

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**THIRD PARTY REUSE AND RECYCLING CREDIT REGISTRATIONS**

**REPORT OF:**

**HEAD OF WASTE STRATEGY AND CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING**

**DATE:**

**6<sup>th</sup> February 2008**

**SUMMARY OF REPORT:**

This report advises Members of the third party organisations that have applied to be registered for third party reuse and recycling credits for 2008/09 and makes recommendations in relation to these. One applicant is assessed as ineligible and a separate recommendation is made in relation to this organisation.

**RECOMMENDATIONS:**

The Authority is recommended to:

- i) approve the change to the Authority's third party reuse and recycling credits policy outlined in paragraphs 3.3 and 7.5 in relation to reporting requirements and payments;
- ii) approve, conditionally approve or not approve the applications for registration for reuse and recycling credits for 2008/09 as recommended in Table 1 of this report;
- iii) note the third party reuse and recycling credits paid in Quarter 2, 2007/08; and
- iv) note that the Authority's policy on paying third party reuse and recycling credits will be kept under review in relation to any unforeseen issues that may arise, with a specific review in September 2008.

**Signed by Head of Waste Strategy**

**and Contracts**

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**Date:** .....

## **1.0 OVERVIEW**

- 1.1 Recycling credits were introduced by Section 52 of the Environment Protection Act in 1990. The Authority commenced payments of recycling credits in 1993 and has continued to pay them since. In 1993 recycling credits were the only financial or regulatory incentive to reduce waste to landfill but today there are a number of measures designed to promote more sustainable waste management, principally the landfill tax and the landfill allowance trading scheme (LATS).
- 1.2 Recycling credits are paid to parties that remove items from the municipal waste stream for recycling that would otherwise have been sent for disposal at the Authority's expense. The value of the credit recognises the saving to the Authority made by this recycling activity. The major beneficiary of recycling credits has historically been the constituent boroughs councils with a few far smaller claims paid to third parties.
- 1.3 The current system of levying each Borough in proportion to the tonnage of waste they have delivered to the Authority for disposal (the tonnage based levy) is fully operational from 1<sup>st</sup> April 2008, following a 2 year transition period. With the change to a tonnage-based levy boroughs have an incentive to reduce their levy payments by reducing the amount they send to the Authority for disposal, so there is no longer a need for the same level of alternative incentives such as the recycling credit scheme as there was in the past. During the transition period to the tonnage based levy however, the Authority agreed to make voluntary payments to the constituent borough councils in place of recycling credits on a reducing scale for waste recycled during 2006-07 and 2007-08. This arrangement ceases on 31<sup>st</sup> March 2008. The Authority retains the power to make recycling credit payments to third parties to support recycling activity.
- 1.4 The Government recognises the benefits offered by third party recycling activities and expects the Authority to be predisposed to make such payments. It introduced a new scheme through Section 49 of the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005) with new guidance to encourage this.
- 1.5 Payment of credits to third parties for waste they divert from disposal for recycling, composting or reuse is consistent with implementation actions within the North London Joint Waste Strategy.
- 1.6 On 20th September 2006 the Authority approved a new system of paying reuse and recycling credits. The Authority also resolved that the Authority's policy on paying third party reuse and recycling credits should be kept under review in relation to any unforeseen issues that may arise with specific reviews in September 2007 and September 2008.
- 1.7 The September 2007 review brought about an addition to the Authority's policy. The new revised policy is shown in section 3 of this report.

1.8 This report focuses on the applications received from third party organisations for registration to receive recycling and/or reuse credits from the Authority in 2008/09. The report also provides a brief update of claims made in quarter 2 (July to September) 2007/08 by fifteen organisations which are registered with the Authority for the 2007/08 financial year.

## **2.0 CALCULATION AND PAYMENT OF REUSE AND RECYCLING CREDITS TO THIRD PARTIES**

2.1 Since 1st April 2006, the Authority has had the power under the Clean Neighbourhoods and Environment Act to make recycling credit payments to third parties according to the amount of waste that is diverted from the Authority's waste stream. The Government expects the Authority to be predisposed to pay claims from third parties and such a policy supports the North London Joint Waste Strategy implementation actions 4.C2 in relation to rewarding effective reuse services and 8.B1 to actively encourage community sector involvement in delivery of services wherever this can be demonstrated to offer Best Value. If an application for third party credits is refused, the Authority is expected to provide reasons for the refusal.

2.2 The Government suggests that the sale of second-hand books or clothes, and the use of returnable or refillable bottles are not eligible for credit payments and that goods donated to charity shops are not classified as waste at the point of donation, so charity shops are not be eligible to receive recycling credits on goods donated to their shops (at the point of receipt by the shop). However, charity shops are eligible to claim credits for items that cannot be sold and are then recycled or exported for reuse. Both the Environment Agency and community waste sector have produced guidance notes on reuse that contain advice for authorities and third parties, but difficult uncertain instances of reuse in particular will inevitably arise and judgments will have to be formed on whether the reuse activity proposed is genuinely reducing the Authority's waste stream.

2.3 Third parties are entitled to claim reuse and recycling credits for the full amount of eligible waste that is diverted as the implications of the Authority's change to a tonnage based levy for waste disposal and treatment do not apply to them in the same way as they do to our constituent borough councils.

- 2.4 The value per tonne of third party reuse and recycling credits is calculated using the method described in the Environmental Protection (Waste Recycling Payments) (England) Regulations 2006. The credit is to be calculated 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 WCA<sup>1</sup> area as of 31 March 2006, calculating the average of these values across a WDA<sup>2</sup> area to create a single credit value across a WDA area and increasing the value by 3% on 1st April 2007 with subsequent increases by 3% of the compounded figure on 1st April every year. This is open to review by Government if there were circumstances where inflation were to rise substantially over 3%. Where this figure is not known or is impossible to calculate the Authority can use the figures published in the Schedule to the Regulations. The Authority's calculated value is £53.69 per tonne for 2007/08 rising to £55.30 in 2008/09, and therefore it would not be possible to justify paying the Regulation default figures of £68.13 and £70.18 respectively.
- 2.5 No account shall be taken of expenditure incurred in administering the scheme.

### **3.0 AUTHORITY POLICY ON THE PAYMENT OF THIRD PARTY REUSE AND RECYCLING CREDITS**

- 3.1 The following paragraphs detail the current Authority policy on the payment of third party recycling credits. This is a consolidation of decisions taken by Members at the Authority Meetings on 20th September 2006, 7th February 2007 and 19<sup>th</sup> September 2007.
- 3.2 The Authority has agreed to pay third party reuse and recycling credits subject to the following conditions:
- 3.2.1 Only household waste, including waste collected from schools and colleges that is recycled, composted or reused is eligible for a credit.
- 3.2.2 All waste must be collected within the area served by the North London Waste Authority and its constituent borough councils.
- 3.2.3 The collection of waste for recycling (or reuse) does not conflict with existing Borough collection schemes and is consistent with the North London Joint Municipal Waste Strategy.
- 3.2.4 The Authority or the constituent borough councils do not already pay for the waste to be collected or recycled.
- 3.2.5 All claimants and reprocessors that will collect and recycle waste must be registered and approved by the Authority by 31st March in the financial year before services commence for which a claim is to be made. Registrations must be renewed annually.

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<sup>1</sup> Waste Collection Authority

<sup>2</sup> Waste Disposal Authority

- 3.2.6 Applicants must advise the Authority of such details as are required to budget adequately and verify the claims made. These details may be amended or added to in future but are currently
- Organisation name and address
  - Description of recycling activity
  - Whether the organisation is a not for profit, profit-making or charity
  - Location by borough of waste collection points
  - Types and estimated quantities of materials to be collected for recycling or reuse.
- 3.2.7 Claims are to be made quarterly during the financial year. Quarterly claims are to be submitted to the Authority by 30th September (Quarter 1), 31st December (Quarter 2), 31st March (Quarter 3) and 30th June (Quarter 4). **(Please note the recommended change to this condition below).**
- 3.2.8 The waste collector and subsequent holders of the waste must be fully compliant with the waste duty of care and other relevant waste management regulations and evidence to support this compliance must be made available to the Authority.
- 3.2.9 All claims are to be submitted in writing to the Authority and must be supported by sufficient evidence to allow the Authority and the constituent borough councils to include the waste in the calculation of Best Value Performance Indicators and to satisfy all our external auditors.
- 3.2.10 Applications for registration for third party reuse and recycling credits from profit-making companies or associated organisations<sup>3</sup> will be considered but their applications for credit claims will be assessed separately against the above criteria and will also be subject to negotiation by the Authority to determine appropriate terms and conditions. The Authority reserves the right not to pay any credits at all.
- 3.2.11 Applications for registration from companies subject to any form of producer responsibility legislation or schemes and for wastes potentially falling within these will be considered but the Authority reserves the right to make special terms and/or not to pay any credits at all.
- 3.2.12 Applications for registration for third party reuse and recycling credits from profit making companies will be considered, where the profit making company provides services previously arranged by the waste collection authorities. The applications will be assessed against the existing payment criteria.

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<sup>3</sup> Such as a non-profit making trust or foundation associated with a private, profit making company or a company such as a charity trading company, which covenants 100% of its profits to a charity or other non-profit organisation.

- 3.3 The timetable for claims outlined at paragraph 3.2.7 has proven unworkable in relation to the Authority's duty to enter quarterly data into WasteDataFlow. Additionally, due to the consolidation of conditions between Authority meetings there is now a discrepancy between the condition on reporting placed upon organisations at the point of registration (a report to be provided within **three months** after the period of collection as outlined above), and what officers have had to do in practice in order to be able to finalise submissions to WasteDataFlow in accordance with their timetable. It is therefore recommended that the second sentence of paragraph 3.2.7 is changed to '**Quarterly claims are to be submitted to the Authority within eight weeks of the quarter end**' and that accordingly the condition at 7.1 ii) below is similarly altered.

#### **4.0 REGISTRATION OF THIRD PARTY ORGANISATIONS**

- 4.1 In order to implement the above and to budget appropriately, officers promoted the opportunity to register for 2008/09 by the following means, (the constituent borough councils were also aware of the registration timetable):
- Sending details to all previous claimants.
  - Sending details to a number of additional charities and non-profit organisations with known outlets in North London.
  - Sending details to relevant 'second tier' community and voluntary sector organisations in London so that they could alert their members, namely the Association of Charity Shops, Charities Commission, Furniture Reuse Network, London Community Recycling Network and Textile Recycling Association.
  - Sending details to the British Retail Consortium so that they could alert their members.
  - Making details available on the Authority's website.
- 4.2 Follow-up communication and liaison also occurred with several organisations throughout the application procedure, and subsequently a number of organisations have applied to be registered to receive reuse and recycling credits from the North London Waste Authority in 2008/09. The next section of the report provides the details.

#### **5.0 APPLICATIONS RECEIVED**

- 5.1 Fourteen non-profit/charity organisations and two profit making organisations have submitted applications to register as potential claimants for reuse and recycling credits in 2008/09. This compares with fifteen and two applications respectively for 2007/08. The details of all these organisations are shown in Table 1 below. There is at least one applicant's collection point in all of the constituent borough councils' areas.

TABLE 1

**ORGANISATIONS THAT HAVE APPLIED TO REGISTER FOR THIRD PARTY  
REUSE AND RECYCLING CREDITS  
FROM THE NORTH LONDON WASTE AUTHORITY FOR 2008/09**

<b>Contact and address of Organisations</b>	<b>Description</b>	<b>Non-profit or Charity</b>	<b>Registered in 2007/08?</b>	<b>Location of collection points</b>	<b>Materials</b>	<b>Estimate Annual tonnage</b>	<b>Recommendation</b>
<b>Age Concern</b> Astral House, 1268 London Road, London SW16 4ER	Charity shops	Yes	No	Camden	Textiles	16	Approve
					Shoes		
					Books		
<b>Barnardos Children's Charity</b> Linney House, Tanners Lane, Barkingside, Essex IG6 1QG	Charity shops	Yes	Yes	Barnet	Textiles	12	Approve
				Waltham Forest		Based on 2006/7 claim plus 5%	
<b>British Heart Foundation</b> Crown House, Church Road, Claygate, Esher, Surrey KT10 0BF	Charity shops	Yes	No	Barnet	Textiles	74	Approve
				Camden	Shoes		
				Enfield			
				Waltham Forest			
<b>Chris Carey's Collections</b> Unit 14, Titan Business Estate, Finch Street, Deptford, London SE8 5QA	Recycling banks	No	No	Barnet	Textiles	240	Approve – subject to further conditions see paragraphs 5.15 – 5.17 below
			But applied 2007/08	Camden	Shoes		
				Enfield	Books		
				Hackney	Plastics		
				Waltham Forest			
<b>Freecycle UK</b> 3 Moorlands, Wellingborough, Northamptonshire NN8 5QS	Web-based 'waste' exchange	Yes	No	All seven boroughs	Furniture	1,000-1500	Not approve
					Whole items		

Contact and address of Organisations	Description	Non-profit or Charity	Registered in 200708?	Location of collection points	Materials	Estimate Annual tonnage	Recommendation
<b>Help the Aged</b> Retail Division, 207-221 Pentonville Road, London N1 9UE	Charity shops	Yes	Yes	Barnet	Textiles	100	Approve
				Camden	Paper		
				Waltham Forest	Cardboard		
					Books		
<b>Homestore (QSA)</b> Unit 2, Maryland Industrial Estate, 26 Maryland Road, Stratford E15 1JW	Furniture collections	Yes	Yes	Hackney	Furniture	40	Approve
				Islington			
				Waltham Forest			
<b>Minds Matter</b> 15-19 Broadway, Stratford, London E15 4BQ	Shops	Yes	No	Islington	Textiles	16	Approve
	'Minds Matter' is the trading arm of the charity Mind			Enfield Hackney	Shoes		
<b>Nappy Ever After</b> 96 Chalton Street, London NW1 1HJ	Nappy laundry service	Yes	No	Camden	Re-usable nappies	60	Approve subject to paragraph 5.4 below
				Hackney			
				Islington			
<b>North London Hospice</b> 47 Woodside Avenue, London N12 8TF	Charity shops	Yes	Yes	Barnet	Mobile phones	16	Approve
				Enfield	Glass, Cans, Paper	Based 2006/7 claim plus 5%	
					Cardboard, Plastic		
				Haringey	Textiles and Shoes		
<b>Oxfam</b> 76-78 High Street, Shirley, Southampton SO15 3NE	Charity shops	Yes	Yes	All seven boroughs	Textiles	700-900	Approve
	Clothing banks						

Contact and address of Organisations	Description	Non-profit or Charity	Registered in 2007/08?	Location of collection points	Materials	Estimate Annual tonnage	Recommendation
<b>PDSA</b> Whitechapel Way, Priorslee, Telford TF2 9PQ	Charity shops	Yes	Yes	Barnet	Textiles	94	Approve
	Clothing collections			Waltham Forest			
<b>Restore Community Projects</b> 18 Ashley Road, Tottenham, London N17 9LJ	Furniture collections	Yes	Yes	Barnet,	Furniture, Large Domestic Appliances	250	Approve
	Shop			Camden,			
				Enfield			
				Haringey,			
				Islington Waltham Forest			
<b>Scope</b> 5th floor, Carolyn House, 22/26 Dingwall Road, Croydon, Surrey CR0 9XF	Charity shops	Yes	Yes	Hackney	Textiles	26	Approve
				Waltham Forest			
<b>Tesco Stores Limited</b> Old Tesco House, Delamare Road, Chestnut, Herts EN8 9SL	Car park Recycling banks	No	No	Barnet	Paper, plastic	865	Approve – subject to further conditions See paragraphs 5.18 – 5.22 below
			But applied 2007/08	Enfield	Cans, Glass		
<b>The Woodland Trust</b> Autumn Park, Dysart Road, Grantham, Lincolnshire NG31 6LL	Charity Christmas card Recycling points	Yes	Yes	Barnet	Christmas cards	25-30	Approve
				Camden			
				Enfield			
				Hackney			
				Haringey Waltham Forest			
					<b>TOTAL</b>	<b>4239</b>	
Note that where a tonnage range has been provided the upper level of the range has been used in calculating the total. The total tonnage from 2007/08 applications (provided at the time of application) was 2,653 tonnes.							

## **Community Sector Organisations**

- 5.2 From the application forms submitted, thirteen out of the fourteen non-profit making organisations meet the eligibility criteria outlined below and accordingly their applications for registration are recommended for registration. However, registration does not mean that the applicant will automatically receive credits from the Authority. As noted later in this report, payment of credits remains subject to in-year checks and inspections and a later scrutiny and audit process at the time of the final claim
- 5.3 The key area where some organisations might struggle at the audit stage is in their ability to provide proof of tonnes diverted from disposal. The government guidance does not make it mandatory for organisations to provide weighbridge tickets showing tonnes recycled or composted and it is expected that the auditing and checks carried out are proportionate to the sums being claimed. Again, this is set out in greater detail later in the report.

## **Nappy Ever After**

- 5.4 One of the not-for-profit applications which is recommended for registration is from Nappy Ever After, a nappy laundry service. Nappy Ever After is currently eligible to claim nappy subsidy payments from the Authority. The subsidies are passed on in full to the parents who use the laundry service so are used to offset the cost of having a laundry service by the parent. The recommendation to approve Nappy Ever After's application for registration is only possible because in September 2007 the Authority decided to discontinue its support for real nappies via the payment of nappy subsidies, effective from 1<sup>st</sup> April 2008. It is therefore recommended that if the nappy subsidy scheme (which is discussed elsewhere on this Authority agenda) is reinstated from the 1<sup>st</sup> April, then the Nappy Ever After application for registration for 2008/09 should not be approved, otherwise the Authority would be paying for the same diversion twice.

## **Freecycle**

- 5.5 Freecycle is a national web-based exchange service, supported by volunteers based upon an international model. Members of the public can register free of charge with their local Freecycle group and following that registration are able to place any items that they no longer want onto the website. People who are interested in obtaining the item(s) simply email the person posting the item(s) and go to collect item(s) at a mutually agreed time and location.
- 5.6 No payment is made to the person who has posted the item(s) onto the Freecycle website and it is not necessary for the recipient to exchange any item or items in return. The system is very simple; it works on a local basis, by borough in London, as it is more likely that people will want to go to collect items that have been advertised locally. At present the costs of hosting the Freecycle website in the UK have been borne by the Freecycle organisation in the US. All promotion and other costs in the UK have been borne by the volunteer individuals working on Freecycle.

- 5.7 Freecycle has applied to the Authority for registration for claiming reuse credits on the basis of the number of items passed on via its websites for the North London boroughs. Section 52 of the Environmental Protection Act 1990 as amended by section 49 of the Clean Neighbourhoods and Environment Act 2005 allows waste disposal authorities to make payments to third parties “collecting waste” in the waste disposal authority’s area. Freecycle does not take hold of the waste at any point in the process; the material is passed from one householder to another and Freecycle acts as an electronic advertising and reporting service of those transactions. Therefore there is no collection or receipt of waste to satisfy the provisions of the legislation.
- 5.8 It is therefore recommended that the application for registration for receiving reuse credits made by Freecycle is not accepted.
- 5.9 Correspondence will be sent to Freecycle suggesting they look at the application criteria for the Authority’s Community Support Fund as a possible alternative route to them securing support from the Authority.

### **Community Sector Organisations Who Have Not Re-applied for Registration**

- 5.10 A number of organisations who applied for and are registered in 2007/08 to receive recycling and reuse credits have not reapplied for 2008/09. Several reminders were sent to these organisations prior to the application deadline date. The list below provides details of each:

Common Resource Ltd	Registration approved, but several attempts to make appointments to carry out the subsequent waste management and/or exemption checks necessary before a claim for credits can be accepted have been unsuccessful. This organisation has therefore been unable to claim credits in 2007/08.
Forest Recycling Project	Registration approved, but Forest Recycling has not been able to provide the necessary evidence required in order to make claims. This organisation has therefore been unable to claim credits in 2007/08.
Freightliners City Farm	Receiving credits in 2007/08. No reason provided for not re-applying for 2008/09.
Morph	No longer operational
Sue Ryder Care	Received credits for quarter 2 in 2007/08, although but did not submit a claim for credits for quarter 1 2007/08. No reason provided for not re-applying for 2008/09
Traid (Textile Recycling for Aid and International Development)	Registered for 2007/08 but has not submitted any claims. Additionally, as reported at the Authority meeting in December 2007, for financial year 2006/07 TRAIID submitted a claim with no supporting documents; they were telephoned and emailed on several occasions but as no response was received their 2006/07 claim was rejected. No reason provided for not re-applying for 2008/09

## **Retailers and applications from profit-making organisations**

- 5.11 Two applications have been received from profit making organisations. Both organisations applied for registration in 2007/08 but were unsuccessful. Relevant parts of the Authority's stated policy are outlined in paragraphs: 5.12 to 5.14.
- 5.12 *Applications for registration for third party reuse and recycling credits from profit-making companies or associated organisations<sup>4</sup> will be considered but their applications for credit claims will be assessed separately against the above criteria (outlined in paragraphs 3.2.1 to 3.2.9) and will also be subject to negotiation by the Authority to determine appropriate terms and conditions. The Authority reserves the right not to pay any credits at all.*
- 5.13 *Applications for registration from companies subject to any form of producer responsibility legislation or schemes and for wastes potentially falling within these will be considered but the Authority reserves the right to make special terms and/or not to pay any credits at all.*
- 5.14 *Applications for registration for third party reuse and recycling credits from profit making companies will be considered, where the profit making company provides services previously arranged by the waste collection authorities. The applications will be assessed against the existing payment criteria.*

## **Chris Carey Collections**

- 5.15 Chris Carey Collections is a profit making textile recycling business operating across North London. The company estimates that it is diverting 240 tonnes of waste from disposal in North London and has accordingly applied for registration. In line with the Authority's policy, this application should be considered as follows:
- 5.16 In assessing the application, Members will wish to note that the company is not subject to producer responsibility legislation and is not providing a service which was previously arranged by waste collection authorities and therefore paragraph 5.13 above applies. Additionally Members may wish to consider that some of the other textile recycling companies who operate across North London provide additional support services to promote textile recycling. For example LMB Textile Recycling provides chargeable waste education sessions and is a long time financial supporter and member of the steering group of the North London Recycling Forum.
- 5.17 In the light of the above, it is recommended that Chris Carey's application for registration to receive reuse and recycling credits is approved, but that this is subject to further negotiation and subsequent Member approval of eligible tonnages and appropriate alternative support and that the Authority reserves the right not to pay credits at all. It is therefore also recommended that any terms relating to proposed payments would be brought back to Members for approval prior to any possible payments being made. This may be a commercially sensitive matter.

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<sup>4</sup> Such as a non-profit making trust or foundation associated with a private, profit making company or a company such as a charity trading company, which covenants 100% of its profits to a charity or other non-profit organisation.

## Tesco Stores Ltd

- 5.18 Since the application last year by Tesco, two further developments have taken place:
- 1) Tesco has installed two new recycling facilities on supermarket car parks, (at Tesco in Brent Cross and Colney Hatch, Barnet). A further two recycling banks are proposed to be installed between February and April 2008 (at Tesco, Lee Valley and Ponders End, in Enfield).
  - 2) Part way through the year Tesco ceased providing tonnage information from the new banks to the London Borough of Barnet. They have indicated that tonnage data is now only provided to those authorities that agree to support their project through recycling credits. This means that the tonnage collected at these banks can no longer be counted by the borough council or the Authority towards statutory recycling targets, and similarly it is no longer included in the Authority's overall tonnage waste figures and declarations to WasteDataFlow.
- 5.19 As much of the recyclable waste collected by Tesco is packaging waste and Tesco has significant national obligations under the Producer Responsibility (Packaging Waste) Regulations, the Authority's policy condition outlined in 5.13 applies. However, as the facilities installed by Tesco at both Brent Cross and Colney Hatch have replaced previously existing local authority facilities, the policy condition at 5.14 is also applicable.
- 5.20 In support of this application, Members may wish to consider that Tesco advises:
- i) Tesco wish to claim credits for material recycled from the range of new 'front of store' recycling banks that they have or intend to install.
  - ii) These banks are 'high tech' in design. A range of materials can be placed in a single recycling bank and the material is automatically recognised and granulated on site to reduce the volume of the waste and therefore the number of times that the bank has to be emptied, thus saving on transport costs and impacts.
  - iii) The banks can potentially take HDPE, PET, other plastics, glass, paper, cardboard and waxed composite drinks cartons as made by Tetrapak, i.e. a wider range of materials than generally provided by the local authority. The banks can also be configured so that the mix of materials accepted is complementary to the local authority kerbside recycling collection system.
  - iv) The banks are internet linked to a control centre by which sensors identify when the bank needs to be emptied, so that they should never overflow.
  - v) The banks incorporate 6 poster display panels front and back and are branded with the national campaign Recycle Now iconography. A support package of in-store advertising and promotion to residents can also be provided to encourage more recycling.

- vi) The tonnage of material being generated varies – with an average monthly tonnage of 18.03 tonnes or 216.36 tonnes each per annum (from the current two North London sites). Previous budget assumptions were based upon trials of the banks in Hampshire and Hertfordshire that showed that the new style recycling banks typically generated 416 tonnes of recyclable material per annum, (although with promotion this was anticipated to rise to 624 tonnes per annum). The performance from the new North London sites is therefore approximately half of the trial tonnages.
- vii) The tonnage of material collected will be able to be counted towards the boroughs' recycling targets if recycling credits are paid (and the tonnage information obtained). Data can be provided to the Authority on a regular and electronic basis.
- viii) According to Tesco, the banks do not displace existing recyclables from local kerbside recycling schemes, particularly if the banks are configured to accept complementary materials.
- ix) Tesco has advised that Hampshire, Hertfordshire, Essex and Gloucestershire county councils are already paying recycling credits to them.
- x) In the future there is an opportunity as a result of the design of the banks for residents to potentially be rewarded for recycling. A Tesco clubcard can be inserted at the front of the bank prior to any materials being put into the bank. This registers the type and amount of material being recycled. Tesco green clubcard points can be credited to the card for the materials recycled. However, at present this facility is not available locally.
- xi) Tesco will be diverting material from the waste stream and saving the constituent borough councils the cost of servicing the facilities, but also keeping the materials income.

5.21 Additional considerations that Members may wish to take into account are that:

- i) These new banks are replacing existing local authority facilities on Tesco sites and are potentially competing with local authority kerbside services. Currently they also take away the local authority recycling, given that Tesco is refusing to provide data.
- ii) The only additional new material being offered for recycling at these facilities is waxed composite drink cartons as made by 'Tetrapak'.
- iii) Although Tesco has said that the front-of-store recycling operation will not be operated for profit, there are no social benefits associated with the operation itself other than via separately serviced on-site charity textile banks, which Tesco has said that it is committed to retaining.
- iv) Paying credits to Tesco could lead to claims from other retailers in subsequent years although at present no other obligated companies are asking for third party credits, e.g. other supermarkets or electrical and electronic retailers. Sainsburys has also been trialing a similar front of store system, but has not asked for credits.
- v) Retailers are already benefiting from the income from sales of the material as well as the avoided cost of purchasing packaging recovery notes (tradable notes that act as evidence that a certain tonnage of material has been recycled or recovered - these are used to provide evidence of compliance with the recycling and recovery targets within the packaging waste legislation and can be traded if there is an imbalance in the market place).

- vi) Tesco also has the potential of advertising income from the on-bank billboard spaces.
- vii) Finally Members may wish to weigh up the benefits to residents of the new facilities against the costs of providing financial support.
- viii) Affected constituent borough will no longer have to pay servicing costs, but will no longer receive any income for the materials either.

5.22 On the basis of the above the Authority is recommended to approve the application for registration from Tesco subject to further negotiation and subsequent Member approval of eligible tonnages and appropriate alternative support, whilst reserving the right not to pay credits at all. It is therefore also recommended that any terms relating to proposed payments would be brought back to Members for approval prior to any possible payments being made. This may be a commercially sensitive matter.

## **6.0 CALCULATION OF THE VALUE OF RECYCLING CREDITS**

6.1 The method of calculating the value of third party recycling credits changed in 2006/07. The value is based upon the most expensive route referred to earlier but fixed at the value prevailing on 31<sup>st</sup> March 2006, i.e. there is no allowance for inflation or the rise in landfill tax on 1<sup>st</sup> April 2006. From 1st April 2007 there was a further change in the method of calculating the value of the recycling credit payment. So, this is now calculated as the average amount of expenditure the Authority would have incurred in disposing of the waste at 31st March 2006 and increasing that figure by 3% on 1st April 2007 with subsequent increases of 3% per annum of the compounded figure on 1st April every year. The value for 2008/09 is currently estimated to be £55.30 /tonne. This rate will also apply to reuse credit payments.

6.2 The financial implications for the Authority if all those organisations who have applied for registration to claim third party credits for 2007/08 have been assessed in the budget report elsewhere on this agenda. With claims at the anticipated tonnages quoted in their applications and at the estimated value of the credit of £55.30/tonne for 2008/09 it has been necessary to make a budget provision of £151,470 in 2008/09.

6.3 As the application process for registration to receive credits for 2008/09 has now closed any subsequent applications received will be rolled forward to 2009/10.

## **7.0 AUDITING CLAIMS FOR RECYCLING CREDITS**

7.1 Registration does not mean that the applicant will automatically receive credits from the Authority. As agreed in February 2007, payment of credits remains subject to in-year checks and inspections and a later scrutiny and audit process at the time of the final claim. The payment criteria for applicants claiming third party credits from the North London Waste Authority are that organisations:

- i) Must be formally registered by the Authority.

- ii) Must provide evidence of a collection and reuse or recycling system and tonnages, or other agreed measurements, including the source of the waste acceptable to the Authority and must submit quarterly data to the Authority in an agreed form no later than one month after the end of the Authority's relevant quarter and financial year-end. **(Note that this criterion may change in line with the recommendation at paragraph 3.3 above).**
- iii) Must provide evidence of Environment Agency issued Waste Carrier Registration(s) (if applicable).
- iv) Must provide evidence of Environment Agency issued Waste Management Licence or exemption (if applicable).
- v) Must co-operate fully with Authority officers in their inspections and auditing of the above.
- vi) Must accept that the Authority will make quarterly payments at 75% of the quarterly claims for the first three quarters and will pay the balance and the final agreed full year sum, both subject to in-year inspections and a final year-end audit at the close of the Authority's financial year. **(Note that this criterion may change in line with recommendation at paragraph 7.5 below).**

7.2 The Authority has obtained a letter from each recycler used by the various organisations registered for receipt of reuse and recycling credits. These letters indicate the amount recycled and reused. Officers have checked the waste types and quantities that these organisations can manage. "Duty of care" checks have been conducted to ensure that each claimant is compliant with waste management regulations. And registered charity numbers have been verified where applicable too.

7.3 In undertaking this work, officers have regard to DEFRA recommendations that applicants for recycling credits follow the "Measure your Treasure" guidance issued by the Community Recycling Network. This guidance recommends weighing waste where possible but also describes methods of estimating the quantities of waste recycled, reused or composted where a weighbridge is not available. Officers have agreed in advance of any service for which a third party intends to claim how the amounts of waste collected are to be measured to ensure that the methods employed are appropriate and commensurate with the scale of the operation and the size of any claim that may arise. In 2007/08 accepted industry conversion figures were used, e.g. to convert the number of chairs recycled or reused into tonnage figures, in some cases. The key issue however is that the Authority must be satisfied from an audit perspective that if public money is being paid to an organisation on the basis of a return detailing tonnes recycled or composted that it is confident that the information is as reasonably correct as possible.

7.4 In the first year of the scheme since 1<sup>st</sup> April 2007 there has been some discussion with particular groups about the evidentiary requirements in order to claim credits. Legal advice has been sought where appropriate. Should further policy guidance be required then relevant proposals and recommendations will be brought to future Authority meetings.

7.5 Also during the first six months of operation it has become possible to audit claims on a quarterly basis. Where this continues to be the case, officers consider it reasonable to pay claimants the full amount of their claim each quarter, and this has indeed been done. Consequently the payment criteria at 7.1 vi) above could usefully be supplemented as follows:

- vi) Must accept that the Authority will make quarterly payments at 75% of the quarterly claims for the first three quarters and will pay the balance and the final agreed full year sum, both subject to in-year inspections and a final year-end audit at the close of the Authority's financial year ***unless the Authority is satisfied with in-year audits, in which case the Authority may choose to pay quarterly claims in full.***

## 8.0 THIRD PARTY RECYCLING CREDIT CLAIMS IN 2007/08

8.1 In accordance with the present scheme for third party recycling credits in the current financial year, (which requires quarterly claims and payments), the following tonnage claims have been submitted in relation to the second quarter July – September 2007.

<b>Recycling credits claimed in 2007 by:</b>	<b>Tonnes July - September</b>	<b>Value July - September</b>
Barnado's	9.00	£483.21
Freightliners City Farm	0	£0
Help the Aged	28.82	£1,547.35
North London Hospice	45.37	£2,435.92
Oxfam	177.41	£9,525.14
PDSA	25.79	£1,384.67
Quaker Social Action Homestore	8.46	£452.23
Restore	39.75	£2,134.18
SCOPE	6.57	£352.74
Sue Ryder Care	10.07	£540.66
TRAID	0	£0
	<b>351.24</b>	<b>£18,856.10</b>

8.2 The above claims have been fully audited and paid at the rate of £53.69 per tonne. The claims for October to December 2007 are not yet due to have been submitted to the Authority.

## 9.0 RECOMMENDATIONS

9.1 The Authority is recommended to:

- i) approve the change to the Authority's third party reuse and recycling credits policy outlined in paragraphs 3.3 and 7.5 in relation to reporting requirements and payments;
- ii) approve, conditionally approve or not approve the applications for registration for reuse and recycling credits for 2008/09 as recommended in Table 1 of this report;
- iii) note the third party reuse and recycling credits paid in Quarter 2, 2007/08; and
- iv) note that the Authority's policy on paying third party reuse and recycling credits will be kept under review in relation to any unforeseen issues that may arise, with a specific review in September 2008.

## **10.0 COMMENTS OF THE LEGAL ADVISER**

10.1 The Legal Adviser has reviewed this report and all comments are contained within the body of the report.

## **11.0 COMMENTS OF THE FINANCIAL ADVISER**

11.1 The Financial Adviser has reviewed this report and all comments are contained within the body of the report.

## **Local Government Act 1972 – Access to information**

**Documents used:** "Guidance on the Recycling Credit Scheme", DEFRA, April 2006 (<http://www.defra.gov.uk/environment/waste/localauth/pdf/recyclingcreditscheme-guidance.pdf>)

Section 49 of the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005)

North London Joint Waste Strategy, Mayor's Draft, September 2004

Community Recycling Network "Measure your treasure" guidelines, available on the Community Recycling Network website <http://www.crn.org.uk/projects/myt/contents.shtml>, originally published as a report from a data collection project of the same name, by the Community Recycling Network, 2001

Environmental Protection (Waste Recycling Payments) (England) Regulations 2006.

Producer Responsibility Obligations (Packaging Waste) Regulations, 2007

**Contact Officers:** Andrew Lappage, Head of Waste Strategy & Contracts  
&  
Barbara Herridge, Policy & Development Manager

North London Waste Authority  
Unit 169, Block 1B  
Lee Valley Technopark, Ashley Road  
N17 9LN

Tel: 020 8489 5730  
Fax: 020 8365 0254  
E-mail: [post@nlwa.gov.uk](mailto:post@nlwa.gov.uk)

**Report Ends**