

LONDON COUNCILS

TRANSPORT and ENVIRONMENT COMMITTEE

25 June 2007

London Councils represents all 32 London boroughs, the City of London, the Metropolitan Police Authority and the London Fire and Emergency Planning Authority. London Councils fights for more resources for London and for a fair deal for London's 33 councils.

The Transport and Environment Committee (TEC) aims to ensure that London boroughs' concerns and best practice are taken fully into account in the development and implementation of the whole range of transport, environment and planning policies generated by Government departments, the European Union, and the Mayor of London. The committee deals with a wide array of issues, including waste, climate change, air quality, water resources, bio-diversity, nature conservation, and public protection.

Representation from London Councils to the London Assembly Environment Committee

**Making waste work in London: The Mayor's Draft Business Waste Management Strategy
Draft for consultation with the London Assembly and functional bodies**

Questions on Proposal 4: Broadening the role of local authorities

1. London Councils support the direction of European and national policy and legislation to reduce landfilling, improve alternative disposal methods and increase recycling. Therefore in general, London Councils believes the Mayor's Draft Business Waste Strategy is a positive step towards addressing the problem of managing London's waste in a sustainable and integrated way.
2. However, whilst London's authorities will be looking to engage positively with the Mayor on this strategy, some of the proposals go further than the new national waste strategy for England. Although the national strategy also promotes a wider role for local authorities with regards to business waste, it envisages this role being developed on a voluntary basis by local authorities, with financial support from central Government.
3. In terms of providing some initial high level comments on the Mayor's strategy, London Councils suggests that the next draft would benefit from including some more detail on implementation mechanisms so that consultees are given more meaningful propositions to consider and comment upon.
4. The questions posed here by the London Assembly Environment Committee focus specifically on Proposals 4 of the Mayor of London's Draft Business Waste Management Strategy (for waste authorities to provide commercially competitive recycling and composting services to business, and accept business waste for reuse or recycling, for free, at their Reuse and Recycling Centres) and the findings of research commissioned by the Assembly (SMEs and Sustainable Waste Management in London), which highlights that many small businesses already are using local authority facilities, either at council tips or as part of their door by door collection service.

5. While the London Assembly's question focus on the first two elements of Proposal 4, they do not consider the major implications for London's waste authorities of the third bullet of Proposal 4, for waste authorities to accept business waste for reuse or recycling, for free, at their Reuse and Recycling Centres. London Councils has major concerns with this element of the Proposal 4. The cost implications for London's waste authorities of this element of the Proposal are immense and appear not to have been considered in the draft strategy. Theoretically this would open up London's waste authorities to managing, free of charge, a vast proportion of London's business waste unchecked, at the Council Taxpayers expense. London Councils question whether it would be legal for a local authority to expend taxpayers' money this way? If not, then the additional costs and the costs of any growth that ensued from this more attractive (free) service would need to be fully borne by a body that had that legal power (LDA). However the experience is that these costs would end up being borne by the local authority. London Councils has raised these concerns at this point in the hope that the London Assembly Environment Committee will consider these points in its response to the Mayor of London.
6. The views given here represent the broad local authority position in London and should be taken as such. There are many examples of best practice in trade waste services offered by London boroughs, but as explained later the delivery of trade waste service is and must remain a local decision based on local circumstances.

Q1. The Mayor's Draft Business Waste Strategy aims to ensure that local authorities begin to compete with the private sector in the handling of business waste.

Q1a How enthusiastic are London's boroughs to take on private waste companies as envisaged in the Mayor's draft strategy?

7. To answer this question it is important to understand the current market place regarding commercial waste collection. The management of commercial waste is outside the direct control of local authorities. Government policy over the last 15 years or more has been to allow commercial organisations the freedom to choose who will collect and dispose of their waste, with local authorities providing a fall back collection and disposal operation of last resort.
8. Local authorities have a statutory duty to offer a trade waste service (at a reasonable price) but can not require business to choose the services in preference to those offered by the private sector. Local authorities must charge an appropriate commercial rate for this service (and for commercial recycling services), at a rate which ensures there is no cost (or risk of cost exceeding income) to the authority.
9. Commercial waste is a sector where there is fierce competition. It may be difficult for many local authorities to offer the economies of scale of the large multi national waste companies (Biffa, SITA, Veolia etc) which means these companies are able to cherry pick the most profitable contracts. Additionally the majority of large businesses have waste contracts which transcend local authority borders. Nationwide contracts are the norm for big business which have national and regional concerns. There is no evidence to show that fragmenting this system would deliver a more environmentally friendly system for disposal of this waste and large businesses that have national contracts would no doubt argue they are disposing of their waste in a very environmentally friendly and sustainable manner.

10. On the flip side local authorities are also under cut by the small independent traders trying to get a foothold on the market – local authorities simply can not do this at the expense of the council taxpayer.
11. Additionally since the introduction of the Landfill Allowance Trading Scheme (LATS) local authorities have been yet further disadvantaged in the delivery of commercial waste collection services. LATS has grossly skewed the commercial waste market in favour of private sector competitors, who do not carry the LATS burden. CIPFA (The Chartered Institute of Public Finance and Accountancy) have said that in accounting terms LATS is a cost like any other and should be taken into account. Therefore in setting commercial waste collection charges a local authority should recover reasonable costs associated with LATS.
12. That said 21% of the waste collected by London local authorities is non-household compared to 11% in England as a whole. This suggests that London boroughs are collecting relatively more commercial waste than authorities outside London.
13. For some London waste collection authorities there are real opportunities in entering into the commercial waste market, but this must be a local decision, managed at a local level, with each authority taking account of local circumstances to establish if it is financially viable.
14. Additionally serious consideration must be given before a local authority puts public money at risk by investing in specific facilities for the commercial sector or put unspecified support into a subsidized service where there is no benefit to the general council taxpayer.

Q1b. How far off are local authorities from being in a position to meet this aim?

15. As stated above for some London boroughs there are real opportunities in entering into the commercial waste market. Currently 26 of the 33 waste collection authorities in London deliver trade waste services and 19 offer trade waste recycling.

Q1c. What needs to happen for local authorities to be able to compete with private sector business waste management?

16. The biggest obstacle to local authorities is the Landfill Allowance Trading Scheme, and the potential financial implications of exceeding landfill allowances. To create a level playing field in the commercial waste sector the LATS burden on local authorities needs to be reduced. Alternatively Government will need to develop an equivalent cost to impose on non-municipal commercial waste.
17. In its March 2007 Budget Statement, Government announced that landfill tax will increase by £8 per tonne each year from 2008/09 until at least 2011/12. The increase in the medium term will impact severely on disposal authorities, and through them, collection authorities. Although there is an economic rationale for this policy, its implementation potentially places further financial pressure on authorities. There is ongoing concern at the lack of transparency in ensuring current landfill tax revenue is returned to local government.

18. The Treasury and DEFRA have always contended that the Landfill Tax Escalator (LfTE) has been allowed for in the Revenue Support Grant (RSG), meaning that all landfill tax costs above £15 per tonne are cost-neutral to local government. However, there appears to be no transparent mechanism to clearly identify what element of the money paid is received back by each waste disposal authority. The money is returned to local authorities through RSG using the 'usual formula' which invariably means it is not distributed equitably among authorities. In particular, authorities on the grant floor receive a lower grant than others. If there is only a random link between the landfill tax paid and the extra RSG received, it follows that some authorities will receive less back in grant than they paid in landfill tax. More importantly, if an authority is not fully refunded against the extra costs of the LfTE, then it will need to offset these extra costs internally. Effectively that means reducing spend on peripheral services such as trade waste collections.
19. London Councils has supported the view that setting targets for municipal waste rather than simply household waste will increase the likelihood of higher recycling rates for the commercial element of the municipal waste stream and may have a wider positive impact on the management of business waste in general. However, delivery of the wider role envisaged by the Mayor's strategy, coupled with delivering on more challenging household waste targets set out in the new Waste Strategy for England will require adequate Government funding.
20. Waste authorities reflect local circumstances in their investments in service provision but voluntary cooperation and partnerships can bring economies of scale benefits. There are a wide range of organisations throughout London who offer business recycling services. These range from the voluntary sector through small but effective businesses up to large national businesses.
21. London Councils believe that one important question not addressed in the Mayor's strategy is "How can local authorities' best work with the private and voluntary sectors to maximise the recycling services available to businesses in London?"

Q1d. Are there any relatively small adjustments that don't necessarily require new infrastructure that could be made to your current levels of service provision which could promote and incorporate the SME sector as your clients?

22. As stated 26 of London's 33 waste collection authorities deliver trade waste services and 19 offer trade waste recycling and a high percentage of this client base comprises of SMEs.
23. If an authority is going to make adjustments to their service provision to deliver trade waste collections, specifically targeted at the SME sector care needs to be taken to ensure that recovery and recycling of commercial waste brings the overall cost down for all users. London Councils would be looking for how these mechanisms could work in London in the light of the revised national strategy.

24. Additionally London Councils believes the proposal that waste authorities accept business waste for re-use or recycling, for free, at their Re-use and Recycling Centres is unworkable at present. London Councils does not believe that such a service can be provided within the current regulatory framework, which requires authorities to both charge for business waste and to provide free services for householders at re-use and recycling centres. This proposal would also result in residents effectively subsidising business waste services and may lead to problems in relation to accounting for evidence of business waste tonnages recycled to meet producer responsibility requirements. As an aspiration this Proposal would clearly benefit business waste recycling and re-use rates, but without additional information about how it might be achieved, or detail regarding the steps which will be taken to make it happen, it is difficult to comment further.
25. Further to this, both the wider waste strategy and GfK research propose some form of incentivisation to encourage commercial recycling – such as free collections similar to household collections, reduced charges or reductions to the business rates.
26. London Councils agrees with the rationale for offering some form of incentivisation to promote commercial recycling. But as evidence from some London authorities who currently offer substantial discounts show this rationale does not guarantee that business will sign up to the service.
27. Requiring councils to set up a comprehensive trade waste / trade waste recycling service, which businesses may choose not to use (for legitimate reasons of cost or convenience) or offer financial incentives to boost participation rates may not be a helpful use of available funding.

The London Environmental Support Service

Q2. GfK's research's found that SMEs regard their local authority as the 'natural, most effective channel for any communication' regarding waste management. The Mayor's Draft Strategy sees the LDA's LESS scheme as a key component in the delivery of advice and information for the business sector.

Q2a. How geared is the LESS service toward the SME sector?

28. No comment.

Q2b. What are boroughs doing to support or promote sustainable waste management among SMEs?

29. Waste Collection Authorities do a huge amount to promote compliance with the Duty of Care regime and promote sustainable waste management with business as the GfK research bears out "Local Councils are the most common source of advice".
30. WCAs are also taking a proactive approach to get SMEs and other small non-domestic producers into the waste system (Duty of Care). But a new approach is needed if significant improvements are to be made. London Councils believes further emphasis should be given to awareness, and compliance and enforcement regimes.

31. The fact that the majority of SMEs are unaware of their Duty of Care requirements confirms the current inadequacies of the knowledge base. The first and most important action must be to raise awareness of the legal requirement within the business community. However the onus should not be placed solely on local government. There should also be some national awareness promotion linked to a demonstration of the commercial benefits and potential consequences on non-compliance.

Q2c. How do you envisage the LESS service/website developing to integrate local authority services?

32. No comment

Q2d. The GFK research found that the communications that local authorities had with SMEs through the collection of business rates was potentially a rich source of information. Is this the kind of opening that the LDA/LESS/local authorities would be keen to exploit? What other avenues may there be, beyond websites and ad campaigns?

33. As stated above local authorities communicate closely with businesses in their boroughs, and the collection of business rates provides an ideal conduit already utilized by authorities.