

▶ London Councils response

▶ Environmental Audit Committee call for evidence on Treasury policy on meeting recycling targets

London Councils represents London's 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities regardless of political persuasion.

London Councils welcomes the opportunity to provide evidence to the Environmental Audit Committee's inquiry. In London, four joint waste authorities and one waste partnership provide disposal arrangements for 25 boroughs. 12 boroughs both collect and dispose of waste. The London Waste and Recycling Board was established by the Mayor of London in 2008 to promote and encourage in Greater London the production of less waste; an increase in the proportion of waste that is re-used or recycled; and the use of methods of collection, treatment and disposal of waste which are more beneficial to the environment.

Has Treasury policy played a positive role towards meeting national and local Government targets on recycling and waste? Are DEFRA and HM Treasury policies coherent?

We do not believe that HMT has played a positive role towards meeting recycling and waste targets, and is notable by its absence in the sector. Overall, we want to see HMT, Defra, DCLG and DECC approaching waste management and resource security in a much more cohesive way.

The recycling market is delicately based on recyclate being cheaper for producers to use than virgin materials, and the recent drop in oil prices and the subsequent cheapening of virgin plastic is one example of how precarious the recycling market is for companies and councils. With low prices for recyclate, councils see a sharp decline in the financial benefits of recycling, and this has consequences for the delivery of waste management services. At the same time, start-up and innovative companies face severe constraints on their bottom line, despite them being exactly the sort of businesses that London and the UK needs to derive the proper value of recyclable material and transition to the circular economy. We do not expect government to intervene in the global financial markets to cushion the plastics industry; but there are policies HMT could promote that would protect the recycling sector from financial shocks such as this.

For example, HMT could introduce a variable VAT rate, whereby products that are made principally from virgin materials carry a higher VAT rate, to incentivise producers to use recycled materials in their product or packaging. Alternatively VAT rates could be variable depending on whether the product is recyclable or not.

What impact has Treasury policy had on the ability to finance recycling and waste projects over the course of the last Parliament?

We are concerned by changes to feed-in tariffs. We acknowledge these are operated by DECC, but they are backed by HMT. This government needs to be committed to generating renewable energies and should welcome, not oppose, high subscription to feed-in tariffs as evidence of market and individual willingness to engage with the renewables sector. Feed-in tariffs are vital to supporting in particular the anaerobic digestion sector, where feed-in tariffs help bring security for investors that the long-term investment they are making will be viable. The UK needs to associate much more closely its policies on energy security and resource security, as they can be complementary. HMT can therefore contribute far more strongly to meeting waste and recycling targets by retaining feed-in tariffs at their current levels, and not reducing them further, and giving greater consideration in future to increasing the tariffs again. This will assist local authorities in introducing food recycling collections, and ensuring that the market provides the technology needed to process food recycling. Likewise as more local authorities introduce food waste collections and the amount of compost increases, the government needs to consider how this can be used on Britain's soil. Soil quality is therefore also part of the picture.

Whilst we support landfill tax and its aims, we want HMT to take into account the unintended impact that it has on incentives to export waste. HMT needs to link waste more closely with energy security, and provide incentives for this waste to be recycled or sent to energy from waste plants. This can be achieved by incentives or by higher taxes on the export of waste. At the same time, Defra needs to give greater consideration to how to capture the recycling rates achieved by private waste companies, as their activities need to count towards the UK's recycling targets as well.

What impact is current Treasury policy likely to have on the achievement of national and local recycling and waste targets?

The UK is required to recycle half of its waste by 2020, and these targets have been applied to local authorities in turn. The Mayor of London has additional targets for London's local authorities as well. It is generally acknowledged that it will be exceptionally difficult for all of London's local authorities to achieve this target without significant investment in services and given that some boroughs are tied into lengthy waste management contracts.

This need for investment comes at a time when local authority budgets are under enormous pressure and this seems an opportune time for Treasury and Defra to look at alternative, producer-driven ways to fund this change, in accordance with circular economy principles. In the short-term, we want to see the Treasury consider funding measures that will drive up recycling; one way this could potentially be achieved would be through devolving London's proportion of landfill tax to London as part of the devolution conversation. Ultimately we consider that the circular economy, if fully adopted, would actually mean that local authorities would no longer provide waste and recycling collection services, because the market would see waste and recycling as such a valuable asset that it would seek to collect it itself.

Until such time, we want to see a system of producer responsibility introduced and greater mechanisms for promoting the 'take back' of products. This should be extended from WEEE to other bulky items such as sofas

and mattresses and should be provided at the point of delivery to the purchaser, as well as offered in store, to ensure online merchants have the same responsibilities as those with physical floor space in high streets and shopping centres. Businesses should be required to publicise this service more, and innovative approaches such as businesses in a particular street joining together to accept a range of products in one location, perhaps facilitated by Business Improvement Districts, should be encouraged. We consider nappies to be another product where we would like to see producers taking far greater responsibility for what becomes of their product. We note that Belgium has extended producer responsibility for 11 waste streams.

We want to see HMT consider a system of 'pay as you throw' that would accompany compulsory recycling requirements. Whilst we acknowledge that 'pay as you throw' would be harder to achieve in high density, multi-storey flats that are common in some parts of London, London Councils together with our waste partners are willing to develop a proposal for HMT to consider.