

LGA Response to Consultation on introducing a Deposit Return Scheme in England, Wales and Northern Ireland

May 2019



Submission

1. About the Local Government Association (LGA)

- (a) The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
- (b) Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

- (a) The LGA welcomes the opportunity to contribute to the consultations on resources and waste reforms, first set out in the Government's Resources and Waste Strategy. Here we set out an overview of the LGA's response to the package of reforms. We have also answered the individual questions in each of the consultations.
- (b) The LGA supports the ambition for an increase in recycling rates. As the Resources and Waste Strategy notes councils have a good story to tell on the growth in recycling, which has been maintained at its current level of around 45 per cent in recent years even though central government funding for councils has reduced by £15bn, nearly 60 per cent, since 2010. The local government sector is ready to take on the challenge of improving recycling levels and the overall waste service it provides to its residents. Our work in understanding the reforms continues and we are grateful for the engagement with DEFRA.
- (c) Below we set out some of the areas that need further engagement and consideration, but first we set out the emerging sector wide view of the reforms based on our engagement with councils:
 - The reforms to the producer responsibility schemes are long overdue and we agree with the Government's broad proposal that producers should be responsible for 100 per cent of the costs of managing packaging waste.
 - The majority of councils are already collecting a set of dry recyclables resembling that proposed in the consistency consultation. Where there are substantial additional costs for councils in complying with the proposed set, these should be met by new burden funding and/or transition funding. However, consistency cannot be applied to collections alone, it must also be a principle in the design and recyclability of packaging.

- How waste is collected should continue to be determined locally. Current approaches reflect a range of local factors. The vast majority of people are not constantly on the move and they do not have to negotiate different local systems. Residents need to know what can be recycled, which is dependent on producers making this very clear on packaging, and their local method for collection. The current differences in the collection service will take into account local geography and housing types and the investment in and availability of sorting and reprocessing infrastructure.
- The mandating of food waste collection means that all councils should receive new burdens funding to pay for this service even if they have previously been collecting food waste on a voluntary basis.
- Councils should continue to be allowed to charge for garden waste collection. In our view residents are willing to pay for this service and from our engagement with councils there is little evidence of garden waste being diverted to residual waste as a result of the charge.

3. We make the following additional general points on the package reforms:

- (a) **Scope of the reforms:** the reforms focus on increasing recycling but also need to consider action first to prevent waste. The consultations have little to say on whether and how to reduce the overall level of packaging entering the system or the mechanisms for stimulating investment in end of life reprocessing infrastructure. The reforms implicitly rely on market forces to stimulate the use of the right type of packaging, but do not reference an ambition to reduce the overall level of packaging entering the system. Similarly it is assumed that the market will absorb an increase in the supply of recyclable material but there is no discussion on whether incentives are required, the types of preferred reprocessing procedures, the siting of infrastructure, or the timescales for bringing new infrastructure on stream. The current reprocessing market is patchy both geographically and in the depth of its capacity.
- (b) Reduction in the quantity of packaging entering the system should be an explicit aim. The government should also signal its long-term preference for how we reprocess recyclable material and consider the incentives that might be required to encourage investment in the right infrastructure in the right place. The Government must also recognise the investment that has taken place already at the local level, for example in energy from waste plants, with the support of past Governments. Any policy and/or tax changes to legacy systems will have a significant financial impact.
- (c) **The relationship between the reforms:** The individual reforms will have an impact on each other, but these feedback or spill over effects are not explicitly articulated or mitigated in the consultation documents. One example is the impact of an all-in DRS system on the net cost of kerbside collections. A second is how the EPR and DRS systems interact in the discharge of the overall producer responsibility and the relationship to payments that councils will receive for their role in recycling. The links between the various reforms need to be made more explicit so that councils can understand fully the implications of taking forward any particular set of reforms.

- (d) **Funding:** Local government needs clarity about the future funding of the waste service. The Government states that “the funding to meet [packaging waste] costs will transfer from central and local taxpayers to businesses”.^[1] Current funding of local authority waste services is not transparent. Councils’ funding is made up of council tax, retained business rates, Revenue Support Grant (RSG), specific grants, fees and charges and commercial activities. There is not a line in central government’s budget that is specific to waste services and changes in the composition of local government finance, through a series of financial reforms, means that it is not possible to assess how much funding has been made available by central government for local authority waste collection and disposal.
- (e) It is imperative that producers fully fund, through the Extended Producer Responsibility (EPR) measures, both the current waste collection and disposal costs as well as costs associated with increasing the recycling rate. The funding arising from the EPR should flow in its entirety to local government.
- (f) It is important to note that as part of the Government’s Review of Relative Needs and Resources, MHCLG is developing a series of formulae to fund local authorities’ services including waste. DEFRA will need to work with MHCLG to ensure that the payments to councils arising from EPR are compatible with the outcome of the Review of Relative needs
- (g) The ‘polluter pays’ principle with regard to packaging has been incorporated into European legislation for the past 25 years.¹ In that time the proportion of recycling costs that have been paid for by businesses in other European countries has far exceeded that paid by businesses in the UK.² In 2017 producers paid £73 million towards the cost of managing waste packaging. This compares with an estimated cost to councils of £700 million for managing the collection and disposal of packaging waste.³ For years councils have borne the cost for packaging recycling that should have been the responsibility of producers. The Government must now commit to the funding that comes from an improved producer responsibility system being additional.
- (h) **Assumptions:** a range of assumptions inform the impact assessments associated with the proposals and they also help shape the Government’s emerging preferred options. We would like to thank the Department and WRAP for their engagement with the sector on these assumptions. We have worked with waste experts and financial analysts to understand the assumptions and there are signs that this element of the Department’s work should be treated with some caution and by extension we should be wary of a narrative of technical objectivity.
- (i) WRAP has been gathering and analysing data on waste management and recycling for the last 15 years and it has undoubted expertise in this area.

^[1] Consultation on reforming the UK packaging producer responsibility system

¹ EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE 94/62/EC

² European Commission report: Development of Guidance on Extended Producer Responsibility (EPR), Final Report 2014

³ The Packaging and Recycling Obligations, NAO 23 August 2018 para 3

However, as it stands we have not seen the underlying WRAP data and we are unable to reconcile councils' data on costs with the data that WRAP uses to populate its model. The model itself is limited in scope and does not take account fully of high rise flats. In our view this materially restricts the explanatory capacity of the six rurality categories used in the model that underpins the analysis, particularly in terms of the consistency consultation. The model employs standardised costs derived from actual costs provided by councils. We are told that the variation between actual gross costs and standardised gross costs is relatively small (although we have not been able to test this), but this masks greater variation in net costs (which take into account income to councils from recyclable material).

- (j) The model stylises an ideal collection system, a preferred model being multi-stream collection, and uses this as a basis for determining the extent to which councils are 'efficient'. This approach is used in the impact assessments to project savings as a result of councils moving to an idealised system. The model does not take into account, and nor can it, the peculiarities of geography and housing types in any given area. What WRAP determines as inefficiencies and therefore potential savings, are in our view the product of good local decisions based on a range of local factors that seek to optimise the waste service within the constraints of geography and housing types.
- (k) **Future work:** We have answered the questions in the consultation as fully as we can. However, we note that in many cases the high level nature of the consultation documents and the accompanying impact assessments make it difficult to provide definitive responses. More work is required to understand and refine the reforms and we look forward to our continued engagement with DEFRA on these matters

4. DRS Consultation

- (a) The LGA is supportive of the Governments ambition to deliver a DRS. An effective DRS will help to deliver improved quality and quantity of recycle. It could also be a real force for delivering behavioural change amongst consumers.
- (b) However, we have to question the value being placed on DRS within the Impact Assessments (IAs). We have sought external financial analysis and this has confirmed that the value being placed on the disamenity of litter within the DRS proposals needs further clarification. The calculation on disamenity of litter is not well supported by the evidence presented. We would question the overall value for money of DRS if the figures for litter disamenity are excluded from the analysis.
- (c) There is not enough supporting data to help make a decision about whether all-in or on-the-go would be the best DRS models to support. The next phase of any DRS work must address this with data collected in the UK to support any decision making.
- (d) Producers contributing to DRS should still have to pay for EPR. EPR is the fundamental method for ensuring that councils get full net cost recovery. If producers are allowed to only pay into DRS councils could potentially lose out on getting their full costs paid for and end up with council tax payers having to pay for DRS material which has ended up in litter or residual waste.

- (e) DRS is a collection system. It does not on its own make producers change their behaviour. DRS has to be implemented in a manner which actively encourages producers to use more environmentally friendly bottles. It must not be a system which facilitates producers carrying on with their current behaviour whilst consumers pick up the cost via paying deposits.

Our Approach

This section of the document is wide ranging covering:

- ***Basic principles for a DRS***
- ***Range of materials in scope***
- ***Material and financial flow in a DRS***
- ***The Deposit Management Organisation (DMO)***
- ***The deposit***
- ***Transparency***

5. Q8. Do you agree with the basic principles for a DRS?

- (a) The LGA broadly agrees with the proposed principles for a DRS. Point 2 should also extend to incorporating local government. Therefore the 'measures should work effectively together in a way that is understandable and fair for consumers, industry and local government.'

6. Q9. Should the following materials be-in scope?

- **PET bottles**
- **HDPE bottles**
- **Aluminium cans**
- **Steel cans**
- **Glass bottles**

- (a) The suggested material types should be in scope as long as they can be clearly communicated to the public, and are easily collectable through any scheme.

7. Q10. Should the following materials be-in scope of a DRS:

- **Cartons e.g. Tetrapack**
- **Poaches and sachets, e.g. for energy gels**

- (a) Further consideration should be given to the impact on material types which are out of scope and whether producers will start to use these more in order to avoid the DRS. Cartons, pouches and energy gel sachets are difficult to recycle. This needs to be reflected in any modulated fees system to ensure that these products don't become a cheaper option to avoid DRS.

8. Q11. If a DRS were to be introduced, should provisions be made so that glass bottles can be re-used for refills, rather than crushed and re-melted into new glass bottles?

- (a) The LGA is not in a position to comment fully on this issue. However, three factors will need to be taken into consideration: the energy efficiency of each method; health factors; and public perceptions.

9. Q12. Should the following drinks be in-scope of a DRS?

- **Water**
- **Soft drinks (excluding juices)**
- **Juices (fruit and vegetable)**
- **Alcoholic drinks**

- **Milk containing drinks**
- **Plant-based drinks**
- **Milk**
- **Other**

- (a) Local government is concerned about the impact of DRS on kerbside collection. We are therefore interested in material types, rather than which drinks are in scope. An ambitious scheme is a sensible approach as this will maximise litter reduction and hopefully increase recycling rates. We understand milk (diary) being recognised as an essential product and therefore outside of the scope of the DRS scheme.

10. Q13. Do you think disposable cups should be in the scope of a DRS?

- (a) Coffee cups need to be dealt with through both DRS and EPR. The DRS element would provide an in-built incentive to cup users to recycle their item in order to receive their initial deposit. Hopefully the DRS element would address the majority of these cups. The EPR scheme would be able to reflect the fact that this item exists to deliver convenience to the user. Therefore ultimately there will always be a percentage of these cups which end up in recycling bins, litter or the residual waste streams. All these have an element of collection and disposal costs which should be met by the producer. It is important that coffee cups are dealt with to reassure the public that their concerns are being addressed.

Material and financial flows in DRS

This section of the document deals with how finance and material will flow in a DRS system. It outlines:

- **How a drinks container would go from a consumer, to a collection point, to a counting system to recycling**
- **Highlights the role of producers and distributors**
- **Outlines how the DMO manages the process of funding all players in the system, and ensuring material flows**

11. Q14. Do you agree with the proposed material flows as described?

- (a) Yes. However, this scheme does appear to introduce a new level of complexity to collecting materials which are currently being successfully collected at the kerbside.

12. Q15. Do you agree with the proposed financial flows as described?

- (a) Yes. However, there are a number of new financial flows needed to make this system work which currently don't exist. Figure 1 – Material and financial flow diagram (pg25) indicates that payments will flow between:
- Consumers and return points/retailers
 - Return points/retailers and distributors
 - Distributors and producers/importers
 - The DMO and producers/importers and return points/retailers
- These are all financial flows that currently do not exist and will need to be established specifically for DRS. There is a significant volume of financial transactions required to make DRS flow. This may open up potential for fraud.

13. Q16. Should producers obligated under a DRS be:

- (a) **Exempt from obligations under the reformed packaging producer responsibility system for the same packaging items?**

- (b) **Also obligated under the reformed packaging producer responsibility system for the same packaging items.**
- (c) **Other**

(b) Also obligated under the reformed packaging producer responsibility system for the same packaging items. All packaging (including drinks bottles) needs to be dealt with under EPR. EPR is the vehicle for ensuring that the full net cost of dealing with an item is met. DRS is a collection method. It addresses how an item is to be collected. But the proposed EPR formulae recognises that packaging can still end up in litter or in residual waste. Therefore packaging items which go through DRS still need to be part of the EPR process so that bottles which end up in litter and residual waste are still paid for. This is not a 'double charge'. DRS is simply one collection route through which producers contribute to the management of packaging waste. Producers of plastic bottles must also pay for the costs of the estimated 15 per cent of in scope packaging which ends up in the kerbside collections and in litter.

14. Q17. If producers were obligated under both a DRS and a reformed packaging producer responsibility system for the same packaging items, how could we effectively ensure that they would not be unfairly disadvantaged by a 'double charge'?

- (a) A producer obligated under both systems would make a split payment. They would need to pay into the EPR system according to their product to cover the costs of litter and residual waste items. However, their payment for the main collection element would go directly to the DRS DMO. They would have to pay the management fees for the DMO and a much smaller proportionate element of the management fees for EPR depending on which model is chosen. The creation of a DRS scheme sets up an additional waste stream which producers are going to have to pay to manage and maintain.

The Deposit Management Organisation (DMO)

This section of the consultation deals with the DMO. The DMO is the central body whose role is to manage the operation of the DRS, including financial flows (deposit values, unredeemed deposits, producer fees, handling fees and material revenue from recycling), logistics (ensuring collected material reaches the recycler), some DRS infrastructure (e.g. maintenance of reverse vending machines RVMs) and reporting to government on collection rates.

15. Q18. Do you agree that the Deposit Management Organisation (DMO) should be responsible for meeting high collection targets set by government?

- (a) Yes. The DMO is managing the financial flows and ultimately material flow. It therefore has control on the main levers for delivering change and so should be responsible for meeting collection targets.

16. Q19. Should the DMO also be responsible for meeting high recycling targets set by government?

- (a) Yes. The DMO is managing the financial flows and ultimately material flow. It therefore has control on the main levers for delivering change and so should be responsible for meeting high recycling targets

17. Q20. Should unredeemed deposits be used to part-fund the costs of the DRS system?

- (a) No. This would create a perverse incentive for producers. Ultimately consumers would be paying for the DRS system and producers would have no incentive to encourage consumers to redeem deposits. Any unredeemed deposit should go into funding communications campaigns for packaging waste.

18. Q21. If unredeemed deposits are not used to part-fund the costs of the DRS system, do you agree they should be passed to government?

- (a) No. When the 5p bag charge was introduced Government simply had a 'clear expectation'¹ that it would be spent on good causes. There was no stipulation that these causes had to be environmentally driven. During the period 2016-17 £66m went to good causes equating to 4p for every bag sold. The remaining 1p per bag went to retailers for their reasonable costs of £4.5m and a VAT element of £17m which went to Government. It is not clear that any of this funding went towards improving environmental outcomes. Unredeemed deposits should fund communications campaigns for packaging waste.

19. Q22. Do you have alternative suggestions for where unredeemed deposits could be allocated?

- (a) Unredeemed deposits will fluctuate from year to year. As time passes it is assumed they will reduce as the public become more familiar with DRS. A high level of unredeemed deposits would indicate an unsuccessful scheme which would need rethinking. Therefore these deposits are not going to be reliable and so should not be used as base funding for anything.

20. Q23. If the scheme is managed by the DMO, which of the following bodies should be represented on the management board?

- Industry
- Government
- Trade associations representing those hosting return points (e.g. retailers, small shops, transport hubs)
- Companies representing those hosting return points (e.g. retailers, small shops, transport hubs)

All the bodies listed should be represented on the management board. Local government would like to have a method for interacting with the DMO in order to raise any issues which may be arising as a result of DRS.

21. Q24. Should there be government involvement in the set-up/running of the DMO body?

- (a) Government should be involved in the set-up of the DMO to ensure that all DMO members have an equal voice. There is also a role for government to play in overseeing the initial fee establishment process to ensure everything is transparent and fair.

22. Q25. Do you agree with the government's proposal that a DMO would carry out the following functions:

- Advise government on the setting of the deposit level
- Set producer/importer fees
- Be responsible for tracking deposits and financial flow in the DRS
- Set and distribute the handling fees for return points
- Ensure appropriate return provisions for drinks containers

- **Maintenance of RVMs and provision of bags/containers to those running manual points**
- **Own the material returned by consumers**
- **Manage contracts with transporters of containers and reimburse them**
- **Fund and manage contracts for sorting centres**
- **Legally responsible for meeting high collection targets**
- **Measure and report recycling rates to government**
- **Run communications campaigns**

Yes. It should carry out all the listed functions. The DMO needs to cover all the functions that are required to effectively collect and dispose of the bottles in a regulated and fully monitored manner. DRS is offering collection services in the same way that councils and private contractors offer to collect waste. The only difference is that a DRS is only collecting one type of item whereas a council/commercial waste collection picks up a range of items. Council and commercial collections are subject to a raft of rules and regulations to ensure that they carry out their services in a safe and legal manner. The DMO needs to be subject to the same requirements that councils and commercial waste providers have to adhere to.

Further thought needs to be given to where there may be potential economies of scale with local government around collection and sorting.

Producers

The next few questions look at how to define a producer and therefore who should fall within the DRS.

23. Q26. Do you agree with our proposed definition of a producer?

(a) Yes

24. Q27. Should there be a de minimis which must be crossed for producers and importers of drinks in-scope of a DRS to be obligated to join the scheme?

No. As stated in our EPR response everyone who is creating packaging waste should be contributing towards its collection. DRS is simply a method of collection. If it is relevant to the producer's product they should be contributing towards it.

25. Q28. Should a de minimis be based on:

- Number of employees
- Sales figures
- Volume/weight of drinks put on the market

No. As stated above all producers of drinks that fall within the scope of DRS should be mandated to join the scheme.

26. Q29. If there is a buy back scheme for recycled materials, do you have evidence for how this could be effectively run?

The LGA does not have any evidence for this.

27. Q30. In line with the principle of full net cost recovery, the government proposes that producers would cover the set up costs of the DMO? Do you agree with this proposal?

Yes. The DMO exists to enable DRS to operate effectively. DRS is a method by which producers can discharge some of their responsibility to pay for the management of packaging waste and so therefore it should be funded by them.

28. Q31. Should the DMO be responsible for co-ordinating the set-up of the DRS, including buying RVMs and an IT system?

Yes. See answer to previous question.

29. Q32. Should producers of drinks within a DRS be responsible for DRS operational costs?

Yes. See answer to previous question.

30. Q33. Which of the following should be obligated to host a return point?

- Retailers who sell drinks containers in scope
- Transport hubs
- Leisure centres
- Event venues

(a) Retailers who sell drinks containers in scope should be obligated. Beyond this local conversations need to take place in order to determine where best to locate return points. A blanket approach to this may not necessarily deliver the level of national coverage the scheme seeks.

31. Q34. What might the impacts be on those hosting?

The LGA is not best placed to comment on this.

32. Q35 Are there any health and safety specific implications that may be associated with hosting return points?

The LGA is not best placed to comment on this.

33. Q36. Is there a de minimis level under which businesses who sell drinks in scope should be exempt?

No. If you sell a DRS item you should be able to collect in DRS items. It is important this message is clear to the public in order to make the scheme a success.

34. Q37. Should a de minimis be based on any of the issues listed?

- Floor size
- Sales figures for drinks in scope
- Number of employees

No. See previous response to de minimis concept.

35. Q39. Do you have alternative suggestions for return provisions that could be used to accept the return of drinks containers?

There may be some councils who are interested in hosting return provisions. This would need to be negotiated with councils at a local level.

36. Q40. For consumers who would have difficulty returning empty drinks containers, what provisions could be put in place so that these consumers are able to return drinks containers and receive their deposit refund?

DMO's could work with councils who may be able to offer these services. Alternatively, retailers who offer delivery services may also offer take back services. The DMO should work with disability charities to understand what adaptations are required to deposit return schemes to make them accessible to all.

37. Q41. What provisions could be put in place for rural areas where there may be few small retail outlets spread over a wider area, in order to ensure that there are adequate return and collection facilities?

See previous answer

38. Q42. Do you have evidence that would help inform us about whether there is potential for siting RVMs outdoors e.g. in parks, at existing outdoor recycling centres, on highstreets?

Some individual councils may have this data. However, it should be noted that the siting of RVM in outdoor locations would require planning permission.

39. Q43. Should online retailers selling drinks in in-scope containers be obliged to pick up and refund DRS material?

Yes. They should not be treated differently to retailers with a shop front. Online retailers have a door step delivery system built into their costs which could be harnessed to help deliver DRS.

40. Q44. Should there be a de minimis under which online retailers would not be obligated to pick up and refund DRS material?

No. See previous de minimis response.

41. Q45. Should certain businesses which sell drinks in in-scope drinks containers host return points, e.g. pubs, hotels, cafes?

Yes – see earlier answers

42. Q46. Should there be an opportunity for retailers that don't stock drinks/those who may not be obligated to provide a return point to 'opt-in'?

Yes. As long as effective monitoring and compliance can be ensured.

43. Q47. Do you have any further views, comments or evidence in relation to retailers not already covered above?

No

44. Q48. How should a DRS account for 'on-trade' sites such as bars and restaurants?

The LGA supports the government's suggestion that businesses such as hotels and bars receive a small 'handling fee' for drink containers returned

through the DRS system; with businesses paying the deposit and redeeming this when they return the empty drink containers

The Deposit

The next few questions deal with the DRS deposit.

45. Q49. What do you consider to be the optimum deposit level to incentivise return of drinks containers?

This is not an issue the LGA has a position on.

46. Q50. Should the deposit level be a flat rate across all drinks containers covered by the DRS?

The Government should be encouraging producers to move away from using materials which are difficult to recycle. Consideration therefore needs to be given to differential deposit levels to help drive this.

47. Q51. Should there be an alternative deposit level for drinks containers in a multipack, rather than each container carrying the same deposit?

The deposit should be determined by the material type not by whether it is in a multipack.

48. Q52. How do you think deposits should be redeemed?

Deposits should be redeemed in a manner which limits fraud.

49. Q53. Should the DMO be responsible for ensuring that there is evidence that drinks containers have been recycled?

Yes. As the body which will ultimately own high quality material it should be responsible for ensuring the evidence to prove that this material is recycled.

50. Q54. In addition to reporting on collection rates, should the DMO also be obliged to report on recycling rates of in-scope drinks containers?

Yes. See answer above.

51. Q55. How do you think transparent financial flows in a DRS could be achieved most effectively?

The LGA is not in a position to answer this question.

Monitoring and Enforcement

DRS creates a scenario where there is valuable material flowing around a system. This creates an environment where there is potential for fraud. As the DMO would be responsible for coordinating the financial elements of a DRS, the DMO's functioning would need to be transparent and subject to regular and rigorous audit. The next few questions deal with monitoring and enforcement issues.

52. Q56. Would Environment Agencies in England, Wales and Northern Ireland be best placed to monitor/enforce a DRS covering England, Wales and Northern Ireland?

Yes

53. Q57. How frequently should the DMO be monitored?

Initially bi-annually. Once it is well established this can become annual.

54. Q58. How often should producers be checked for compliance with the DRS (if compliance is obligated)

The LGA does not have a view on this.

55. Q59. Should enforcement focus on a sample of producers or all producers?

This will be determined by the resources available.

56. Q60. Should any fines on the DMO or producers/importers be set by the regulator appointed to monitor the DMO?

Yes – the regulator who is appointed to monitor the DMO should set any penalties for the DMO and producers/importers

57. Q61 to Q65 These questions are on areas that are not within the remit of the LGA.

DRS Options – ‘all-in’ and ‘on-the-go’

DEFRA is consulting on two different options for a DRS. The following series of questions focus on the differences between the two schemes.

58. Q66. Should drinks containers over a certain size, be excluded from an all-in DRS?

If drinks containers over a certain size are excluded they must be fully funded under EPR.

59. Q67. If drinks container over a certain size were excluded from an all-in DRS, what should the maximum cut-off size be?

Anything outside a maximum cut-off size must be funded by EPR.

60. Q68. Do you agree with our definition of ‘on-the-go’ as less than 750mls in size?

LGA doesn't have a fixed view on this.

61. Q69. Do you agree with our definition of ‘on-the-go’ as excluding multipack containers?

In the summer multi pack items are often consumed in picnics in the park. These items would therefore be consumed in an on-the-go manner and should be included although the original point of sale intention may not have been this. This definition requires further consideration in order for it to be clear to the public.

62. Q70. Based on the information above, and where relevant with reference to the associated costs and benefits outlined in our impact assessment, which is your preferred DRS option?

The LGA would like to be in a position to support DRS. We currently do not have a preferred DRS option. The consultation document is not able to refer to any actual outcomes from pilots being carried out in this country. We are therefore being asked to make a judgement without any local facts. All the comparative data is from European countries which often don't have fully developed kerbside collection systems and so are not comparable. We would welcome DEFRA led pilots of DRS, both 'on the go' and 'all-in' as we are willing to support this initiative if implemented in an efficient manner. We look forward to the results from the pilots currently being conducted by Viridor in Scotland, Tesco and Iceland.

Any selection of a preferred DRS approach must be considered in conjunction with the recommendations in the other consultation documents.

Summary of Approach to Impact Assessment

The next few questions deal with the DRS Impact Assessment and how far it helps to make the case for DRS.

63. Q71. Do you agree with our impact assessment?

The LGA has a number of questions about the DRS impact assessment. Firstly we would like to further understand how the "disamenity of litter" has been calculated. This figure significantly contributes towards making the DRS models demonstrate a net benefit to society. We would seriously question the disamenity figures used in the modelling.

Page 27 of the IA sets out the basis for valuing the disamenity of litter to local communities, referencing a 2011 study "Estimating the Value of a Range of Local Environmental Impacts, Report for Dept. for Environment, Food and Rural Affairs". This is then validated by reference to a calculation based on Eunomia's report "A Scottish Deposit Refund System ", which in turn derives its figures from a prior Eunomia report "Exploring the Indirect Costs of Litter in Scotland ". This latter report bases its calculation on the same 2011 report for Defra, meaning that the validation is in fact based on the same piece of research.

In addition, the report "Exploring the Indirect Costs of Litter in Scotland " notes that the figure calculated on the basis of the 2011 report appears high and is contradicted by two other studies into the same subject, one by Cambridge Economic Associates and another by PWC. These alternative studies suggest that the 2011 report may overstate the cost of litter disamenity by a factor of 3 to 4 times.

Without the considerable contribution to the benefit made by the disamenity of litter calculation, the proposals in relation to DRS would not show a net benefit. If the contribution from disamenity of litter was reduced in line with the alternative evidence referenced above, this would be sufficient to change a net benefit scenario into a net cost scenario.

The IAs also value the reduction in the cost of cleaning litter at approximately £50 million per annum. There is very little data available about how this has been calculated. Councils do not make any national returns to government about the make-up of litter. Although DRS has the potential to remove bottles

from litter the basic collection costs of litter will remain. It is difficult to model the impact on the cost of disposing of the litter due to the lack of detailed analysis around how much of it is made up of bottles. The analysis also fails to account for the potential increase in litter which DRS could potentially lead to due to scavenging for bottles from kerbside schemes.

64. Q72. Do you think more data is needed? If yes, please state where

Further data is required around:

- Disamenity of litter calculations
- Litter composition analysis
- Actual impact on kerbside collection by using a sample group of local authorities
- Impact on litter collection by using a sample of local authorities
- Public perception information

65. Q73. Are there other costs and benefits which we have not covered in our impact assessment?

Yes. There is a lack of clarity within the IA around the costs of dealing with bottles which remain in residual waste. The IA assumption is that 85% of packaging covered by the scheme will be returned and recycled under the scheme, leaving 15% to be collected by local authorities, either within recycling collections, residual disposal or as litter. DERFA has determined this material as outside of the scope of EPR and therefore it is unclear how local authorities will be recompensed for this. DRS is a form of EPR. It is a collection system. Therefore bottle producers should be contributing towards all the other elements of EPR except for collection which they will be paying for via DRS. This needs to be appropriately recognised within the IA.

The proposed implementation of EPR and DRS will place considerable incentives on producers to change packaging. These incentives include:

65.a.1. Change packaging to avoid it being classed as being disposed of in residual waste

65.a.2. Change packaging to minimise the cost of recycling that packaging

65.a.3. Change packaging to avoid it coming under the scope of DRS

Local authorities will attempt to ensure their statutory duties are fulfilled at minimum cost whilst a considerable amount of disruption is occurring. The impact of this will be varied and could include:

- Staffing costs in managing and monitoring the change process and reacting to new developments
- Unexpected swings in annual recycling / residual tonnages
- Inability to conclude long-term contracts due to uncertainty
- A time lag between tonnages reducing and LAs being able to reduce costs to compensate
- Impact on existing contracts for recycling / disposal
- Uncertainty whilst tendering for future contracts for recycling / disposal

The IA's need to address these issues in further detail.

66. Q74. Do you have further comments on our impact assessment?

The IAs for EPR and DRS use different assumptions as follows:

- EPR assumes waste growth and DRS does not address this
- Recycling rate assumptions for glass bottles, aluminium cans and steel cans appear to vary under the "all in" DRS between the EPR (65%, 70%, 70%) and DRS (70%, 65%, 65%) assumptions
- Some of the tonnage calculations appear inconsistent

This lack of consistency should be considered alongside the fact that the assessment period for Consistency of Recycling is 13 years but for EPR and DRS it is only 10 years. Whilst this lack of consistency may not change the results in a material way, it hinders the consultee's ability to build a clear picture of the impact of the proposals.

67. Q75. The dual objectives of a DRS are to reduce litter and increase recycling. Do you wish to suggest an alternative model that would be more effective at achieving these objectives?

When looking at the overall costs of DRS it needs to be acknowledged that as a solution its total running costs are £1,018 million in year 1 and £814 million per annum thereafter. Even with net material revenue being estimated at £37 million per annum this still means that DRS costs £777 million per annum just to collect and process bottles. In comparison local government spent £644 millionⁱⁱ in 2018 recycling all packaging waste (including bottles) from households in the UK. It is important to question whether this level of investment is value for money. DEFRA needs to ensure that it has fully investigated whether if this additional funding went through the EPR system local authorities could offer a different solution for collecting bottles of a prescribed quality.

68. Q76. A potential option for introducing DRS could be to start with the 'on-the-go' model, and then expand/phase roll-out to 'all-in'. Do you think this would be an effective way to introduce a DRS?

The LGA understands that some areas may be in a position to pilot DRS models. This would provide real data which could then be analysed to establish the impact of different models. Starting with on-the-go and expanding to all-in is also an option. It is not possible to comment on its effectiveness as there is no significant data to base a judgement upon. However, this option would provide some data which would be useful to determine how to implement a successful all-in scheme.

69. Q77. Do you think a DRS would help us to achieve these outcomes?

(a) Reduction in litter and litter disamenity

A DRS scheme would help in reducing litter. However, as highlighted in our earlier answers the figures given for reduction in litter and litter disamenity need further investigation. The issue of litter created by DRS i.e. as a result of scavenging from kerbside collections and litter bins is not fully addressed in the consultation.

(b) More recycling of drinks containers in scope of a DRS, especially those disposed of 'on-the-go'

This is highly likely however, it will still need testing as this requires behaviour change on the part of consumers. It must also be seen to provide value for money as a collection method (see answer to question 71)

(c) Higher quality recycling

We would assume this.

(d) Greater domestic reprocessing capacity through providing a stable and high quality supply of recyclable waste materials

A combination of supply of high quality material and the 30% plastic tax may help to stimulate the domestic reprocessing market. However, the LGA cannot extrapolate that a DRS would lead to

greater domestic reprocessing capacity as these are market driven forces. There is nothing stopping producers from exporting their high quality materials elsewhere and importing in materials to use in recycled packaging if the market dictates this is a better option. Also, there is not a strategic statement across the suite of consultation documents on investment in processing infrastructure.

70. Q78. Do you think a DRS, as set out in this consultation, is necessary in helping us achieve the outcomes outlined above?

It is necessary to deliver environmental solutions which increase volume of recycle and quality of recycle whilst being value for money. It is not possible yet to comment on realistic volumes and quality of DRS material. The net benefit case needs more work before local government can confirm that it is value for money.

71. Q79. Do you think the outcomes of what we are hoping to achieve could be reached through an alternative approach?

As highlighted in our response to Q.75 we view DRS as a form of EPR. Producers of bottles should be subject to EPR. DRS should then be dealt with within the EPR model so that all producers still pay for packaging costs in litter and residual waste. They should also all be paying for the additional communication, compliance monitoring and enforcement that these reforms will require.

72. Q80. Do you think an alternative approach would be a better way of achieving the outcomes?

The alternative approach outlined above, and any other suggested alternatives should be fully analysed to establish which one delivers the best outcomes. The best way of achieving these outcomes is the model which ensures that the producers of packaging waste pay the full costs of it to enable the system to increase recycling rates and improve quality. All this whilst delivering value for money and ensuring that the council tax payer is not subsidising these services as they have been doing over the last 20 years.

Further detailed questions

This section of the document contains some detailed questions. Some of these are for individual councils.

73. Q81. Are there particular local authority considerations that should be taken into account when considering whether to implement either an “all-in” or “on-the-go” model?

As highlighted in other questions when considering the all-in model it will be important to fully understand the impact on kerbside collection and the subsequent impact on residual waste collection and management for local authorities. On-the-go models will also require councils to run completely new communication campaigns with local residents

The all-in model also results in a loss of valuable waste streams which councils need to be compensated for. Further clarity is also required about how this lost material would be dealt with in terms of contributing towards local recycling targets. Both models turn the bottle into a commodity with a value

which increases the potential for scavenging and subsequent litter issues which have to be dealt with.

74. Q82. Are there specific considerations associated with your local authority that DRS policy makers should consider?

This is a question specifically for individual councils. However, we would assume that councils with large tourist populations or major commuter hubs will have specific views to feedback. Also there may be further concerns from councils who have more rural populations.

75. Q83. What benefits and/or disadvantage can a DRS provide to your local authority?

(a) NA

76. Q84. Are there any specific considerations associated with local authorities that collect waste from designated DRS return points that we should consider?

Any council which engages in this should be appropriately recompensed.

77. Q85. How should a DRS drive better design of packaging?

- (a) **Varying producer fees that reflect the environmental cost of the products that producers are placing on the market**
- (b) **An additional producer fee for producers using unnecessary and/or difficult to recycle packaging**
- (c) **Other**

Both a and b need to be used in order to provide a clear steer to industry that difficult to recycle products should not be used in the future. Without these DRS becomes a method for producers to absolve themselves of their environmental responsibilities as it is simply a method for collecting high quality material to put back into bottles.

78. Q86. Who should be involved in informing and advising on the environmental cost of products?

Local government needs a clear role in providing this advice. We are the sector who deals directly with collection and processing. We need the opportunity to directly provide our views on realistic environmental cost on the ground.

79. Q87. Do you agree or disagree with our assessment of other waste legislation that may need to be reviewed and amended?

LGA cannot comment on this.

80. Q88. Do you have evidence to suggest that we might need to revise any other waste-related regulations as part of introducing a DRS?

We are not in a position currently to comment on this.

81. Q89. Is there anything else we should be considering related to drinks container recycling and litter reduction which has not been covered by other questions?

Further consideration needs to be given to the environmental impact of additional vehicles driving around collecting DRS material in addition to the

vehicles which will be deployed to deliver any revised consistency based household collection schemes. The potential carbon emissions of both need to be factored in.

ⁱ BBC News Online 11 January 2018

ⁱⁱ 2018 costs: DEFRA – EPR consultation document page 29