

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**  
**RECYCLING CREDIT AND INCENTIVE PAYMENTS – 2007/08**

**REPORT OF:**  
**HEAD OF WASTE STRATEGY & CONTRACTS**

<b>FOR SUBMISSION TO:</b> <b>AUTHORITY MEETING</b>	<b>DATE:</b> <b>26<sup>th</sup> September 2008</b>
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**SUMMARY OF REPORT:**

This report advises Members on the levels of recycling activity by the constituent borough councils and third parties during the last financial year, and recommends paying recycling credits.

Additionally this report advises Members of the amounts of biodegradable municipal waste diverted by each constituent borough council (which benefits the Authority under the Landfill Allowances Trading Scheme), and recommends special incentive payments.

**RECOMMENDATIONS**

The Authority is recommended to: -

- (i) note the payments made to third parties for the 2007/08 scheme year;
- (ii) approve the payment of recycling credit payments to constituent borough councils for 2007/08 as set out in this report; and
- (iii) approve the payment of biodegradable municipal waste incentive payments for 2007/08 as set out in this report.

**Signed by:**  
**Head of Waste Strategy & Contracts** .....

**Date:**.....

## **1.0 REPORT OVERVIEW**

- 1.1 This report first sets out the general background to recycling credits. It then goes on to note the third party credits paid for tonnages external organisations have diverted from the Authority during 2007/08. Finally it recommends payments to constituent borough councils for recycling credits and BMW (biodegradable municipal waste) Incentive Payments – or BIPs – for tonnages they have diverted during 2007/08 too.

## **2.0 BACKGROUND**

- 2.1 Recycling credits are payments made by a waste disposal authority (WDA) to the waste collection authorities (WCA's) and other organisations in its area to reflect the disposal authority's avoided costs of disposal that arise when a waste collection authority or other organisation has diverted waste from disposal to recycling or composting (or reuse in the case of other organisations).
- 2.2 Section 52 (1) of the Environmental Protection Act 1990 (EPA 1990) introduced recycling credits as a mechanism for incentivising recycling and composting of household waste by WCAs and third parties.
- 2.3 The scheme was updated, after consultation, through provisions in the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005, s.49), and subsequent Government guidance.
- 2.4 Government regulations set out how recycling credits should be calculated, and provide (high) default figures to be used if a waste disposal authority cannot follow the regulations<sup>1</sup>. Whilst the regulations were changed with effect from 1<sup>st</sup> April 2007<sup>2</sup> to incorporate waste reuse as well as waste recycling and the calculation method was changed, the move to a tonnage based levy meant that recycling credit payments to constituent borough councils would no longer be required (because tonnage diverted from the Authority would be 'rewarded' by a reduced share of the levy instead), although the Authority agreed transitional arrangements which have seen the recycling credit payments to constituent borough councils being phased out over a three year period.

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<sup>1</sup> The Environmental Protection (Waste Recycling Payments) (Amendment) Regulations 1994 describe how recycling credit payments are to be calculated. The credit payment is based on the Waste Disposal Authority's (WDA's) net saving of expenditure for the purposes of section 52(1) or (3) of the Environmental Protection Act 1990 (EPA).

<sup>2</sup> The Environmental Protection (Waste Recycling Payments) Regulations 2006 Statutory Instrument 2006 No. 743

- 2.5 These transitional arrangements were agreed by the Authority in February 2006 and meant that for 2005/06 the full credit value per tonne was paid to constituent borough councils for the last time. For tonnages diverted in 2006/07 the Authority paid at two thirds of the theoretical full credit rate per tonne and for tonnages diverted in 2007/08 the Authority is paying one third of the theoretical value, making 2007/08 the last year for which the Authority will pay recycling credits to its constituent borough councils.
- 2.6 The Authority continues to have a power to pay third party reuse and recycling credits, and Government guidance indicates how the Authority is expected to use this power.

### 3.0 THIRD PARTY REUSE AND RECYCLING CREDITS

- 3.1 The Authority introduced a limited scheme to pay recycling credits to third parties in July 1997, but a new scheme started from 1<sup>st</sup> April 2007 to reflect these new legal powers and guidance. The Authority agreed a new policy in September 2006 for this purpose. Organisations were asked to register their interest by December 2006 so that the February 2007 Authority meeting could consider recommendations and budgetary provision for 2007/08. During 2007/08 claims were received from 12 third party organisations. Checks were carried out on these claims and letters received from recycling merchants confirming the percentage of material recycled. The audit process for third party credits resulted in some minor deductions from the organisations listed mainly due to claims for shops outside the Authority area.
- 3.2 On the basis of the claims received and the tonnes verified, payments have been made as set out in the table below. The recycling credit payment was £53.69 per tonne.

	Tonnes April 2007 – March 2008	Value
Restore	176.03	£9,451.05
North London Hospice	166.35	£8,931.34
Help the Aged	89.69	£4,815.46
Quaker Social Action Homestore	28.45	£1,527.48
Barnado's	29.92	£1,606.41
PDSA	78.73	£4,227.02
Sue Ryder	16.43	£882.13
SCOPE	29.69	£1,594.05
Oxfam	793.12	£42,582.61
Freightliner City Farm	3.88	208.32
TRAID	281.63	£15,120.72
Woodland Trust	19.63	£1,053.93
Total	1,713.55	£92,000.52

#### 4.0 RECYCLING CREDITS TO CONSTITUENT BOROUGH COUNCILS

- 4.1 As reported previously, the change to a tonnage based levy system was accompanied by a removal of the requirement for the Authority to pay recycling credits to the constituent borough councils, although the power to pay third parties remains.
- 4.2 The recycling credit payment has been a significant source of budget income for the boroughs' waste management services, although this is now declining as borough recycling credit payments are phased out over 2006/07 and 2007/08 with the move to the tonnage based levy. The boroughs also benefit from any income generated from the sale of the recyclable materials to their contracted reprocessors. Both incomes are offset against any collection costs borne by the boroughs.
- 4.3 The Authority makes payments to boroughs for their annual claim once a year following approval of audited claims for the previous year. In past years the payment has comprised the balance of payments due to boroughs after deducting amounts previously paid on account in the preceding year plus a payment on account for the current year (based on 75% of the previous year's approved claim). However, as 2007/08 was the last year of the Authority's local recycling credit scheme and given that more material was redirected to the Authority for treatment in the 2007/08, it was difficult to determine a 'safe' level of payment on account. In respect of the 2006/07 recycling credit claims a significant over-payment arose in respect of two boroughs, so it was agreed for 2007/08 that this practice would not continue, and that the 2006/07 overpayments would be carried forward and treated as pre-payments for 2007/08.
- 4.4 The table below summarises the proposed payments to the Constituent Boroughs (the 2007/08 tonnage breakdown is at Appendix 1). The Finance Officer advises that there is budget provision for these payments.

<b>Borough</b>	<b>Total Claim 2007/08</b>	<b>Less Payment on Account 2007/08</b>	<b>Balance Payment due 2007/08</b>
Barnet	£615,662.25	-	£515,662.25
Camden	£351,711.03	-	£351,711.03
Enfield	£784,599.51	-	£784,599.51
Hackney	£340,017.71	-	£340,017.71
Haringey	£126,984.67	£105,361.81	£21,622.86
Islington	£140,321.99	£26,426.49	£113,895.50
W/Forest	£585,290.73	-	£585,290.73
<b>Total</b>	<b>£2,944,587.89</b>	<b>£131,788.30</b>	<b>£2,812,799.59</b>

- 4.5 The 2007/08 claims have been verified through a detailed audit process in accordance with the conditions agreed by the Authority in February 2004. Officers audited tonnages for three materials in each borough for two non-consecutive months. The materials audited included different combinations of green waste, glass, scrap metal, paper, wood, cardboard, textiles, construction and commingled recyclables. Tonnages were verified by weighbridge tickets. A note of the audit process and results has been prepared for each borough. The audit process exceeded the minimum requirements set out by the Authority in February 2004.
- 4.6 Generally speaking, the auditing process showed that claims were robust. Deductions of less than 100 tonnes in total were made at Hackney and Haringey for double-counting of green waste, incorrect claiming for reused textiles and duplicate claims in relation to third party credits for Oxfam. At Enfield and Waltham Forest deductions of some 840 tonnes in total were made in relation to further double-counting of green waste and over-claiming wood waste, which was more than offset in the case of Waltham Forest by an underclaim for other green wastes.
- 4.7 Because of the difficulties of separation, there is undoubtedly an element of commercial waste within the recycled material stream from bring sites (and possibly from kerbside collections if people take recyclables home from work) and some WDAs make an arbitrary reduction to allow for this. This Authority has always chosen in the past not to make any such reduction and therefore no reduction has been made to the figures presented in this report.

## **5.0 ANALYSIS OF RECYCLING TONNAGE**

- 5.1 Analysis of recycling trends within the Authority's area is shown in Appendix 3. for the period 1992/93 – 2007/08, with a line for each constituent borough council and a line showing the average tonnes collected per borough in the Authority's area

- 5.2 The table and chart at Appendices 1 and 2 show the absolute tonnages for which recycling credits are due to be paid to the constituent borough councils, i.e. they exclude green and kitchen waste delivered to the in-vessel composting facility and commingled dry recyclables received by the Authority for sorting by Veolia or Holmen via LondonWaste Ltd as such tonnages are not eligible for a recycling credit payment. In 2007/08 the boroughs delivered a total of 29,589 tonnes (25,937 in 2006/07) to the Authority for treatment through the in-vessel composting facility and 26,106 tonnes in respect of commingled dry recyclables (14,027 in 2006/07); total recycled tonnes are shown in the table at Appendix 4. It is this transfer of the responsibility for composting and recycling wastes from boroughs to the Authority that explains the fact that five boroughs' lines (and the Authority-wide average) are falling on the chart at Appendix 3, despite absolute increases in the total amount of waste composted and recycled in all boroughs.
- 5.3 The greatest tonnages are shown in the largest boroughs. The figures are also affected by the recycling of construction waste in Barnet, Enfield, Haringey and Islington (which is not taken into account in borough recycling rates, but against which recycling credits are paid).

## **6.0 BIODEGRADABLE MUNICIPAL WASTE INCENTIVE PAYMENTS**

- 6.1 This scheme has been created within the context of the Landfill Allowances Trading Scheme, which applies to the Authority. It reflects the principle that the Authority should share the value of allowances created or saved as a consequence of constituent borough councils diverting biodegradable municipal waste (BMW) from landfill. The Authority is therefore now making BMW Incentive Payments (BIPs) to our constituent borough councils from 2006/07 onwards.
- 6.2 The agreed basis of the BIP scheme was that audited recycling and composting figures (biodegradable wastes only) from 2004/05 should form the base tonnages, and that increases against that base should be rewarded by the Authority through the payment of BIPs at 50% of the book value of tradable landfill allowances published by the Government. Unlike recycling credits that are payable only if the Authority has not paid for the treatment of the waste, BIPs are payable whether or not the Authority has paid for the treatment of the waste.
- 6.3 A total of 47,567 tonnes is eligible for payment in respect of the 2007/08 scheme year at a rate of £2.50 per tonne (i.e. 50% of £5) and a total cost of £118,917.50.
- 6.4 Authority officers analysed the audited 2007/08 recycling credit claims from the constituent borough councils and advised them which elements were eligible for BIPs, and how much they should therefore claim. The claims were subsequently confirmed by all.

6.5 It is therefore recommended that the following payments of BIPs should be made:

	Tonnes		Payments	
	Household	Non-Household	Household	Non-Household
Barnet	11,587	0	£28,967.50	-
Camden	930	1,479	£2,325.00	£3,697.50
Enfield	2,251	0	£5,627.50	-
Hackney	6,278	0	£15,695.00	-
Haringey	6,081	0	£15,202.50	-
Islington	9,179	0	£22,947.50	-
Waltham Forest	9,782	0	24,455.00	-
<b>Total</b>	<b>46,088</b>	<b>1,479</b>	<b>£115,219.50</b>	<b>£3,697.50</b>

## 7.0 RECOMMENDATIONS

7.1 The Authority is recommended to: -

- i) note the payments made to third parties for the 2007/08 scheme year;
- ii) approve the payment of recycling credit payments to constituent borough councils for 2007/08 as set out in this report; and
- iii) approve the payment of biodegradable municipal waste incentive payments for 2007/08 as set out in this report.

## 8.0 COMMENTS OF THE FINANCIAL ADVISER

8.1 Borough recycling credit claims for 2007/08 have been audited and as a consequence a net total of £2,812,799.59 is now recommended for payment under the Authority's local recycling credit scheme. As recycling credit claims were lower than assumed in closing the accounts for 2007/08 there is an excess creditor provision of £229,813.73 that can now be written back into the 2008/09 accounts.

8.2 The report also recommends payments to boroughs of £118,917.50 under the Authority's BMW incentive payment scheme. This amount is also lower than expected and assumed in closing the 2007/08 accounts. As a consequence there is an excess creditor provision of £50,158.50, which can now be written back into the 2008/09 accounts.

8.3 A total creditor write-back of £279,972.23 has been allowed for in the 2008/09 second budget found elsewhere on this agenda.

## **9.0 COMMENTS OF THE LEGAL ADVISER**

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

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

**Documents used:** Recycling credits claims data from boroughs and named third parties  
BIP claims from boroughs  
2006 No. 743 Environmental Protection (Waste Recycling Payments) Regulations 2006  
1994 No.522 Environmental Protection (Waste Recycling Payments) (Amendment) Regulations 1994  
1992 No. 462 Environment Protection (Waste Recycling Payments) Regulations 1992

**Contact Officers:** Christina Preece, Contracts Manager &  
Andrew Lappage, Head of Waste Strategy &  
Contracts

Lee Valley Technopark, Unit 169  
Ashley Road  
Tottenham N17 9LN

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



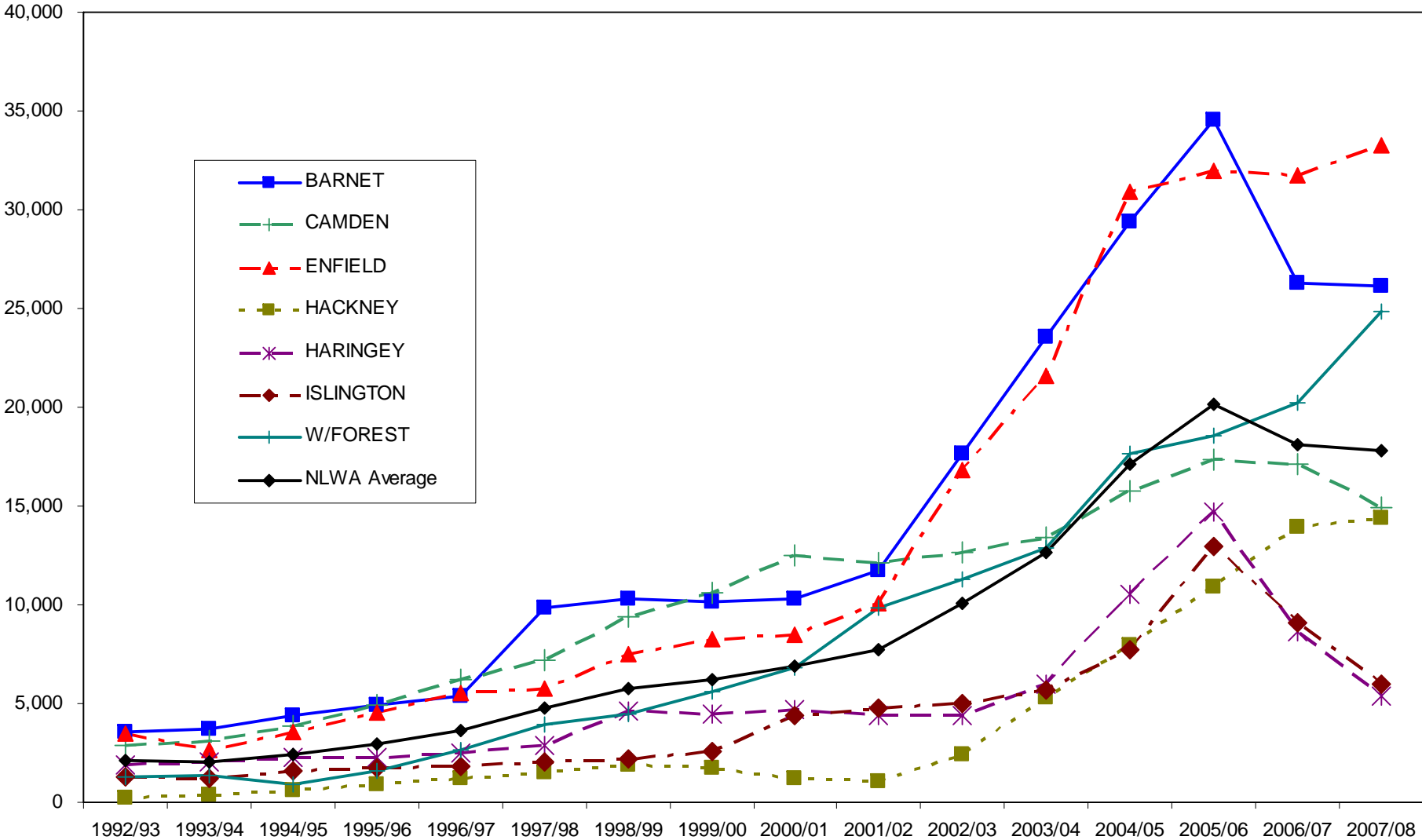
APPENDIX 1

RECYCLING CREDITS 2007/8

Material	Barnet	Camden	Enfield	Hackney	Haringey	Islington	WF	Total
Glass	5,788.34	2,061.14	3,046.62	3,425.90	1,217.46	439.77	4,167.69	20,146.92
Paper	13,166.96	1,938.20	12,179.94	5,319.99	1,846.69	662.03	9,945.12	45,058.93
Cardboard	716.26	0.00	1,140.37	764.22	318.38	224.52	1,175.00	4,338.75
Cans	696.33	0.00	609.49	292.76	141.64	38.88	292.98	2,072.08
Plastic	224.74	11.59	1,416.08	166.13	0.00	60.90	555.27	2,434.71
Foil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Textiles	445.96	7.67	53.26	34.22	44.84	72.23	0.00	658.18
Scrap Metal	1,151.02	291.60	811.91	460.26	232.14	445.58	783.61	4,176.12
Green Waste	1,025.52	2,324.18	11,657.12	3,392.17	555.84	1,916.78	5,185.24	26,056.85
Wood	1,155.82	0.00	468.44	363.04	187.98	713.60	538.81	3,427.69
IT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electrical	7.79	0.00	0.00	0.00	0.00	0.00	0.00	7.79
Fluorescent tubes	0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.34
Vehicle Batteries	204.58	7.08	43.16	12.90	2.20	11.90	21.69	303.51
White Goods	0.00	0.00	169.04	0.00	0.00	0.00	0.00	169.04
Motor Oil	57.82	3.53	21.74	1.00	2.15	5.84	18.20	110.28
Yellow Pages	224.58	0.00	0.00	24.42	0.00	0.00	0.02	249.02
Construction Waste	1,243.46	0.00	1,655.44	0.00	833.58	1,343.54	2,137.24	7,213.26
Commingled - Boro's	0.00	8,249.61	0.00	159.98	0.00	0.00	0.00	8,409.59
Tetrapaks	0.00	3.06	1.33	2.76	2.37	2.02	0.62	12.16
Books	0.00	17.99	0.00	0.00	0.00	0.00	0.00	17.99
other (unspecified)	0.00	0.00	0.00	0.00	0.00	13.30	0.00	13.30
<b>Total (validated)</b>	<b>26,109.51</b>	<b>14,915.65</b>	<b>33,273.94</b>	<b>14,419.75</b>	<b>5,385.27</b>	<b>5,950.89</b>	<b>24,821.49</b>	<b>124,876.50</b>



Trends in household tonnes recycled by boroughs on which recycling credits are due to be paid



All tonnages recycled

