

## Consistent municipal recycling collections in England

<b>Lead department</b>	Department for Environment, Food and Rural Affairs (Defra)
<b>Summary of proposal</b>	The policy proposes to improve consistency of six recyclable waste streams from households (food waste; plastics; metal; glass; paper and card; garden waste) and for these recyclable waste streams (except garden waste) to be collected from non-household municipal (NHM) sector, across collections in England.
<b>Submission type</b>	Impact assessment (IA) – updated 22 October 2024
<b>Legislation type</b>	Secondary legislation
<b>Implementation date</b>	2024
<b>Policy stage</b>	Final
<b>RPC reference</b>	RPC-DEFRA-4341(7)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	21 November 2024

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	This is a revised IA to one first submitted for RPC scrutiny in April 2022 and previously updated in March 2023, December 2023 and April 2024. This is a detailed IA which presents different policy choices for the final policy proposal. The IA draws on appropriate data sources and evidence to underpin a proportionate assessment, sufficiently identifying the direct costs on business. The IA considers the impact on micro and small businesses, allowing a two-year exemption to adjust to the regulations. On first submission, the initial (2022) IA received an initial review notice (IRN) – see below for details.

## Business impact target assessment

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Classification</b>	Qualifying provision	Qualifying regulatory provision (IN)
<b>Equivalent annual net direct cost to business (EANDCB)</b>	£289.0 million	£289.0 million (2019 prices, 2020 pv)
<b>Business impact target (BIT) score</b>	£1,445.0 million	£1,445.0 million
<b>Business net present value</b>	£1,269.1 million	
<b>Overall net present value</b>	£4,855.6 million	

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

## RPC summary

<b>Category</b>	<b>Quality<sup>2</sup></b>	<b>RPC comments</b>
EANDCB	<b>Green</b>	The IA outlines the direct costs of the presented options which include LA and NHM waste management costs, familiarisation costs for businesses, costs for producing written assessments to LAs and waste management companies and municipal sector policy support costs to government. The IA states that non-financial (opportunity) costs to business associated with sorting waste were not expected to be significant but these costs were not explicitly monetised. Given the complex nature of the NHM sector, which arises from its diversity, this assessment should have been tested further with impacted stakeholders.
Small and micro business assessment (SaMBA)	<b>Green</b>	The IA clearly outlines the demographic of micro firms and small businesses population. It appropriately considers the disproportionate impact on these firms and provides a two-year exemption for these firms to adjust to the regulation.
Rationale and options	<b>Satisfactory</b>	The IA sets out the problem under consideration and is supported by relevant evidence and data. The policy objectives are clear, and the options considered are informed by public consultation exercises. The IA presents different policy choices for household and NHM sector for the final policy design.
Cost-benefit analysis	<b>Satisfactory</b>	The IA uses the available evidence and data to illustrate current trends in recycling rates and materials for recycling. It draws upon several Waste & Resources Action Programme (WRAP) models to inform the analysis and estimate impacts. Throughout the IA, the data and evidence underpinning the modelling is clearly referenced. The IA would benefit from clarifying further some of the impacts relating to the small revisions to the current version of the IA.
Wider impacts	<b>Good</b>	The IA considers several wider impacts including environmental impacts, rurality, innovation and trade. The trade assessment would benefit from a discussion on the wider potential international trade impacts as a result of the proposals.
Monitoring and evaluation plan	<b>Good</b>	The IA clearly sets out monitoring and evaluation plans for the policy, including data collection regimes, theories of change and intentions to commission process and impact evaluations. However, this section should include the time frames for commissioning of work.

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

## Background

This is a revised IA to the one first submitted for RPC scrutiny in April 2022 and updated in March 2023, December 2023 and April 2024. This is a revised opinion to those issued by the RPC on those IAs in July 2022, May 2023, January 2024 and May 2024.<sup>3</sup> The present IA reflects a policy change affecting the estimated direct costs to business: paper and card are now to be collected separately from the other recyclable waste streams as the default, unless a short written assessment is produced by local authorities and other waste collectors (see discussion under 'EANDCB' below).

Significant additions to the May 2024 opinion are presented under the heading 'Update to previous opinion'. To avoid confusion and to assist clarity, the present opinion removes comments from the May 2023, January 2024 and May 2024 opinions that were specifically on the minor updates made to the respective IAs. The present opinion, however, retains, in general, the more substantive comments made in the original (2022) opinion.

## Response to initial review (of 2022 IA)

As originally submitted in 2022, the IA was not fit for purpose as the costs to business associated with sorting waste were not monetised, and these costs were not expected by the Department to be significant. The RPC requested that assumptions on sorting costs needed further evidence and testing with businesses and waste collectors or an explanation as to why further evidence could not be forthcoming. The IA also required a breakdown of the regulator's support costs for compliance and enforcement, while justification for use of a 13-year appraisal period (from 2023 to 2035) was needed.

The Department has now addressed the concerns as follows:

### **Non-monetised impacts**

The IA now provides an explanatory narrative which strengthens the assessment of why sorting costs are minimal and explains in greater detail why it has been unable to monetise any costs to business associated with sorting waste. The IA also provides further clarification on what is meant by sorting costs, i.e. that they are non-financial costs in terms of the opportunity cost of time needed to separate waste into different bins, with financial costs through commercial contracts already monetised.

The Department refers to responses to its public consultation with impacted stakeholders, in that no response on these costs were provided, to support their position that these costs are not expected to be significant. Whilst the RPC welcomes this further narrative, the IA should have sought further evidence from impacted stakeholders, particularly business stakeholders and

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<sup>3</sup> RPC references: RPC-DEFRA-4341(6) 15 May 2024, RPC-DEFRA-4341(5) 26 January 2024, RPC-DEFRA-4341(4) 9 May 2023 and RPC-DEFRA-4341(3) 14 July 2022.

micro-firms, on whether workers are likely to understand the new requirements and be able support the conclusion that sorting of waste provides an insignificant cost.

### **Regulatory costs**

The IA now provides a breakdown of the regulator's support costs for compliance and enforcement.

### **Appraisal Period**

The IA now provides an explanation for its appraisal period.

The IA explains that the last year of the appraisal period (2035) has been chosen to measure progress against meeting a 65 per cent recycling rate target for municipal waste by this date. Following RPC advice, the IA starts the appraisal period in 2024 rather than 2023, reflecting that this now is the first year of impacts. The IA, therefore, uses a twelve-year period.

## **Summary of proposal**

The Environment Act 2021 amended the Environmental Protection Act 1990 to require waste collection authorities (WCA) to collect a consistent set of recyclable waste streams from households, and non-household premises including businesses and public sector organisations that produce household waste. The proposal includes six recyclable waste streams from households (food waste; plastics; metal; glass; paper and card; garden waste) and for these recyclable waste streams (except garden waste) to be collected from the non-household municipal (NHM) sector producing relevant waste. The Act requires these recyclable waste streams to be collected separately except where this is not practicable for technical or economic reasons or where there is no significant environmental benefit in doing so.

For non-household premises, businesses usually pay for waste collections on a per lift or bin basis. This means that introducing additional recycling requirements will increase waste management costs. The IA estimates there are around 2.15 million business and public administration units in the NHM sector.

The IA presents different policy choices as options for the final policy design. The preferred option assumes consistent collection of waste streams for households, with LAs charging for garden waste; and inclusion of the NHM sector, with micro firms phased into the policy in 2026/27 (i.e. allowing for a two-year adjustment period).

For the preferred option, the main monetised costs of the proposal include LAs incurring £722 million transition costs, which include buying new vehicles and containers, and on-going costs of £567 million. This is offset by £1,003 million additional income from garden waste charging and £474 million saving from the deposit return scheme (DRS). Overall, LAs net waste management costs decrease by £188 million. The NHM sector is estimated to incur transition costs of £354 million in familiarisation. The NHM waste management costs (excluding landfill tax) increase by £3,164 million. The NHM sector also has a cost of £3.4 million for producing written assessments (see discussion below). Policy support costs (including

compliance and enforcement) amount to £65 million, of which £1.8 million are transition costs.

The main monetised benefits of the proposal include reduced landfill tax payments of £149 million for LAs and £5,067 million for NHM and £10,466 million from carbon savings (both traded and non-traded).

The net present social value amounts to £4,855.6 million (in 2019 prices and 2020 present value base year)

## **EANDCB**

### Update to previous opinion

The EANDCB has increased marginally, by £0.3 million (0.1 per cent) to £289.0 million. This increase reflects the policy change that paper and card should be collected separately from the other recyclable waste streams by default, unless a short, written assessment is produced by local authorities and other waste collectors to demonstrate that it is not technically or economically practical, or there is no significant environmental benefit in doing so. The IA assumes that all waste management companies will complete a written assessment. Using assumptions based on advice from WRAP, the IA estimates the cost to waste management companies at £3.4 million over the appraisal period. This accounts for the £2.8 million reduction in the business NPV and £0.3 million increase in the EANDCB since the previous IA.

The IA would benefit from explaining further why it is reasonable to assume that all waste management companies will opt to produce written statements, rather than choose to separately collect paper and card. The IA notes that the government intends to publish non-statutory guidance on 'economically practicable,' 'technically practicable' and 'no significant environmental benefit'. The IA would benefit from discussing the possibility that waste management companies' written statements might not be consistent with the definitions in this guidance and any consequent risk to the companies that they might then be obliged by the enforcement authorities to separately collect paper and card, and what cost implications this could involve.

The IA assumes that assessment costs recur every seven years, based on the average contract lifespan and lifetime of vehicles (page 68). It appears that assessments would have to be re-done when contracts are renewed rather than when vehicles are replaced (which presumably is much longer). The IA would benefit from clarifying this.

### **Direct/indirect impacts**

The IA outlines the direct costs of the presented options which include NHM waste management costs and familiarisation costs for businesses.

### **Non-monetised impacts**

Non-monetised impacts have been discussed sufficiently. The IA clarifies the difference between financial costs and non-financial costs (i.e. the opportunity cost of

time) for ongoing sorting costs and outlines the reasons why these should be relatively small. The IA also highlights that only a small proportion of all stakeholders expressed concerns associated with sorting costs. However, the IA would benefit from a specific discussion of views from the sub-set of stakeholders directly involved in complying with the proposals, such as businesses, business representative groups and micro-firms.

## **Baseline**

The IA clearly outlines the baseline scenario, assuming LAs provide waste management services as observed in 2018/19 and make no changes to recycling collection systems, presenting data to illustrate existing recycling rates. The IA uses results from WRAP's Routemap collection model to provide service costs for waste management for both low and high-rise properties, accounting for projected growth in the number of households. The baseline estimates are adjusted to include the DRS scheme effect. The IA clearly sets out assumptions for the different policy choices.

For the NHM sector, the IA uses official data sources and WRAP modelling to define the NHM population, providing both sector and size of business breakdowns, and waste container profiles for businesses in scope. Like the household sector, the NHM baseline scenario assumes no change to the current use of waste collection systems or collection frequency. Again, the IA sets out its assumptions for the different policy choices.

## **SaMBA**

Section 8 of the IA clearly outlines the demographic of micro firms and small businesses population, estimating waste arising from NHM sub-sectors and frequently employed waste collection services. The IA sets out the policy choices, appropriately considering the disproportionate impact on these firms, outlining the familiarisation costs and presenting different scenario analysis to illustrate the net costs and benefits relative to the baseline, including using different business definitions.

The IA clearly discusses the mitigation measures for micro-firms, providing a two-year exemption for these firms to adjust to the regulations.

The IA also discusses business support tools and cost reduction options for businesses. The IA highlights that limited space is an issue for some micro firms and small businesses, but this is not assessed in quantitative terms or in any great detail. An assessment of whether additional space is required in aggregate as well as proportionate terms would be helpful.

## **Rationale and options**

The IA sets out the problem under consideration and is supported by relevant evidence and data. The household recycling rates in England have plateaued at around 44-45 per cent since 2015, with only a small number of Local Authorities

expanding services to add new materials to be collected such as plastic film and food waste. Currently, there is limited consistency around materials that LAs collect for recycling. There is also substantial variation in the NHM sector, both across sectors and business size, with recycling rates around 43.3 per cent. A more detailed analysis of the recycling performance of different local authorities would be useful to understand the underlying reasons for disparities in performance.

The IA identifies market failure arguments e.g. waste generation as a source of negative environmental externalities as well as behavioural barriers such as high upfront costs, uncertainty about future savings and limited incentives to improve recycling rates. The IA notes that suboptimal levels of recycling have system-wide implications and a fragmented approach to recycling currently undermines the development of viable and resilient secondary markets for materials and goods in the UK.

The IA outlines policy objective to increase resource efficiency and create a more circular economy. The Government has brought forward legislative changes to accelerate recycling rates, to achieve a 65 per cent recycling rate for municipal waste by 2035 as set out in the 2018 Resources and Waste Strategy. Increasing recycling by making recycling more consistent and more straightforward for households, businesses, and non-domestic premises in England will divert greater volumes of recyclable waste from landfill and Energy from Waste (EFW) towards the secondary material market, also contributing to the government's ambition to reach Net Zero emissions of greenhouse gases by 2050. The IA would benefit from a discussion of international best practice in recycling, with an emphasis on how countries with high recycling rates such as Germany or South Korea, have achieved them.

The options considered in the IA are informed by two consultation exercises. The IA assesses four municipal sector policy options, which are combinations of different policy choices for the household and NHM sectors. Non-regulatory options were considered as part of a long list of possible approaches in the second consultation IA. They include voluntary educational schemes and campaigns, frameworks and guidance, businesses support via specific grants and tools. However, these options were disregarded as these approaches have already been used in the sector and although they have encouraged some individual organisation or individual LA action, they have not led to a systematic change to deliver against the policy objectives. The IA notes that without regulation there appears to be limited options to incentivise businesses to collect and separate key recyclables.

## **Cost-benefit analysis**

### Update to previous opinion

In addition to the impact on business described under 'EANDCB' above, it is assumed that all local authorities will complete a written assessment and, using assumptions based upon advice from WRAP, this is estimated to cost £0.2 million over the appraisal period. The IA notes that this may be an overestimate due to the

provision of exemptions allowing co-collection of certain recyclable waste streams without a written assessment. The IA would benefit from addressing the comments on this issue made above in relation to waste management companies.

Policy support costs have increased by £2 million, to £65 million in present value terms over the appraisal period. This appears to allow for additional compliance and enforcement costs to the Environment Agency and the building and running of the online tool used for written assessments. The IA would benefit from explaining this additional estimate further, given the reference to a much higher figure (£3.6 million per year) on page 69.

Overall, the increase in policy support costs and the cost of producing written statements to waste management companies and local authorities account for the £4.4 million (0.1 per cent) reduction in the NPSV to £4,855.6 million.

### **Evidence and data**

The IA makes good use of the available evidence and data to illustrate current trends in recycling rates and materials for recycling, drawing on appropriate sources of data to provide breakdowns of waste service provision and costs by sectors and size of business.

### **Modelling**

Throughout the IA, the data and evidence underpinning the modelling is clearly referenced. The IA draws upon several WRAP models to inform the analysis and estimate impacts, clearly outlining the assumptions used in the underlying models. Annex E provides further information on WRAP data collections and models. The RPC commends the Department for setting out the quality assurance of the models in place in Annex F.

### **Uncertainty, risks and assumptions**

The IA models different scenarios for the different policy choices to reflect uncertainty around the estimates. Annex B summarises the variables tested as part of the sensitivity analysis, combining several sensitivities concerning sectors and impacts to identify low and high NPV for the four municipal options.

## **Wider impacts**

The environmental impacts are considered and a core part of the assessment. Annex C presents the GHG emissions in more detail for the four municipal policy options in consideration, and the GHG savings are modelled using relevant traded and non-traded carbon prices.

The IA highlights that WRAP research shows that the level of economic deprivation and rurality of area are significant factors that impact recycling performance. The IA sets out that different deprivation and geography classifications are built into the WRAP model.

Annex A further discusses the wider impacts of the policy which includes employment and innovation. The IA suggests that consistent collections will have a



positive impact on employment levels, using WRAP analysis to estimate jobs created under the different policy options. There is also a discussion of innovation impacts and the interaction with other policy initiatives. The IA would have benefited from considering whether the rigid definition of consistent collections and the six waste streams could hinder innovation and the development over time of new and more efficient ways of collecting waste.

The IA would benefit from discussing the competition effects for the waste sector, particularly for the NHM sector.

Table 45 (Annex B) sets out a sensitivity that NHM lift prices could change as a result of new materials required to be recycled and/or increased route density if the same contractor is able to win more contracts on the same round (economies of scale). Lift prices will also be dependent on gate fees for disposing. The IA should explore whether there are any implications on market concentration and choice for waste collection services.

The IA includes a brief section on trade and concludes the policy options do not have a significant impact on trade, citing that they do not impose any additional barriers to trade or mandate different requirements for domestic or foreign businesses. The IA however would benefit from a discussion on the wider potential international trade impacts as a result of the proposals.

## Monitoring and evaluation plan

Section 9 in the IA clearly sets out monitoring and evaluations plans for the policy, including data collection regimes, theories of change and intentions to commission process and impact evaluations. However, this section would benefit from including the time frames for commissioning the work. The IA should also consider how it would monitor any unintended impacts, for example, the policy requirements could unintentionally increase contamination if households and businesses find it difficult to sort waste appropriately or could potentially lead to increase in fly tipping.

The IA would benefit from looking internationally, considering best international practice and whether or if there are any lessons learned for the UK to implement the policy.

### Regulatory Policy Committee

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