

Funding for Municipal Waste Management

The main sources of funding available for municipal waste management were announced in the Government's Comprehensive Spending Review 2000 [1][2]. These are:

- An additional £1,127 million for the environmental, protective and cultural services of local authorities;
- £220 million of Private Finance Initiative funding for local authorities;
- £140 million of Capital Modernisation Fund money specifically for local authority waste and recycling;
- £50 million from the New Opportunities Fund for community recycling;
- £40 million for WRAP (the Waste Resources and Action Program) to stimulate markets for recycled materials.

This briefing examines existing funding for waste management, including that specific to recycling and incineration. Funding can be provided directly through allocation of funds but also indirectly through subsidies (e.g. Non Fossil Fuel Obligation) and tax relief.

Funding for waste management

There are various types of funding for waste management as a whole: Standard Spending Assessments allocations, Private Finance Initiative grants and Landfill Tax Credit Scheme donations.

Standard Spending Assessments and local authorities

Allocations of money from the Government to local authorities take place through Standard Spending Assessments (SSAs). SSAs are used to divide up the Government's Total Standard Spending between local authorities [3][4].

There will be a £1,127 million increase (from £8,175 million to £9,302 million) in the annual SSA allocation for local councils' environmental, protective and cultural services by 2003/4 [2]. These services cover sports, leisure and library

facilities and other functions as well as waste management. It is entirely up to local authorities how to divide up this money between the various functions [5]. Michael Meacher has said that he expects at least half of the additional money to go to waste management, however the Local Government Association has criticised it as 'patently inadequate' to meet Government targets [6].

The Private Finance Initiative and local authorities

The Private Finance Initiative (PFI) was launched in 1997 and became available for local authorities at the end of 1998 [7]. PFI is intended to encourage private investment in services which were previously funded by the public purse. To qualify for PFI funding, local authority projects have to fulfill various general criteria such as promotion of sustainable development, contribution to local cultural, social, health, safety, regeneration, or educational objectives, and rigorous cost/benefit assessment [8]. They also have to fulfill criteria specific to waste management.

Criteria for waste management projects in 1998-2000

In 1998-2000, waste projects were required to place an emphasis on waste minimisation and show strong commitments both to reduce landfill and to increase recycling and energy recovery [8]. Despite this, in practice, PFI funding made little sense other than for the financing of very large developments, which meant large scale incinerators or massive over-mechanised Materials Reclamation Facilities.

The local authorities listed below received PFI grants under the set of criteria published in 1998. All but Leicester intend to use the money for incineration schemes [9]. The DETR says that it cannot disclose how much was allocated to each project and that it is up to the local authority to reveal the amount (or not) [10].

- East London Waste Authority (Newham, Redbridge, Havering, Barking and Dagenham)
- East Sussex & Brighton and Hove
- Hereford and Worcester
- Isle of Wight

- Kirklees
- South Gloucestershire
- Surrey
- Leicester City Council - this project involves reduced landfill and increased recycling [11].

Revised criteria for waste management projects

Under the revised set of criteria, waste projects must demonstrate clear links to the objectives of the Waste Strategy 2000, which aims to promote the sustainable management of waste [12]. Proposals must now:

- make clear how schemes will cut waste, as required under the Best Value regime*;
- include recycling and composting, match or exceed local performance standards for recycling set under Best Value, contribute to the longer term national targets for recycling in Waste Strategy 2000, and support the authorities' plans for recycling set out in their Recycling Plans or Municipal Waste Management Strategies;
- take into account the obligations of the Landfill Directive;
- if incineration is included, demonstrate that all opportunities for recycling have been considered first and that there is no barrier to the future development of recycling. Such schemes should include proposals for combined heat and power where possible;
- except in exceptional cases, projects involving PFI credits in excess of £25 million will not be considered.

£220 million of PFI money has been allocated to local authorities for waste management over 2001-2004 as a result of the 2000 Spending Review [13] and still needs to be attributed.

Friends of the Earth's view on PFI

Friends of the Earth believes that PFI finance should not be granted to large waste management developments without public and community approval, and that PFI funding should be used to provide much needed investment in recycling and composting. PFI approval should not be given until planning permission has been granted for the facilities required so that, instead of PFI being used to bounce local residents into accepting a proposal, there is true consultation with the community.

Landfill Tax & Landfill Tax Credit Scheme

In 1996, the Government introduced a tax on landfill, the first environmental tax introduced in the UK. There are two tax rates, currently £12 per tonne for active wastes and £2 per tonne for inactive wastes. Since 1999, the active wastes rate increases every year by £1 per tonne. A review of this escalator is due in 2004 [14].

* Best Value is a framework requiring local authorities to set performance indicators and review them at least every five years [14]

Under the Landfill Tax Credit Scheme, landfill operators can claim up to 90% tax credit against donations they make to approved environmental bodies. The environmental bodies may carry out various activities, including research and education activities to promote re-use and recycling. Recycling and reuse projects carried out by non-profit making, non-public sector bodies are also to be made eligible for funding [14].

Funding decisions are entirely controlled by landfill operators, who have distributed £135 million worth of credits so far [6], but only a third has gone to developing a more sustainable waste management system. This is partly because the money is not in publicly accountable hands, and it is not in the interests of the private landfill sector to have its money used to promote recycling which it is in competition with. Friends of the Earth and many other believe that all this landfill tax money should have been used to help deliver an adequate recycling infrastructure, and that the Landfill Tax Credit Scheme is fundamentally flawed and should be scrapped. Instead revenue from the landfill tax should be directed as public spending towards minimising, re-using, recycling and composting waste.

Friends of the Earth would also like the Landfill Tax to be raised. To date, it has failed to reduce the amount of waste being landfilled, and is set too low to divert waste to more sustainable management methods. Landfill remains cheap, and the average gate fee in the UK is markedly lower than those in many other European countries. Eighty per cent of the waste industry believe that the tax should be raised [15], and the House of Commons Environment Sub-Committee suggests that it should be set at £25 a tonne [6]. Revenue from the higher tax should fund sustainable waste management, i.e. minimisation, re-use, recycling and composting.

Funding for recycling & composting

Research into the economics of waste management options [16] estimates that an average of £10 per household per year (i.e. about £240 million per year in the UK - using an estimated number of households of 24 million) is necessary to provide an efficient kerbside recycling service. Once changes have been made and the new systems are set up, however, the costs reduce because markets pick up, prices are better and more people participate. It is vital that transitional funding is provided to make the step change from traditional collection methods for mixed waste to ones that allow for kerbside collection of separated recyclable and compostable materials.

Friends of the Earth's view is that the extra funding announced by the Spending Review 2000 [1][2] - including the allocations specific to recycling found below - will be inadequate to fund the development of source separated kerbside collections across the country, or support the

infrastructure, publicity and education needed to drive councils to recycling intensive strategies [17]. Much of the new money will be needed to cover the costs of inflation, and the means of provision is not steady or predictable enough for local authority fiscal calculations.

This view is held by the majority of the waste sector, including the waste management industry, which does not consider that the Government has done enough to support their Waste Strategy financially. A survey showed that 61.8% believed that the Government does not have the political will to provide sufficient funding to see their strategy through [15]. The Community Recycling Network, the Local Authority Recycling Advisory Committee, the London Greater Authority, the Environmental Services Association - the trade body for the waste industry - and the Institute of Waste Management have also expressed the view that funding for recycling is inadequate.

Friends of the Earth believes that much more money should be made available to fund recycling, using revenue from a higher landfill tax and a tax on incineration.

Capital Modernisation Fund

The Capital Modernisation Fund was set up by the Treasury in 1998, to 'help unlock innovative ways of delivering high quality public services' [2]. The fund is allocated, on a challenge basis (i.e. in response to bids), to projects that move away from traditional delivery of public services to more modern and effective methods. A further £2.5 billion Capital Modernisation Fund was announced in the Spending Review 2000 to run over 2001-2004. Of this, £140 million have been allocated to fund waste and recycling services [2]. The DETR is currently consulting on how best to distribute this money.

New Opportunities Fund

In a speech to the CBI and the Green Alliance [18] in October 2000, the Prime Minister made a commitment of giving £50 million to community recycling and composting groups through the New Opportunities Fund.

Waste Resources and Action Program

The Government's Comprehensive Spending Review announced £40 million for WRAP (the Waste Resources and Action Program). WRAP will work with businesses, manufacturers, researchers and local authorities to stimulate markets for recycled materials [19].

Funding for incineration

While recycling is lacking desperately needed funds to kick start its development, incineration has enjoyed a high level of financial support from the Government, including NFFO support, Packaging Recovery Notes, PFI grants, rate relief on incinerators, the classification of bottom ash as inactive for landfill tax, and possibly an exemption from the Climate

Change Levy. The House of Commons Environment Sub-Committee has said that it is very concerned that incineration is being favoured by fiscal instruments, and could crowd out the more attractive options of minimisation, re-use, recycling and composting [6].

Friends of the Earth (FOE) believes incineration should not be subsidised in any way, and that it is an environmental 'bad' with considerable costs to the environment and local community. FOE agrees with the Environment Sub-Committee [6] that incineration should be taxed to ensure that waste management does not simply shift from being a landfill dominated system to an incineration centred one. The tax should be set at the same rate as the landfill tax, and revenue should be hypothecated to help transform waste management, and fund reduction, re-use and recycling.

Non Fossil-Fuel Obligation / Renewables Obligation

So far, incineration has been classified and subsidised as a renewable energy, and between 1990 and 1999, incinerators received £233 million under the Non Fossil Fuel Obligation (NFFO) and the Scottish Renewables Order (SRO), some 34% of the total £683 million awarded. Another £187 million has also been promised to future incinerators under the last NFFO/SRO rounds. Altogether this means that £420 million of public money will have gone to support incineration, money which should have helped fund the expansion of true renewables like wind, solar and hydro [20].

The government is currently deciding whether energy from waste should be included in the new Renewable Energy Obligation [21]. Friends of the Earth has campaigned hard for its exclusion, and does not consider energy from waste (EfW) to be a renewable form of energy. Plastics in our rubbish bins are made from oil, a fossil fuel, which is certainly not renewable. And studies have shown that for all materials in the waste stream, it saves more energy to recycle than it does to burn and capture some energy, because new products have to then be made from virgin materials, using huge amounts of energy for extraction, processing and manufacture [22].

The Environment Sub-Committee has stated that it does not accept that Energy from Waste is renewable, and recommends that it should be excluded from the DTI's target for 10% of electricity to be generated from renewable sources by 2010. It also recommends that EfW is excluded from the Renewable Energy Obligation and that the exemption of energy from waste from the Climate Change Levy be withdrawn [6].

Packaging Recovery Notes

Packaging Recovery Notes (PRNs) are a system of tradeable certificates created by the Environment Agency to track compliance with the Packaging Directive. PRNs are provided by accredited processors to indicate that a business has supplied a certain tonnage of packaging waste for recovery.

Recovery includes recycling but also energy-from-waste methods such as incineration [16]. It has been estimated that the annual value of PRNs to existing incinerators ranges between £5million and £12 million.

Reduced landfill tax for incinerator bottom ash

The landfill tax for bottom ash (the solid residue left after waste has been incinerated) is £2 per tonne rather than the current £12 for active wastes, as it is considered to be 'inert waste'. As a result, waste companies using incineration save around £5 million a year, at current levels of the tax. The

European Commission decided in January 2001 to omit bottom ash from its classification of inert waste, in recognition of its potential toxicity (some EU members states already classify it as hazardous). The Decision will apply from 1 January 2002 [23].

When bottom ash is used for construction, it is considered to be 'recycled' rather than used for landfilling and is exempt from tax. This allows the incinerator companies to avoid landfill costs entirely [24].

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