

# Transport and Environment Committee

10 am, Tuesday, 15 January 2013

## Landfill Tax Consultation

|               |      |
|---------------|------|
| Item number   | 7.11 |
| Report number |      |
| Wards         | All  |

### Links

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|                          |  |
|--------------------------|--|
| Coalition pledges        | <a href="#">P49</a><br><a href="#">P50</a> |
| Council outcomes         | <a href="#">CO18</a>                       |
| Single Outcome Agreement | <a href="#">SO4</a>                        |

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# Executive summary

## Landfill Tax Consultation

### Summary

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The report seeks approval for a draft response (see Appendix 1) to the Scottish Government Consultation on Landfill Tax .

From April 2015 the Scottish Parliament will assume responsibility for taxes on the use of landfill, in particular Landfill Tax. The Scottish Government has issued a consultation paper ([www.scotland.gov.uk/Publications/2012/10/3524](http://www.scotland.gov.uk/Publications/2012/10/3524)) which considers how the current regime should be replaced in Scotland with the introduction of a Scottish Landfill Tax.

Not all aspects of the consultation are relevant to the Council (e.g. the regulation of waste disposal and landfill facilities) and therefore responses are only made where relevant.

The main aspect of the consultation which is relevant to the Council is the purposes for which the income from Landfill Tax is used. It is proposed that the Scottish Government prioritises the use of proceeds to support the delivery of alternatives to landfill, and to support enforcement and education to prevent fly-tipping. In addition the response welcomes the proposal to increase the amount distributed to communities around landfill sites.

### Recommendations

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It is recommended that the proposed response be sent to the Scottish Government in line with the deadline of 15 January 2013.

### Measures of success

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Achieve a citywide recycling rate of 50% by 2014.

### Financial impact

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There is no financial impact as a result of this report.

### Equalities impact

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The content of this report is not relevant to the public sector equality duty of the Equalities Act 2010.

## **Sustainability impact**

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The impacts of this report in relation to the three elements of the Climate Change Scotland Act 2009 Public Bodies Duties have been considered and the outcomes are summarised below.

Measures to reduce the use of landfill support the achievement of Greenhouse Gas reduction targets, and reductions in local environmental impact.

The proposals in the report will help to build a sustainable Edinburgh, where reinvesting Landfill Tax in capacity building within local communities around landfill sites would support the local economy and increase social justice while reducing local environmental impacts.

## **Consultation and engagement**

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There are no consultation and engagement implications as a result of this report.

## **Background reading / external references**

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[www.scotland.gov.uk/Publications/2012/10/3524](http://www.scotland.gov.uk/Publications/2012/10/3524)

# Report

## Landfill Tax Consultation

### 1. Background

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- 1.1 This report considers the proposed response to the Scottish Government consultation on Landfill Tax.

### 2. Main report

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- 2.1 From April 2015, as a result of the Scotland Act 2012, the Scottish Parliament will assume responsibility for taxes on the use of landfill, in particular Landfill Tax. This consultation looks at how the current regime should be replaced in Scotland with the introduction of a Scottish Landfill Tax. Responses are required to be returned by 15<sup>th</sup> January 2013.
- 2.2 Landfill Tax is a tax levied at the United Kingdom level and was introduced in the 1990s as an environmental tax which aimed to act as a policy driver to encourage moves to find other ways to dispose of waste and to ensure that the wider societal costs were built into the cost of landfill. This tax is paid to HM Customs by the operators of the landfill sites but the costs are then passed on to the Council as part of the gate fee charged on every tonne of landfilled waste. The current rate of Landfill Tax is £64 per tonne but will increase by £8 per tonne each year for the next two years. The Council currently pays around £8.3-£8.4 million per annum in Landfill Tax.
- 2.3 The consultation considers a range of issues which relate to the transfer of powers to Scotland, in particular how the Scottish Government should use the funds raised. Not all of these are directly relevant to the Council which, while sending waste to landfill, is not responsible for the regulation or operation of landfill sites.
- 2.4 Of interest to the Council is how the funds are used and whether it should be used to support other strategic environmental objectives such as climate change mitigation. The draft response suggests that revenues from a Scottish Landfill Tax should be ring-fenced and primarily used to support measures which will result in the further diversion of waste from landfill. These include:

- investment in new infrastructure and technology that will provide alternatives to the landfilling such as the waste treatment facilities at Millerhill that the City of Edinburgh Council are procuring jointly with Midlothian Council;
  - funding to support the introduction of new services such as the funds being provided by Zero Waste Scotland to assist the initial introduction of food waste collections;
  - support for education and awareness campaigns (e.g. to encourage more uptake of recycling services or to prevent waste at source), and to support re-use projects.
- 2.5 The consultation asks if Landfill Tax should be used to tackle illegal dumping (i.e. the disposal of unsuitable materials at unlicensed sites often in an attempt to avoid paying the tax). The draft response supports this proposal and also suggests that some funding could be used to raise awareness of fly-tipping and littering, to fund research into the effectiveness of such strategies and to provide additional resources for enforcement against such activities.
- 2.6 The draft response supports the proposal in the consultation to continue to use Landfill Tax to provide funding to support communities situated near landfill sites (i.e. within a 10 mile radius). Funding for landfill communities can be used for a range of activities including land remediation, reduction of local pollution, provision or improvement of amenities (e.g. a park), to support a specific local habitat or species, or to restore religious or historic structures.

## **Conclusions**

- 2.7 The aim of landfill taxes have been to encourage the development of alternatives to landfill and to ensure that the societal and environmental impacts are reflected in the costs of this method of waste disposal. The consultation paper seeks the views on how Landfill Taxes should be applied and used when responsibility for this tax is transferred to the Scottish Government. The draft response supports the continued use of Landfill Tax to support diversion of waste from landfill and the development of new infrastructure and services that will increase recycling and encourage behavioural change by the public and businesses.

## **3. Recommendations**

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- 3.1 It is recommended that the draft response is approved.

### **Mark Turley**

Director of Services for Communities

Landfill Tax Consultation Transport and Environment Committee – 15 January 2013

## Links

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|---------------------------------|--|
| <b>Coalition pledges</b>        | 49. Continue to increase recycling levels across the City and reduce the proportion of waste going to landfill<br>50. Meet Greenhouse Gas targets, including the national target of 42% by 2020. |
| <b>Council outcomes</b>         | 18 Green- We reduce the local environmental impact of our consumption and production   |
| <b>Single Outcome Agreement</b> | National Outcome 4- Edinburgh's communities are safer and have improved physical and social fabric.  |

## **Appendix 1: Draft Response to Landfill Tax Consultation**

### **A LANDFILL TAX FOR SCOTLAND**

#### **Q1 In moving toward greater fiscal autonomy, what role do you see for environmental tax policy in contributing to the sustainable growth of Scotland's economy?**

To date the use of Landfill Tax has been a key driver in supporting the delivery of enhanced levels of recycling. By ensuring that landfill costs better reflect the wider costs to society it has provided a level playing field to support the necessary investment to establish recycling schemes which divert waste from landfill.

Despite this in Scotland we are not yet at the point at which there are long term stable markets for all materials, and even more so the local markets for recyclable materials remain limited.

In parallel it is noted that the Scottish block grant is expected to decrease with the transfer of new fiscal responsibilities and notes that it may appear attractive to use Landfill Tax to fill any resulting gap.

This may result in the Government becoming reliant on income from Landfill Tax to fund other services, which would be contrary to the Government's overall policy which is to minimise the use of landfill.

A preferable alternative would be to ringfence Landfill Tax income to support the diversion of waste from landfill, e.g. to fund the introduction of service enhancements for households or businesses, to fund infrastructure improvements or to support education, community engagement, prevention or reuse projects.

This view appears to be in line with the principles set out in the consultation.

#### **Q2 What issues and opportunities do you see for the Scottish Government should the Aggregates Levy be devolved?**

Although the Council is not directly affected by the Aggregates Levy in the same way as by the Landfill Tax, the issues are largely analogous and it is suggested that similar opportunities would exist to support the desired behavioural changes.

#### **Q3 Are there any refinements to the list of materials qualifying for the lower tax rate that should be considered for implementing the tax in Scotland?**

The consultation considers the options to modify the system to support the longer term introduction of lower rates for stabilised materials or combustion residues such as bottom ash from incinerators.

In principle these seem logical, and it is believed similar approaches are adopted in other European countries, but where practicable the policy should still support initiatives to divert these materials for alternative uses such as aggregate replacement

in situations where these can be demonstrated to be safe and viable. For that reason it is felt to be premature to give a definitive response to this matter.

**Q4 Looking beyond the initial introduction of the tax, are there any materials, or classes of materials, that could or should be charged at a different differential rate and, if so, on what basis?**

In general the approach should be to support the *diversion* of waste from landfill, but the present policy provides a lower level of Landfill Tax for inert materials on the basis that they are easier to manage in landfill and have fewer environmental consequences. Most of this waste is not managed by the local authority sector, so the wider industry may have a view on this, but this approach does appear reasonable provided it does not prevent the diversion of these materials from landfill where opportunities are available.

It is agreed that an exemption for the disposal of asbestos (and indeed other hazardous minerals) to encourage the responsible use of landfill as there is no viable alternative. Similarly it would appear logical to have a lower level or exemption for energy recovery residues where no alternative exists.

If Landfill Tax differs substantially from that levied in England there is a possibility of creating a perverse incentive to export or import materials across the border (i.e. if taxes are lower in England it could potentially create a perverse incentive to send waste for disposal in England rather than treatment or recycling in Scotland).

**Q5 Are there any changes to the list of exempt materials that would support the environmental outcomes of the tax and the Scottish economy?**

See response to Q4.

**Q6 Could the tax be used to help further our efforts to tackle illegal dumping and, if so, do you have any specific views on actions the Scottish Government should consider?**

While the cost of disposal of waste will be cited as a driver for illegal disposal of waste, in fact it can be argued that those engaged in such activities are doing so to avoid paying ANY charge and so any reduction in Landfill Tax to reduce this is unlikely to be effective.

The Tax could however be used to support public awareness/behaviour change initiatives and enforcement activities. In particular there is a need to develop public awareness around the anti-social nature of fly-tipping and littering, and it would be desirable for the Scottish Government to work with Zero Waste Scotland to research and demonstrate cost effective approaches to this problem.

**Q7 What benefits or issues do you see in linking the definitions of taxable activities more closely to environmental permitting through PPC and Waste Management Licensing?**

In view of the likelihood that in future waste delivered to a landfill site may well go through a pre-treatment process, the views outlined in the proposal appear sensible to ensure that only non recyclable waste emerging from such a process is deemed liable.

**Q8 What steps, if any, should the Scottish Government consider to improve clarity around taxable and non taxable activities on landfill sites. We are particularly interested in steps that can be taken to reduce any potential abuse of these allowances?**

It is likely that SEPA as the regulator, as well as the waste management industry itself will be better placed than local authorities to advise on this.

**Q9 What merits do you see in examining further the option of establishing an assessed system of tax returns?**

No comments

**Q10 What powers should the collection agent (SEPA) be given to audit landfill sites?**

It is likely that SEPA as the regulator, as well as the waste management industry itself will be better placed than local authorities to advise on this.

**Q11 Do you support maintaining a Landfill Communities Fund and extending the credit limit for contributions to the fund?**

Yes. Although the Communities Fund does not directly encourage diversion of waste from landfill, and is a small proportion of the total, it does offer an opportunity to deliver projects of considerable benefit to those areas most directly affected by landfills. The Council has previously received funding for this purpose to enhance green spaces and we would be keen to ensure that this remains a source of funding in the future.

**Q12 Could the money from the fund deliver similar or greater benefits through a different approach or delivery model? What alternative arrangement would you propose?**

No comments.

**Q13 What benefits would be obtained from retaining an independent regulator? What functions and responsibilities should the regulator have?**

No comments.

**Q14 Should the 10 mile eligibility radius from landfill sites be maintained or reviewed to ensure those most affected by landfill sites benefit from projects?**

No comments.

**Q15 Do you support using a proportion of the fund to support more strategic environmental objectives, including climate change and, if so, do you have views**

**on which organisations could play a role in identifying and channel funding toward of these strategic priorities?**

There is a risk that adding additional objectives could dilute the fund and spread it too thinly. However some of the outputs listed in the consultation do relate directly to future direction of waste way from landfill (e.g. research to stimulate innovation in the use and management of secondary materials and resources, and waste prevention. Overall it seems reasonable to fund only projects which will result in a reduction of waste being land-filled, but not to support wider environmental objectives (beyond those already stated).

**Q16 BUSINESS REGULATORY IMPACT ASSESSMENT: Do you have any comments on the draft Business Regulatory Impact Assessment?**

No comments

**Q17 EQUALITIES IMPACT ASSESSMENT: Do you have any comments on the draft Equalities Impact Assessment?**

No comments