

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

RECYCLING INCENTIVE PAYMENTS

REPORT OF:

HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

12th December 2007

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.

Finally, it updates Members on third party recycling activity in the current financial year under the new scheme approved in September 2006 to apply from 1st April 2007 onwards.

RECOMMENDATIONS

The Authority is recommended to: -

- (i) approve the payment of recycling credit payments to constituent borough councils for 2006/07 as set out in this report;
- (ii) approve the payment of 2006/07 third party recycling credits as set out in this report and note the payments made for the 2007/08 scheme year; and
- (iii) approve the payment of biodegradable municipal waste incentive payments for 2006/07 as set out in this report and note the outlook for likely payment levels in 2007/08.

Signed by:

Head of Waste Strategy & Contracts

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Date:.....

1. BACKGROUND

- 1.1 Recycling credits are payments made by a waste disposal authority (WDA) to the waste collection authorities (WCA's) in its area to reflect the disposal authority's avoided costs of disposal that arise when a waste collection authority has diverted waste from disposal to recycling or composting.
- 1.2 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.
- 1.3 A review of the scheme and consultation were carried out in 2004 and subsequent changes to the scheme included in section 49 of the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005), alongside a commitment to develop guidance on the scheme, which has since been issued. However, these changes do not affect the proposed payments in this report so are not discussed in detail in this report.

Calculating the value of the credit

- 1.4 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). For credit payments made from 1st April 2007 the calculation method is slightly different. The new method of calculation is outlined in The Environmental Protection (Waste Recycling Payments) Regulations 2006 Statutory Instrument 2006 No. 743. Alongside this change in the method of calculation, the move to a tonnage based levy means that recycling credit payments to boroughs are no longer required, although the Authority has agreed transitional arrangements which will see the recycling credit payments to boroughs being phased out over a three year period.

Eligibility criteria for the payment of credits

- 1.5 The Authority first considered the payment of recycling credits at its meeting on 20th December 1993. The statutory criteria for the eligibility for the payment of recycling credits were set out at this meeting. The Authority pays recycling credit payments according to the requirements detailed below: -
 - (i) Waste collected for recycling must be reprocessed to produce marketable products. (Eligibility for credit does not therefore include the sale of second-hand items of clothes or other materials that are simply re-used).
 - (ii) No charge can be made for collection.

- (iii) Credits can only be claimed for household waste. No claim can be made for commercial or industrial waste recycled by the Waste Collection Authority, (WCA) because, although theoretically possible to claim, there should be no net saving after taking into account the WCA not charging its customer for disposal.
 - (iv) The waste must only be collected from within the area of the WCA submitting the claim.
 - (v) A claim for credit can only be presented to one WDA and only on the one occasion.
- 1.6 At its meeting in February 2004 the Authority agreed a regime of auditing of recycling credit claims from constituent boroughs by the Strategy & Contracts Team. The principal new requirement was that at least two recyclable streams from all boroughs and at least 40% of their tonnage too is verified by means of a random inspection of at least 6% of relevant loads' weighbridge tickets.
- 1.7 It should also be noted that construction waste qualifies for recycling credit payments, but does not qualify for inclusion in nationally published best value performance indicators, and for some boroughs this construction waste tonnage is significant.

Third Party Recycling Credits – Additional Eligibility Criteria

- 1.8 The Authority introduced a limited scheme to pay recycling credits to third parties in July 1997, which will continue to apply to third-party recycling undertaken up until 31st March 2007, as the new policy agreed at the last Authority meeting is to apply from 1st April 2007. Eligibility therefore is currently based on the same criteria as stated in paragraph 1.6, but with the additional requirements that schemes must:
- i) Use unpaid volunteers and be registered with the Environment Agency.
 - ii) Not conflict with existing or planned WCA schemes.
 - iii) Not involve commodities already collected by WCAs, unless with the agreement of that WCA.
- 1.9 The WCA must support, in writing, each third-party recycling credit claim emanating from their borough.

Changes to the Recycling Credits Regime

- 1.10 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 boroughs, but the potential for third parties to make a claim remains. The Authority agreed at its meeting on 8th February 2006 however, that it would operate a 'transitional recycling credit scheme' to boroughs phased out over three years in line with the phasing in of the tonnage based levy. This means that for 2005/06 the 'full' amount of credit is paid to boroughs, but for 2006/07 the credit rate is based upon the 2006/07 theoretical full credit value but reduced by a third.

2.0 RECYCLING CREDIT CLAIMS

- 2.1 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.
- 2.2 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).
- 2.3 However, as 2007/08 is the last year of the Authority's local recycling credit scheme and given that more material is being redirected to the Authority for treatment in the 2007/08, it is difficult to determine a 'safe' level of payment on account. Members will see from the table below that such an arrangement led to two boroughs being overpaid in respect of the 2006/07 recycling credit claims. Accordingly, it is not proposed to make a payment on account for 2007/08. For the two boroughs that have been overpaid in respect of the 2006/07 scheme year the overpayment will be treated as a payment in respect of the 2007/08 scheme year.
- 2.4 The table below summarises the proposed payments to the Constituent Boroughs (the 2006/07 tonnage breakdown is at Appendix 1). The Finance Officer advises that there is budget provision for these payments.

Borough	Total Claim 2006/07	Less Payment on Account 2006/07	Balance Payment due 2006/07
Barnet	1,150,846.75	£1,133,183.12	17,663.63
Camden	749,086.87	£568,445.04	180,641.83
Enfield	1,388,897.56	£1,049,889.91	339,007.65
Hackney	611,976.67	£357,575.16	254,401.51
Haringey	377,320.79	£482,682.60	(105,361.81)
Islington	397,938.33	£424,364.82	(26,426.49)
W/Forest	886,245.70	£609,123.24	277,122.46
Total	5,562,312.67	£4,625,263.89	937,048.78

- 2.5 The 2006/07 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, cans, cardboard, textiles 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.
- 2.6 Generally speaking, the auditing process showed that claims were robust. Very minor adjustments of +/- 2 tonnes were made at Barnet and Hackney. Larger deductions of 120-500 tonnes were made at Camden, Enfield and Islington due to double-counting, not deducting MRF contamination and non-recycled textiles. At Waltham Forest positive and negative adjustments of less than 20 tonnes were made in relation to re-use and recycling centre recycling, and 4,956 tonnes of green and kitchen waste delivered into the in-vessel composting facility were also deducted as the treatment cost of this waste has been borne by the Authority. Just over 9 tonnes was deducted from Haringey's original claim due to an overclaim on construction waste recycling.
- 2.7 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 in the past and has not made any such reduction in the figures presented in this report.

Third Party Recycling Credit Claims

- 2.8 Third party recycling credit claims (and payments proposed) have also been received, supported by borough officers. Checks have also been carried out on these claims verified by letters from recycling merchants confirming the percentage of material recycled.
- 2.9 On the basis of the claims received and the tonnes verified the payments set out in the table below are proposed. Third party payments are not made on account so the payments proposed are due in full for the preceding financial year. The recycling credit payment is £62.18 per tonne.
- 2.10 The audit process for third party credits resulted in no deductions from the organisations listed. However TRAIID (Textile Recycling for Aid and International Development) submitted a claim with no supporting documents, they were telephoned and emailed on several occasions but as no response was received the claim was rejected.

Organisation	Proposed Tonnes to be Paid 2006/07	Total Payment due to be Paid
Oxfam	346.07	£21,518.63
PDSA	59.89	£3,723.96
Scope	11.40	£708.85
Woodland Trust	22.50	£1,399.05
North London Hospice	14.86	£923.99
Barnado's	10.99	£683.36
Total	465.71	£28,957.85

3.0 ANALYSIS OF RECYCLING TONNAGE

- 3.1 Analysis of recycling trends within the Authority's area is shown in Appendix 3. for the period 1992/93 – 2006/07, with a line for each constituent borough council and a line showing the average tonnes collected per borough in the Authority's area.
- 3.2 The table and chart at Appendices 1 and 2 show absolute tonnes against which recycling credits are due to be paid to the constituent borough councils. It should be noted that these figures exclude green and kitchen waste delivered to the in-vessel composting facility and commingled dry recyclables received by the Authority for sorting by Veolia via LondonWaste Ltd against which credits are not eligible to be paid. 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.

3.3 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).

4.0 BIODEGRADABLE MUNICIPAL WASTE INCENTIVE PAYMENTS

4.1 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.

4.2 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 the value of £8.99 per tonne (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.

4.3 A total of 44,106.42 tonnes is eligible for payment in respect of the 2006/07 scheme year at a rate of £8.99 per tonne (i.e. 50% of £17.98) and a total cost of £396,516.81.

4.4 Authority officers analysed the audited 2006/07 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.

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

	Tonnes		Payments	
	Household	Non-Household	Household	Non-Household
Barnet	9,692.83	0	£87,138.54	0
Camden	2,872.21	1,106.62	£25,821.17	£9,948.51
Enfield	1,506.19	0	£13,540.65	0
Hackney	4,935.38	0	£44,369.07	0
Haringey	4,594.52	342.00	£41,304.73	£3,074.58
Islington	10,842.44	0	£97,473.54	0
Waltham Forest	8,214.24	0	£73,846.02	0

4.5 Members should note however that there may be a significant reduction in the value for BIPs in 2007/08, possibly to £2.50 per tonne, on the current evidence from the Trading Register.

5.0 THIRD PARTY RECYCLING IN 2007/08

5.1 In accordance with the new scheme for third party recycling credits in the current year, the following tonnage claims have been submitted in relation to April – June 2007.

	Tonnes April – June 2007	Value
Restore	51.49	£2,764.50
North London Hospice	27.33	£1,467.35
Help the Aged	8.39	£450.46
Quaker Social Action Homestore	5.83	£313.01
Barnado's	4.19	£224.96
PDSA	17.10	£918.10
SCOPE	5.04	£270.60
Oxfam	191.96	£10,306.33
Freightliner City Farm	3.88	£208.32
TRAID	99.08	£5,265.92

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

6.0 RECOMMENDATIONS

6.1 The Authority is recommended to: -

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- i) approve the payment of recycling credit payments to constituent borough councils for 2006/07 as set out in this report;
- ii) approve the payment of 2006/07 third party recycling credits as set out in this report and note the payments made for the 2007/08 scheme year; and
- iii) approve the payment of biodegradable municipal waste incentive payments for 2006/07 as set out in this report and note the outlook for likely payment levels in 2007/08.

7.0 COMMENTS OF THE FINANCIAL ADVISER

- 7.1 The total value of audited recycling credit claims made by Boroughs based upon the proposed recycling credit payment of £43.80 per tonne is £5,562,312.67. Allowing for a payment on account of £4,625,263.89 a net payment of £937,048.78 is now due to be paid. The proposed payment can be met from the budget provision allowed for in the 2006/07 final accounts.
- 7.2 The total value of the audited recycling credit claims to be paid to third parties in respect of 2006/07 is £28,957.85. This is based upon a rate per tonne of £62.18.
- 7.3 Allowing the costs at 7.1 and 7.2 there is an excess 2006/07 creditor provision of £300,235.27 which can be written back to revenue in 2007/08.

8.0 COMMENTS OF THE LEGAL ADVISER

- 8.1 The Legal Adviser has reviewed this report and has no further comments to make.

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

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APPENDIX 1

RECYCLING CREDITS 2006/7

Material	Barnet	Camden	Enfield	Hackney	Haringey	Islington	WF	Total
Glass	5,642.23	1,940.06	676.90	3,004.87	1,452.38	966.13	3,417.33	17,099.90
Paper	13,376.13	2,378.40	1,070.30	4,892.41	2,305.91	3,207.63	8,055.50	35,286.28
Cardboard	607.10	10.30	277.34	546.38	318.94	285.06	994.81	3,039.93
Cans	648.30	0.00	11.88	189.68	150.44	157.23	230.57	1,388.10
Plastic	119.04	0.00	6.20	0.00	0.00	277.78	20.54	423.56
Foil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Textiles	456.34	0.00	55.30	45.25	30.11	57.58	34.88	679.46
Scrap Metal	1,657.64	393.62	1,035.15	685.70	243.78	691.92	1,087.00	5,794.81
Green Waste	1,073.44	4,297.62	11,490.78	3,782.87	633.76	1,328.72	4,860.06	27,467.25
Wood	1,017.64	0.00	279.28	746.13	211.26	913.26	1,401.00	4,568.57
IT	0.00	71.80	0.00	0.00	0.00	0.00	0.00	71.80
WEEE	30.11	0.00	0.00	0.00	0.00	0.00	88.64	118.75
Vehicle Batteries	257.14	9.84	71.26	2.70	14.00	13.34	21.62	389.90
White Goods	0.00	0.00	190.79	0.00	0.00	0.00	0.00	190.79
Motor Oil	71.72	3.80	0.00	2.00	1.63	1.88	18.82	99.85
Yellow Pages	237.55	0.00	0.00	0.00	0.00	0.00	0.00	237.55
Construction Waste	1,080.66	0.00	1,341.00	0.00	777.07	1,184.82	0.00	4,383.55
Commingled - Boro's	0.00	7,997.00	15,203.81	74.08	2,475.35	0.00	0.00	25,750.24
other (unspecified)	0.00	0.00	0.00	0.00	0.00	0.00	3.15	3.15
Verification Process								
Outcomes:	26,275.04	17,102.44	31,709.99	13,972.07	8,614.63	9,085.35	20,233.92	126,993.44

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

