

**Joan Ruddock:** Because of the evidence that came back to us from our consultation and the need that we feel we have to give real confidence to local authorities. This has clearly created a great deal of controversial discussion. We have just decided that this is the best way forward. It is going to create certainty and we think that this is an appropriate way to respond, bearing in mind, as I said and as John Healey has said, there are many other tools out there for driving local authorities away from waste to landfill, towards more recycling and the fact is we are making progress. As progress continues, it of course becomes more and more difficult. By having these pilots, we may hit the very point in time where local authorities need a boost and to create incentives in order to ratchet up recycling rates further, because it gets more difficult as time passes and that may come at the right time. I do not think we should be too concerned about what is seen now to be a delay from where we started, but one that we think will actually produce a better result.

**John Healey:** Very simply and very shortly, it is not our policy purpose as Lyons recommended to introduce an extra charge on local residents. Our purpose is to try and add to the options available locally, to try and increase recycling rates. The results of our consultation and our study of what happens abroad give us the confidence that we can do so through incentive schemes. We propose to pilot those in order to demonstrate just that.

**Q84 Dr Pugh:** I am not enthusiastic about this particular option but one pitfall might have been ironed out on the Continent. Houses are very similar but households are very different. In one house there may be one person by themselves; in another house there may be a very large family. Have any of the continental schemes been sufficiently sophisticated, the ones you looked at, to make allowance for that factor? Secondly, you say that in order to introduce a scheme like this authorities have to have a fly tipping prevention strategy in place. My suspicion is the only way you know how much fly tipping there is in an area depends upon entirely what local authorities tell you. That is to some extent a function of how vigorous they are in enforcement. How satisfied are you ever that the statistics you are getting, which you give back to MPs from time to time, for fly tipping rates in an area are at all well formulated, based on real evidence as opposed to what the local authorities prefer to tell you?

**Joan Ruddock:** On fly tipping, there is no doubt that the reporting is getting much better. Enforcement is getting much better. There are many more cases being taken—

**Q85 Dr Pugh:** You know this, do you?

**Joan Ruddock:** Yes, we know this. Our collection of data is very recent but we have seen progress and officials work very closely with local authorities, especially local authorities where they see there are very big problems. It is getting better and it is more certain. Many of the policies we have done in

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government and many of the new procedures that we have brought in are helping local authorities in their attempts to drive down fly tipping. We have a long way to go. There has been a small increase but we think a lot of it is down to better reporting.

**Q86 Dr Pugh:** It is the local authorities that give you the stats?

**Joan Ruddock:** It is local authorities that report that they are getting better at it. We will help them to do more and to get better and prevent more. On the other question about the continental experience, given time I think perhaps it would be appropriate if I undertook to write to you and to the Committee on that point.

**Chair:** Thank you very much indeed.

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