

Agenda Item No:

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**REVIEW OF THE NORTH LONDON WASTE AUTHORITY  
REUSE AND RECYCLING CREDIT PAYMENT SCHEME**

**REPORT OF:**

**HEAD OF WASTE STRATEGY AND CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING**

**DATE:**

**19th September 2007**

**SUMMARY OF REPORT:**

This report reviews the background to and progress on the payment of third party reuse and recycling credits. The report summarises the Authority's policy to date and makes recommendations for continued payment of third party reuse and recycling credits for the forthcoming financial year 2008/09.

**RECOMMENDATIONS**

The Authority is recommended to:

- i) Continue to pay third party reuse and recycling credits and to adopt the policy on payments as in paragraph 4.2 of this report.
- ii) 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 further specific review in September 2008.

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

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**Date:** .....

## **1.0 SUMMARY**

- 1.1 This report sets out the broad legislative background in this section, the consequent cessation of credits to boroughs in section 2, the methodology for third party credits in section 3, the rationalised Authority policy in section 4 (the prevailing one having evolved over two meetings and resolutions), the organisations registered for 2007/08 in section 5 and the auditing approach in section 7.
- 1.2 Broadly speaking, the report notes the scheme is being implemented as intended. The principal recommendation is for a tidying up of the policy position; the second is to note the second review of the scheme is due in one year's time.

## **2.0 OVERVIEW**

- 2.1 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).
- 2.2 Recycling credits are paid to parties that remove items from the municipal waste stream for recycling that would otherwise have been sent to landfill 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 with a few far smaller claims paid to third parties.
- 2.3 The current system of levying each Borough in proportion to the waste they have delivered to the Authority for disposal was introduced in April 2006. This has the effect of negating any savings made by the Authority from independent Borough recycling activity as it is the individual Borough that makes savings by delivering less waste for disposal; and where the Authority contracts with a recycling facility, its costs are funded through the levy. However, as the change to a tonnage-based levy is being phased in, the Authority has agreed to make voluntary payments in place of recycling credits on a reducing scale for waste recycled during 2006-07 and 2007-08. The Authority retains the power to make recycling credit payments to third parties to support recycling activity.
- 2.4 The Government recognises the benefits offered by third party recycling activities and expects the Authority to be predisposed to make such payments and introduced a new scheme through Section 49 of the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005) with new guidance to encourage this. The Authority's previous scheme for paying recycling credits to third parties was discontinued on 31 March 2007.
- 2.5 Payment of credits to third parties for waste they divert from landfill for recycling, composting or re-use is consistent with the North London Joint Municipal Waste Strategy.

- 2.6 On 20th September 2006 the Authority approved a new system of paying reuse and recycling credits. On 7th February 2007 the Authority approved the registration under the new scheme of fifteen applicants from the community, not for profit and charitable organisations but rejected the applications from two commercial organisations. 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.
- 2.7 This report is the first of the two specified reviews. A further report will be presented to Members at the Authority Meeting in September 2008.

### **3.0 PAYMENT OF REUSE AND RECYCLING CREDITS TO BOROUGHES.**

- 3.1 The Government has changed the default method of recovering costs from our constituent borough councils for waste disposal from a levy apportioned on relative Council Tax Band-D equivalents in each Borough to a levy apportioned on the relative amount of waste delivered to the Authority by each Borough. It remains possible however for the Authority's seven constituent borough councils to agree an alternative method of apportioning the levy so long as they are unanimous.
- 3.2 The Authority has introduced the tonnage based levy in accordance with the default transitional arrangements between 2006/07 and 2007/08 with one third of the levy being applied on a tonnage basis in 2006/07 and two thirds being applied on a tonnage basis in 2007/08. The amount of recycling credit that Boroughs can claim against recycling tonnage is reduced inversely meaning that in 2006/07 the amount of credit that could be claimed from the Authority was based on two thirds of the theoretical value and 2007/08 the amount of credit that can be claimed from the Authority is based on one third of the theoretical value. In 2008/09, no recycling credits will be able to be claimed by the constituent boroughs.
- 3.3 2007/08 is the final year for which recycling credits can be claimed by Boroughs from the Authority.

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

- 4.1 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 policy supports the North London Joint Waste Strategy implementation actions 4.C2 in relation to rewarding effective re-use 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.

- 4.2 The Government suggests that the sale of second-hand books or clothes, and the use of returnable or refillable bottles will not be eligible for credit payments and that goods donated to charity shops are not classified as waste at the point of donation, so charity shops will not be eligible to receive recycling credits on goods donated to their shops (at the point of receipt by the shop). Charity shops will however be eligible for recycling credits for items that cannot be sold and are then recycled or exported for re-use. Both the Environment Agency and community waste sector have produced guidance notes on re-use that contain advice for Authorities and third parties, but difficult uncertain instances of re-use in particular will inevitably arise and judgments will have to be formed on whether the re-use activity proposed is genuinely reducing the Authority's waste stream.
- 4.3 Third parties are entitled to claim reuse and recycling credit 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 do not apply to them in the same way as they do to our constituent borough councils.
- 4.4 The value per tonne of third party reuse and recycling credits are 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 area as of 31 March 2006, calculating the average of these values across a WDA 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.
- 4.5 No account shall be taken of expenditure incurred in administering the scheme.

## **5.0 REVISED AUTHORITY POLICY ON THE PAYMENT OF THIRD PARTY REUSE AND RECYCLING CREDITS.**

- 5.1 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 and 7th February 2007.
- 5.2 The Authority has agreed to pay third party re-use and recycling credits subject to the following conditions:
- 5.2.1 Only household waste, including waste collected from schools and colleges that is recycled, composted or re-used is eligible for a credit.
- 5.2.2 All waste must be collected within the area served by the North London Waste Authority and its constituent borough councils.

- 5.2.3 The collection of waste for recycling (or re-use) does not conflict with existing Borough collection schemes and is consistent with the North London Joint Municipal Waste Strategy.
- 5.2.4 The Authority or the constituent borough councils do not already pay for the waste to be collected or recycled.
- 5.2.5 All claimants and reproducers 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.
- 5.2.6 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.
- 5.2.7 Claims are to be made quarterly during the financial year. Quarterly claims are to be submitted to the Authority by 30th September (Quarter 1), 31 December (Quarter 2), 31st March (Quarter 3) and 30th June (Quarter 4).
- 5.2.8 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.
- 5.2.9 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.
- 5.2.10 Applications for registration for third party re-use and recycling credits from profit-making companies or associated organisations<sup>1</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.
- 5.2.11 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.

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<sup>1</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.

## **6.0 REGISTRATION OF THIRD PARTY ORGANISATIONS.**

6.1 In order to implement the above and to budget appropriately, an application form for organisations to apply to register to claim credits in 2007/08 was:

- Made available on the Authority's website.
- Sent to the constituent borough councils for uploading onto their websites.
- Sent to all previous claimants.
- Sent to relevant 'second tier' community and voluntary sector organisations in London so that they could alert their members, namely Association of Charity Shops, Furniture Re-Use Network and London Community Recycling Network.
- Outlined to borough technical officers at their September 2006 meeting.

Phone contact was also made with several organisations throughout the application process.

6.2 At the Authority meeting on 7th February 2007 Members approved the registration of the following fifteen organisations:

**ORGANISATIONS THAT HAVE APPLIED TO REGISTER FOR THIRD PARTY  
RE-USE AND RECYCLING CREDITS  
FROM THE NORTH LONDON WASTE AUTHORITY FOR 2007/08**

	<b>Organisation</b>	<b>Description</b>	<b>Non-profit or Charity</b>	<b>Location of collection points</b>	<b>Materials recycled or re-used</b>	<b>Estimated anticipated 2007/08 tonnage on which credits will be claimed</b>
1.	Barnardos	Charity shops	Yes	Barnet & Waltham Forest	Textiles	150
2.	Common Resource Ltd.	Door to door collections, events and special promotions	Yes	Hackney	Paper, glass and metal	25
3.	Forest Recycling Project	Furniture recycling and community composting	Yes	Enfield, Hackney, Haringey & Waltham Forest	Computers, furniture, paint and paper	26
4.	Freightliners City Farm	Community composting	Yes	Islington	Green waste	70
5.	Help the Aged	Charity shops	Yes	Islington	Textiles	137
6.	Homestore (Quaker Social Action - QSA)	Furniture re-use	Yes	Hackney, Islington & Waltham Forest	Furniture	40
7.	Morph	Furniture re-use	Yes	Hackney & Islington	Furniture	60
8.	North London Hospice	Charity shops	Yes	Barnet, Enfield & Haringey	Shoes, glass, tins, paper, cardboard and plastic	200

	<b>Organisation</b>	<b>Description</b>	<b>Non-profit or Charity</b>	<b>Location of collection points</b>	<b>Materials recycled or re-used</b>	<b>Estimated anticipated 2007/08 tonnage on which credits will be claimed</b>
9.	Oxfam	Charity shops & Clothing banks	Yes	All seven boroughs	Textiles and shoes	900
10.	PDSA	Charity shops	Yes	Barnet	Textiles	100
11.	Restore	Furniture re-use	Yes	All seven boroughs	Furniture, refrigeration equipment, large domestic appliances	300
12.	Scope	Textile banks	Yes	Barnet & Hackney	Bagged Mixed Textiles	35
13.	Sue Ryder Care	Charity shops	Yes	Camden, Enfield, Haringey and Islington	No information supplied	300
14.	The Woodland Trust	Charity Christmas card recycling	Yes	Barnet, Enfield & Hackney	Christmas Cards	30
15.	Traid	Textile banks	Yes	All seven boroughs	Bagged Textiles and Shoes	280
	<b>TOTAL</b>					<b>2,653</b>

- 6.3 The closing date for the receipt of claims for recyclables collected in the first quarter of 2007-08 is 30th September 2007. It appears that the amounts collected are below the anticipated levels and hence the budget provision for this appears to be adequate. Full details of the amounts collected and claims for recycling credit will be prepared for the Authority meeting in December.

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

- 7.1 In accordance with Government guidance the Authority set up registers of “approved recyclers” and of third parties that wish to claim recycling credits. Officers check the waste types and quantities that these organisations can manage. Additionally “duty of care” checks are conducted to ensure that each claimant is compliant with waste management regulations. Officers will only accept claims for recycling credits from organisations that have been previously checked and registered.
- 7.2 DEFRA recommends 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, re-used or composted where a weighbridge is not available. Officers should agree 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.
- 7.3 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.

## **8.0 RECOMMENDATIONS**

- 8.1 The Authority is recommended to continue to pay third party reuse and recycling credits and to adopt the policy on payments as in paragraph 4.2 of this report.

8.2 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 further specific review in September 2008.

## **9.0 COMMENTS OF THE FINANCE ADVISER**

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

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

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

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

#### **Documents used:**

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

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

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

Greater Manchester Waste Disposal Authority, Report of the Executive Director, "Re-use Credits", 20<sup>th</sup> October 2006

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**Report Ends**