



House of Commons
Communities and Local
Government Committee

**Refuse Collection:
Waste Reduction
Pilots—Government
Response to the
Committee's Sixth
Report**

**Second Special Report of Session
2007–08**

*Ordered by The House of Commons
to be printed 6 May 2008*

HC 541
Published on 14 May 2008
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

Communities and Local Government Committee

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

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Second Special Report

1. The Committee published its Sixth Report of Session 2007-08, *Refuse Collection: Waste Reduction Pilots*, on 21 February 2008. The Government's response, in the form of a joint memorandum from the Department for Communities and Local Government and the Department for Environment, Food and Rural Affairs, was received on 22 April 2008, and is set out as an Appendix to this Report.
2. In the Appendix, the paragraph numbers given and the text of the paragraphs set in bold type are taken from the Committee's Sixth Report.

Government response

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)

We do not agree with the Committee that this policy is either “half-hearted” or a “retreat”. In developing the policy on waste incentive schemes since initial proposals were published last May, the Government has sought to take account of views expressed in both formal and informal consultation. The Government would rightly have been criticised had it failed to do this.

These are new powers for England and piloting is widely regarded as a sensible approach. It allows us to trial the schemes and gather high quality evidence before taking a decision on whether the powers should be made more generally available.

The Government would not be running pilots if it did not think that the policy could have an important impact on reducing the amount of waste which goes to landfill. Evidence from overseas strongly supports this view.

The Government firmly believes that local authorities, working closely with their communities, are best placed to decide what will work in their area. This is why it will be up to local authorities—both during the piloting stage, and if the powers are rolled out in the future—to decide whether they wish to run a scheme; and how the scheme should operate.

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)

The Government recognises that there is a wealth of experience within our EU partners and further afield. Research that has been carried out for Defra includes a comprehensive review of literature on overseas charging schemes.

However, every country in Europe faces different issues in relation to waste. The systems they have designed to address them may not be directly applicable in an English context. We need to be sure that approaches adopted in England reflect the lessons learned from schemes which are operating successfully overseas, but also are consistent with the financial and waste collection arrangements which operate here, and accommodate the differing characteristics of our local authorities.

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)

The Government disagrees with this conclusion. We cannot model every possible scheme in every possible context.

We expect the pilots to provide information that will both help us with our decisions about roll-out, and help other local authorities set up their own schemes in due course. On this basis five pilots represents an appropriate and manageable basis for us to explore the issues of general significance that will emerge.

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)

This is precisely the purpose of the pilots. We accept that some stakeholders are, like the Committee, unconvinced that there is a place for this sort of arrangement in England but, as we indicated in December, this lack of consensus should not be allowed to intimidate us into avoiding innovation.

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)

All money collected from residents as part of an incentive scheme must be returned to those participating in the scheme. This is the principle of revenue neutrality. However, Government is confident that local authorities will wish to run pilots on the basis that waste incentive schemes will earn them money through lower collection and disposal costs as people reduce the amount of residual waste they throw away. Evidence from overseas, and modelling work carried out for Defra, supports this.

In addition, over 80% of respondents to our consultation supported bringing in these powers

The Committee itself cites in its report opinion polls, showing that most people approve of systems which reward good recyclers and punish those who don’t make the effort.

Our reason for proceeding on a pilot-basis initially is to collect high quality evidence. It’s not about retreating.

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)

The Government agrees that costs and savings will be an important part of any assessment of the pilots and has already committed in the Climate Change Bill to publish a comprehensive report on each of the pilots.

If a scheme has received Government funding from Defra, then that would be taken into account in any review of the scheme.

Furthermore, the Government is committed to working with stakeholders to establish success criteria and what areas the evaluation report should cover. The intention is to publish this information in advance of the pilots starting.

Modelling carried out for Defra, and based on evidence from overseas, suggests that local authorities can make net savings through operating a waste incentive scheme, as a result of their having less waste to dispose of.

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)

The Climate Change Bill does not require pilots to run for three years, nor does it require the Government to wait three years before making a decision on whether to roll out powers to all local authorities.

It is up to local authorities to come forward with proposals on how they wish to operate a pilot scheme— including how long the pilot will run. Once the results of the pilot schemes have been evaluated a decision will be made on roll out.

It is also important to remember the key long-term target under the Landfill Directive, which requires us by 2020 to reduce the biodegradable waste we send to landfill by 65%. Subject to the outcome of the pilots, waste incentives are firmly positioned to help us reach this 2020 target.

In the shorter term, as shown in Waste Strategy 2007, there is a strong framework of measures already in place to support lower levels of landfill, including PFI, packaging regulations, the Landfill Allowance Trading Scheme and the landfill tax escalator.

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)

The Government has not capped the level of incentives or charges under a waste incentive scheme. What the Climate Change Bill contains is a *reserve* provision to limit, in exceptional circumstances, how much a household can be charged in any financial year. Joan Ruddock told the Communities and Local Government Select Committee, the Government does not expect to need to use this power but it exists as an additional protection for residents.

This protection—to be used only in exceptional circumstances—does not undermine our central belief in local government’s ability to make the right decisions for its local area.

There is no provision to limit levels of rebates.

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)

The waste incentive scheme is not about collecting waste from householders, but about encouraging all of us to recycle more in order to reduce waste, prior to collection. The Government believes that the majority of the general public are keen to engage positively with environmental issues such as the waste incentive scheme.

These schemes are about incentivising behaviour change and doing so in a way that doesn’t increase the overall burden on householders. For example, authorities would be able to introduce rebate-only schemes. Such schemes would not require householders to pay extra but would reward those making the effort to reduce or recycle their waste.

Other types of schemes could require those producing more non-recycled waste to pay for doing so. But those who take the opportunity to minimise what they throw away would avoid this charge. However, overall, all revenue raised in this scheme must be returned to residents through rebates so authorities will certainly not be using it to fund the same service twice.

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)

Piloting is a well-proven approach to policy-making which allows a proper evaluation of new ideas, so that a informed decision can be made on whether to roll out the scheme across the country.

Obviously, those people outside a pilot area will not gain any of its benefits, but in the longer term could benefit from schemes which were devised using best practice from the pilots.

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)

The Government is pleased to receive this endorsement from the Committee.

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)

The Minister acknowledges there was some discussion of this issue at the time. However, as was stated, in practical terms, charges under a waste reduction scheme would feel very different to residents from most other taxes. This is because where an authority levies a charge on certain households who fail to recycle, it will have to return the money raised by way of rebates to all other households. This means that many residents will actually gain from the scheme. Meanwhile, unlike most taxes, neither the Government nor local authorities would keep any money to cover costs or to fund general expenditure.

Furthermore, as was also explained to the Committee at the time, the Office for National Statistics (ONS) has final responsibility for determining the classification of income (e.g. as taxation) for the purposes of national accounts. The Government has since sought to clarify the position in Parliamentary Questions. The Government will classify income collected under waste incentive schemes as taxation, in accordance with National Accounts guidelines. Broadly speaking, this is because the level of charge is not directly related to the cost of delivering a service, but to incentivising certain behaviours.

The Government does not accept that residents will necessarily view charges under a waste reduction scheme as an additional tax - especially not those who through positive action on recycling and minimising their waste, benefit from a rebate.

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)

The Government does not believe its actions represent a retreat, but rather a sensible response to stakeholder concerns and we believe that local authorities are best placed to make such decisions.

This is an important new policy for local authorities as it could achieve significant results, both in environmental terms and in saving money for the local area. We agree with the Committee that local authorities should be free to use these powers if they want to.

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)

All the evidence suggests the UK will achieve its Landfill diversion targets for 2010 and while the 2013 target remains challenging there are many new waste treatment facilities across the country that will come online in time to have the necessary impact.

Subject to the outcome of the pilots, waste incentives are firmly positioned, if rolled out, to help us reach the 2020 target to reduce waste to landfill by 65%. We accept that changes take time, so there is a greater need to start now to ensure incentive schemes could play a significant role in the long term.

It is important to engage with the public on this issue. We want to hear their concerns but we also want to explain fairly the potential benefits of these schemes and to point to examples overseas.

We continue to believe that the public are keen to engage positively on environmental issues, including what they can do to reduce the amount of waste they generate. For example, as can be seen by polls last year by Defra and IPSOS Mori, the majority of the public agree with schemes which reward good recyclers and penalise those not making the effort. Our incentive schemes fit with this sentiment.

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)

The Government will not withdraw its financial incentive pilot proposals from the Climate Change Bill. As mentioned the waste incentive policy is new and will be piloted before a decision is made to roll out the scheme. This is a sensible approach. It allows us to trial the schemes and gather high quality evidence before taking a decision on whether the powers should be more generally available.

The Government agrees with the Committee that local authorities, working closely with their communities, are best placed to decide what will work in their areas. This is why it will be up to local authorities—both during the piloting stage, and if the powers are rolled out in the future—to decide whether they wish to run a scheme; and how that scheme should operate.