

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:
THIRD PARTY RE-USE AND RECYCLING CREDIT BUSINESS CASE

REPORT OF:
HEAD OF WASTE STRATEGY AND CONTRACTS

FOR SUBMISSION TO: AUTHORITY MEETING	DATE: 16th APRIL 2013
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SUMMARY OF REPORT:
Further to Members' consideration at the last Authority Meeting of a report on registering organisations for receipt of third party recycling credits during 2013/14, this report advises Members of the business case to the Authority for this scheme.

RECOMMENDATION

The Authority is recommended to note this report.

**Signed by: Head of Waste Strategy
and Contracts**

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Date.....8th April 2013.....

1.0 BACKGROUND

- 1.1 At the Authority Meeting in February 2013 Members considered a report on the registration of a number of organisations for the receipt of third party re-use and recycling credits during 2013/14.
- 1.2 The report set out the statutory basis for the scheme and the method for calculating the amount to be paid per tonne, the relevant policies in the North London Joint Waste Strategy, and the Authority's locally agreed eligibility criteria.
- 1.3 Members asked for further detail on the business case for the Authority to pay third party re-use and recycling credits to qualifying organisations.

2.0 PURPOSE OF THIRD PARTY REUSE AND RECYCLING CREDITS

- 2.1 These credits are paid to third parties (mostly charities, but also other not-for-profit organisations) to reflect that every tonne of material they measurably reuse or recycle (and that they therefore 'dispose' of as waste) has been taken out of the Authority's household waste stream, and therefore provides the Authority a disposal saving. So in paying credits to these third parties the Authority is passing on (in part) the saving they have achieved for the Authority. From the outset therefore, the scheme was agreed and accepted as one that was largely financially neutral.
- 2.2 The credit scheme is based on a statutory power, rather than a duty, and as such it is discretionary. Government guidance was that there was a presumption that waste disposal authorities should pay credits, and the Authority was and is only allowed to include such tonnages in our formal recycling rate in accordance with National Indicators then, and as derived from WasteDataFlow now, if it pays these credits under this scheme.
- 2.3 Beyond these basic financial and recycling rate considerations that justify paying third party recycling credits, there are also the wider reputational benefits to the Authority of actively supporting re-use and recycling at a much lower community level so as to maximise the spread of a re-use and recycling culture amongst local residents.

3.0 CALCULATION AND PAYMENT OF REUSE AND RECYCLING CREDITS

- 3.1 The amount per tonne to be paid by the Authority as a third party credit is to be calculated in accordance with regulations¹ as the average cost per tonne of waste disposal for similar waste in 2005/06, using the Authority's most expensive form of disposal in each waste collection authority (WCA) area as of 31 March 2006 and then calculating an average of these WCA values across a whole waste disposal authority (WDA) area to create a single credit value across a WDA area. The calculation methodology then required the WDA 'average' credit value to be increased by 3% on 1st April 2007 with subsequent increases of 3% of the compounded figure on 1st April each year thereafter. The 3% per annum increase in the value of credits means that the value of the credit reflects increasing avoided disposal costs but not the increasing costs of landfill tax; although this percentage remains open to review by Government for example if there were circumstances where inflation was to rise substantially over 3%. Not increasing the credit in line with the landfill tax escalator ensured that windfall gains did not and do not fall to third party recyclers at the expense of local authorities.

¹ The Environmental Protection (Waste Recycling Payments) (England) Regulations 2006

- 3.2 Following current guidance for 2013/14 the reuse and recycling credit value for the Authority area is budgeted as £64.11 per tonne, a figure that is not permitted to take account of expenditure incurred in administering the scheme.

4.0 AUTHORITY'S BUSINESS CASE FOR PAYING THIRD PARTY CREDITS

Financial

- 4.1 Residual wastes (wastes that have not been delivered to the Authority separately for recycling or composting) cost different amounts per tonne under different parts of the Authority's contractual arrangements depending on the site to which they are delivered, the proportion of the waste for which the Authority is required to pay landfill tax, the value of electricity sales achieved by LondonWaste Ltd, and whether any special costs apply, such as for clinical waste.
- 4.2 In 2013/14 the average cost per tonne is budgeted as £69.95 per tonne, £5.84 per tonne more than the cost of the recycling credit. This means that even though the credit per tonne had to be initially calculated by reference to the Authority's highest costs of disposal for residual waste as at para 3.1, it is in fact now lower than the Authority's average cost per tonne.
- 4.3 At its last meeting, the Authority approved the registration of twenty-two organisations for inclusion in the Authority's third party credit scheme in 2013/14; collectively these organisations predicted that they will divert from the Authority's waste stream 3,194 tonnes during 2013/14. At the above saving of £5.84 per tonne, this would create a total saving to the Authority of £18,653 during 2013/14.
- 4.4 Although difficult to estimate, Members may wish to consider that other forms of re-use and recycling require collection services that are funded by the constituent borough councils. However, in the case of all tonnages attracting third party credits, no costs have fallen to the constituent borough councils, so the total savings to the public purse are likely to be even greater than calculated above.

Recycling Rate

- 4.5 As part of the statutory scheme, the government provided that local authorities can only include in their own reported recycling rate third party tonnages for which credits have been paid. Although the tonnages attracting third party credits in the Authority's area are very low in relation to the total re-use and recycling activity, they do add some 0.34% to the Authority's reported household waste recycling rate.

Reputation

- 4.6 As noted above, there are also the wider reputational benefits to the Authority of actively supporting re-use and recycling at a much lower community level so as to maximise the spread of a re-use and recycling culture amongst local residents.

5.0 RECOMMENDATION

- 5.1 The Authority is recommended to note this report.

6.0 COMMENTS OF THE LEGAL ADVISER

6.1 The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

7.0 COMMENTS OF THE FINANCIAL ADVISER

7.1 The comments of the Financial Adviser have been incorporated into this report and he has no further comments to add.

Local Government Act 1972 – Access to information

Documents used: Report to 12th February 2013 Authority Meeting, “THIRD PARTY RE-USE AND RECYCLING CREDIT REGISTRATIONS”

Contact Officers: Andrew Lappage, Head of Waste Strategy & Contracts

North London Waste Authority
Lee Valley Technopark, Unit 169
Ashley Road, Tottenham
London, N17 9LN

Tel: 020 8489 5730
Fax: 020 8365 0254

E-mail: post@nlwa.gov.uk

Report Ends