

**Agenda Item No:**

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**THIRD PARTY RE-USE AND RECYCLING CREDIT REGISTRATIONS**

**REPORT OF:**

**HEAD OF WASTE STRATEGY AND CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING**

**DATE:**

**7<sup>th</sup> February 2007**

**SUMMARY OF REPORT:**

This report advises Members of the third party organisations that have applied to be registered for third party re-use and recycling credits for 2007/08 and makes recommendations for this.

Separate recommendations are made in relation to two applications from private companies, as such claims were unforeseen in the policy agreed last year.

**RECOMMENDATIONS**

The Authority is recommended to:

- i) approve the additions to the Authority's third party re-use and recycling credits policy outlined in paragraphs 4.3 and 4.4 of this report;
- ii) approve the applications from all fifteen community sector, non-profit or charity organisations to register for re-use and recycling credits for 2007/08 as outlined in Table 1 of this report;
- iii) approve the registration applications from Tesco and Chris Carey Collections, for third party re-use and recycling credits, each subject to further checks and on terms to be agreed by the Head of Waste Strategy & Contracts in consultation with the Chairman;
- iv) approve the community sector and charity payment criteria set out at paragraph 5.4 of the report; and
- v) note that the Authority's policy on paying third party re-use and recycling credits will be kept under review in relation to any unforeseen issues that may arise, with specific reviews in September 2007 and 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.
- 1.2 Recycling credits were paid mostly to the constituent borough councils when they removed items from the waste stream for recycling that would otherwise have been sent for disposal at the Authority's expense. The value of the credit recognised the saving to the Authority made by this recycling activity. A few small claims have been paid to third parties.
- 1.3 A new 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 now the Borough that makes savings by delivering less waste for disposal. However, as the change to a tonnage-based levy is being phased in over this financial year and next, the Authority has agreed to make voluntary recycling credit payments to Boroughs in place of statutory recycling credits on a reducing scale for waste recycled this year and next, i.e. no Borough recycling credit payments will be payable from 2008/09 onwards.
- 1.4 Although Borough recycling credits are disappearing the Authority retains the power to make payments to third parties to support re-use and recycling activity. The Government recognises the benefits offered by third party re-use and recycling activities and expects the Authority to be predisposed to making such payments. A new scheme for third party credit payments was introduced through Section 49 of the Clean Neighbourhoods and Environment Act 2005 (CNEA 2005) with new guidance to encourage this. The Authority correspondingly approved a new system for third party credit payments at the September 2006 Authority meeting. The existing third party recycling credits scheme continues to apply to wastes collected before 31st March 2007 with the new system coming into force on 1<sup>st</sup> April 2007.
- 1.5 For the financial year 2005/06 the Authority approved claims for credits from five third party organisations with a total value of £31,763.51.

## **2.0 PAYMENT OF RECYCLING AND RE-USE CREDITS**

- 2.1 The Authority has previously paid recycling credits at a rate that reflects the Authority's highest avoided cost of disposal. That is the saving which the Authority makes in disposal costs as a consequence of the activity of the Borough or third party recycling the waste.

- 2.2 The previous statutory scheme applied only to wastes that were recycled or composted, but the Government's new guidance (and the Authority's new policy to comply with that guidance) is that re-use credits should now be paid too. The Authority has already been paying "re-use credits" in special circumstances to Restore Community Projects to support the furniture re-use scheme since 2003, and successfully bid to the London Recycling Fund to write the guidance for and pay re-use credits as part of a pilot scheme for charity shop textiles that were unsold and then exported during 2003/04. Apart from these exceptions, the Authority has not paid third party re-use credits before.
- 2.3 Both the Government and the Environment Agency and the community waste sector have produced guidance notes on re-use that contains advice for Authorities and third parties, but difficult uncertain instances of re-use 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.
- 2.4 Local guidance for potential applicants to the Authority for third party recycling and re-use credits was made available in December 2006, based upon the national guidance, along with forms to apply for registration for 2007/08 re-use and recycling activity.

### **3.0 CRITERIA FOR PAYING THIRD PARTY RE-USE AND RECYCLING CREDITS**

- 3.1 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.
- 3.2 The Authority's current policy on paying third party recycling credits remains unchanged until 31 March 2007.
- 3.3 However, from 1<sup>st</sup> April 2007, the new payment policy applies and the rest of this report is focused upon this. It should be noted that payments to third parties remain discretionary, but (subject to a satisfactory application and audit process) the Authority has agreed to pay third party re-use and recycling credits subject to the following conditions:
- 3.3.1 Only household waste including waste collected from schools and colleges that is recycled, composted or re-used is eligible for a credit.
  - 3.3.2 All waste must be collected within the area served by the North London Waste Authority and its constituent borough councils.
  - 3.3.3 The collection of waste for recycling does not conflict with existing Borough collection schemes and is consistent with the North London Joint Municipal Waste Strategy.
  - 3.3.4 The Authority or the constituent borough councils do not already pay for the waste to be collected or recycled.
  - 3.3.5 All claimants and reprocessors that will collect and recycle waste must be registered and approved by the Authority before services commence for which a claim is to be made.

- 3.3.6 Claims are to be made for waste collected between 01 April and 31 March and all claims are to be submitted to the Authority by 30 June immediately following the period to which claims relate.
- 3.3.7 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.
- 3.3.8 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.<sup>1</sup>
- 3.4 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.

- 3.5 Potential claimants were asked to complete the application for registration form by Friday 5<sup>th</sup> January 2007 although this deadline was extended to Friday 13<sup>th</sup> January.
- 3.6 Seventeen organisations have applied for registration to claim re-use and/or recycling credits as a result. Section 5 of this report provides more details.

#### **4.0 POLICY ADDITIONS**

- 4.1 Two applications for registration have been submitted by private companies running schemes for private profit, that do not necessarily fit within the objectives of the Authority and the NLJWS, and whose waste might not be a genuine diversion from the established municipal waste stream.
- 4.2 Whilst these companies are excluded from claiming under the current third party recycling credit policy that prevails until 31<sup>st</sup> March 2007, they are not explicitly excluded from the new policy that will prevail from 1<sup>st</sup> April 2007.

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<sup>1</sup> The originally approved (at 20<sup>th</sup> September 2006 Authority meeting) conditions also included a condition that "the Authority will deduct a reasonable administration cost from the value of any credit paid. This cost will be determined by the Authority as a reasonable estimate of the cost of administering the payment scheme. Where possible this charge will be published in advance." However, following DEFRA guidance this condition was subsequently withdrawn.

- 4.3 It is accordingly recommended that a new provision be incorporated into the Authority's policy on third party re-use and recycling credits for 2007/08 onwards as below:

“Applications for registration for third party re-use and recycling credits from profit-making companies or associated organisations<sup>2</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.”

- 4.4 A further national policy and legislative change that has arisen is that waste electrical and electronic equipment (WEEE) will be subject to a new producer responsibility regime from 1<sup>st</sup> July 2007 onwards. This will mean that the Authority will potentially have no avoided cost of disposal, if the WEEE is collected by a WEEE producer compliance scheme and therefore no rationale to pay third party re-use and recycling credits. Consequently, a further additional provision should be added to the policy:

“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.”

## **5.0 APPLICATIONS RECEIVED**

### **Community Sector Organisations**

- 5.1 Fifteen community sector/non-profit/charity organisations and two profit making organisations have submitted applications to register as potential claimants for recycling and re-use credits in 2007/08. The details of all these organisations are shown in Table 1 below.
- 5.2 From the application forms submitted all the non-profit making organisations meet the eligibility criteria outlined below and subject to further checks the applications for registration from the non-profit making organisations are recommended for approval. Any subsequent applications received will be rolled forward to 2008/09.
- 5.3 The application for registration of the two profit making organisations is also recommended, subject to the matters in paragraphs 4.1 to 4.3 and 5.7 to 5.10.
- 5.4 Registration does not mean however that the applicant will automatically receive credits from the Authority – payment of credits remains subject to in-year 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:

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<sup>2</sup> Such as a non-profit making trust or foundation associated with a private, for 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.

- i) Must be formally registered by the Authority.
- ii) Must provide evidence of a collection and re-use 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.
- 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 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.

**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>
16.	Tesco	Mixed materials front-of-store recycling banks	No	Barnet initially, with potential expansion to other boroughs	Cardboard, cans, glass, paper and tetrapak	8 – 12 tonnes per unit per week; two units in active development
17.	Chris Carey's Collections	Banks and collections from charity shops	No	Various	Textiles, shoes, books and plastics	250

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

- 5.5 As reported at the last Authority meeting, subsequent to the Authority agreeing the new policy on paying re-use and recycling credits in September 2006, a request was received from a major retailer - Tesco - to consider payment of third party credits for the tonnage of recyclables collected at on-site front-of-store recycling banks, managed and serviced by the retailer and/or their agents.
- 5.6 The policy for 2007/08 third party re-use and recycling credits, as outlined in paragraph 3.3 did not consider potential applications from retailers or other organisations (such as Chris Carey Collections which is listed in the table above) or from companies obligated under the Producer Responsibility (Packaging Waste) Regulations or other producer responsibility legislation.
- 5.7 In support of Tesco's application, Members may consider that:
- i) Tesco's wish to claim credits for material recycled from a range of new 'front of store' recycling banks that they intend to install across the country.
  - 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 number of times that the bank has to be emptied, thus saving on transport movements.
  - iii) 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.
  - iv) The banks incorporate 6 poster display panels front and back and are branded with the national campaign RecycleNow iconography.
  - v) Trials of the banks in Hampshire and Hertfordshire have shown that they typically generate 8 tonnes of recyclable material per week, 416 tonnes per annum, (although with promotion this is anticipated to rise to 12 tonnes per week). This is approximately double the amount of material currently collected at many such front of store facilities. Sainsburys has also been trialling a similar front of store system, but has not asked for credits.
  - vi) The tonnage of material collected will be able to be counted towards the boroughs' recycling targets as well as to the retailers' packaging waste recycling targets. Data can be provided to the Authority on a regular and electronic basis.
  - vii) The trial has shown, according to Tesco, that the banks do not displace existing recyclables from local kerbside recycling schemes, (although the banks do of course replace existing council run bring facilities and therefore tonnage generated on-site).
  - viii) Hampshire and Portsmouth authorities are already paying recycling credits to Tesco and Hertfordshire has also agreed, subject to certain conditions.
  - ix) There is an opportunity as a result of the design of the banks for residents to 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.
  - x) Tesco will be diverting material from the waste stream and saving the constituent borough councils the cost of servicing the facilities.

- 5.8 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.
  - 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 Tescos 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. electrical and electronic retailers.
  - 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.

5.9 Initial discussions have been held with Tesco regarding terms on which the Authority might be willing to pay them credits. As these discussions have not yet been concluded, it is recommended that Tesco's application to register should be considered separately and subject to satisfactory terms being agreed by the Head of Waste Strategy & Contracts in consultation with the Chairman in accordance with the recommended additional policy statement above.

5.10 Negotiations with Chris Carey have commenced, but are not complete. As with Tesco and the proposed recommended additional policy statement, it is recommended that Chris Carey's application to register should be considered separately and subject to satisfactory terms being agreed by the Head of Waste Strategy & Contracts in consultation with the Chairman in accordance with the recommended additional policy statements included in section 4 above.

5.11 It is also recommended that the policy and the process by which third parties apply to register and subsequently apply to claim credits should be reviewed at September 2007 and September 2008, in the light of experience following the introduction and operation of the new system so any further modifications can be considered then.

## **6.0 NEXT STEPS AND PROPOSALS FOR AUDITING CLAIMS FOR CREDITS**

6.1 The next steps are for officers to check the waste types and quantities that the organisations that have applied to register can manage. "Duty of care" checks also need to be conducted to ensure that the claimants are compliant with waste management regulations. The Authority will only accept claims for recycling credits from organisations that have been previously checked and registered.

## **Repeated Re-use**

- 6.2 Since the last Authority meeting information has been obtained from Greater Manchester Waste Disposal Authority, which outlines the audit process that they intend to use for paying re-use credits. Greater Manchester established a Joint Officers' Group Working Group which visited Lancaster City Council's contractor Furniture Matters/Bulky Matters to assess how they administer and operate their re-use credits system.
- 6.3 Bulky Matters is a partnership between Furniture Matters and Lancaster City Council that manages the Council's bulky waste collections. Lancaster City Council claims re-use credits from Lancashire County Council for the percentage of the collected material that is re-used. Both operations use the same system of tracking and accounting for items collected, and this will soon be improved by using barcodes. By using this tracking system it is possible to identify items being returned to the scheme for a second time, where no credits will be paid. It also identifies any addresses where multiple deliveries are requested and so prevents any goods being claimed for resale. Lancashire County Council audits Furniture Matters annually and Bulky Matters quarterly.
- 6.4 In terms of converting the numbers of items collected to weights for credit payments, Lancashire uses standard conversion weights derived directly from the Furniture Re-use Network. These figures are also used by the NLWA and are accepted nationally and recognised by DEFRA, the BIG Lottery's CRED (Community Recycling and Economic Development) grants programme and the Business Resource Efficiency and Waste (BREW) Programme.
- 6.5 Between this meeting and 1<sup>st</sup> April 2007 Authority officers will work with the organisations that have applied to register for credits to agree measurement and audit systems in advance.
- 6.6 As noted at the last Authority meeting, the extra work that is created by this new regime will take up additional officer time. In 2007/08 it is expected that this workload will be resourced from the existing workforce.

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

- 7.1 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. The value for 2006/07 is currently estimated to be £62.18/tonne. From 1st April 2007 there is a further change in the method of calculating the value of the recycling credit payment. This is to be 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 2007/08 is currently estimated to be £53.69/tonne. This rate will also apply to re-use credit payments.

7.2 The financial implications for the Authority if all those organisations who have applied for registration to claim third party credits for 2007/08 has 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 £53.69 for 2007/08 (and including a potential roll-out of Tesco banks to other locations in North London) it has been necessary to make a budget provision of £328,000 in 2007/08.

## **8.0 RECOMMENDATIONS**

8.1 The Authority is recommended to:

- i) approve the additions to the Authority's third party re-use and recycling credits policy outlined in paragraphs 4.3 and 4.4 of this report;
- ii) approve the applications from all fifteen community sector, non-profit or charity organisations to register for re-use and recycling credits for 2007/08 as outlined in Table 1 of this report;
- iii) approve the registration applications from Tesco and Chris Carey Collections, for third party re-use and recycling credits, each subject to further checks and on terms to be agreed by the Head of Waste Strategy & Contracts in consultation with the Chairman;
- iv) approve the community sector and charity payment criteria set out at paragraph 5.4 of the report; and
- v) note that the Authority's policy on paying third party re-use and recycling credits will be kept under review in relation to any unforeseen issues that may arise, with specific reviews in September 2007 and 2008.

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

9.1 The Legal Adviser has reviewed this report and has no further comments to add

## **10.0 COMMENTS OF THE FINANCIAL ADVISER**

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

### **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>)

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

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

**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**