

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:
RECYCLING CREDIT CLAIMS 2005/06

REPORT OF:
HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO: AUTHORITY MEETING	DATE: 20th December 2006
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SUMMARY OF REPORT:

This report advises Members on the levels of recycling activity within the Constituent Boroughs during the last financial year, and recommends paying recycling credits to Constituent Boroughs.

It also recommends relevant payments of third party recycling credits for the last financial year.

RECOMMENDATIONS

The Authority is recommended to: -

- (i) approve the payment of recycling credit payments to Constituent Boroughs for 2005/06 as set out in this report.
- (ii) approve the payment "on account" to Constituent Boroughs for 2006/07 as set out in this report.
- (iii) approve the payment of third party recycling credits as set out in this report.

Signed by:
Head of Waste Strategy & Contracts

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 at the last Authority meeting (September 2006), 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.

Third Party Recycling Credits Payments Requests from Retailers

- 1.11 The Government has recently issued new guidance on third party recycling and re-use, and a new policy on the payment of these was agreed at the last Authority meeting. This new policy comes into effect from 1st April 2007 so does not affect the claims referred to in this report.
- 1.12 Subsequent to the last Authority meeting, however, a request has been received from a major retailer 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.

- 1.13 The new policy for paying third party recycling credits, agreed at the last Authority meeting (20th September 2006), did not consider potential applications from retailers or other organisations obligated under the Producer Responsibility (Packaging Waste) regulations or other producer responsibility legislation. Officers are currently discussing with the retailer referred to above, the scale of potential claims and the potential for partnership working, but it has not been possible to complete this in time for this meeting. The potential payment of recycling credits to retailers or other organisations affected by producer responsibility regulations may therefore need to be considered in principle at the next Authority meeting in February 2007 along with potential revisions to the Authority's policy if necessary, at the same time as considering other third parties wishing to register to claim re-use and recycling credits under the new system from 1st April 2007.

2.0 RECYCLING CREDIT CLAIMS

- 2.1 The recycling credit payment is a major source of budget income for the boroughs' waste management services although this will decline as borough recycling credit payments are phased out over the next two years 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). It is therefore proposed that the payment should be based upon a payment on account for 2006/2007 based on 75% of the 2005/06 tonnage claim and paid at the estimated recycling credit payment rate for 2006/2007. In line with the agreed three year transitional borough recycling credit scheme referred to in paragraph 1.10, this rate is equivalent to 66.7% of the theoretical value of £65.57 per tonne (i.e payable at £43.74 - 66.7% of £65.57)
- 2.3 In the unlikely event that a Borough's 2006/07 payment on account exceeds the actual recycling credit entitlement for the year, any overpayment will be treated as a prepayment in respect of the 2007/08 recycling credit claim year. The latter is considered unlikely as data received from the Boroughs suggests that all are on track to match or exceed their 2005/06 actual recycling levels in 2006/07.
- 2.4 The table below summarises the proposed payments to the Constituent Boroughs (the 2005/06 tonnage breakdown is at Appendix 1). The Finance Officer advises that there is budget provision for these payments.

Borough	Total Claim 2005/06	Less Payment on Account 2005/06	Balance Payment due 2005/06	Payment on Account 2006/07	Total Payment due to be Paid
Barnet	£2,122,667.35	£1,353,589.88	£769,077.47	£1,133,183.12	£1,902,260.59
Camden	£1,064,805.60	£727,306.84	£337,498.76	£568,445.04	£905,943.80
Enfield	£1,966,643.34	£1,425,163.76	£541,479.58	£1,049,889.91	£1,591,369.49
Hackney	£669,806.23	£366,303.45	£303,502.78	£357,575.16	£661,077.94
Haringey	£904,156.25	£486,868.35	£417,287.90	£482,682.60	£899,970.50
Islington	£794,915.97	£356,302.46	£438,613.51	£424,364.82	£862,978.33
W/Forest	£1,141,003.60	£814,181.78	£326,821.82	£609,123.24	£935,945.06
Total	£8,663,998.34	£5,529,716.52	£3,134,281.82	£4,625,263.89	£7,759,545.71

- 2.5 The 2005/06 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. Authority Officers deducted claims made in error for third party textiles and fridges made by Waltham Forest and for green waste by Hackney, deductions totalling 221 tonnes, 215 tonnes and 40.26 tonnes respectively. Green and kitchen waste being delivered into the in-vessel composting facility, which opened during the year was also deducted as the treatment cost of this waste has been borne by the Authority. This represented further deductions of 3,943 tonnes for Barnet, 338.1 tonnes for Hackney, 890 tonnes for Haringey, 916.25 tonnes for Islington and 1,196 tonnes for Waltham Forest.
- 2.7 Because of the difficulties of separation, there is undoubtedly an element of commercial waste within the recycled material stream and some WDAs make an arbitrary reduction to allow for this. This Authority has always chosen 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.
- 2.10 The audit process for third party credits only resulted in one deduction of 4.4 tonnes to the Woodland Trust.

Organisation	Proposed Tonnes to be Paid 2005/06	Total Payment due to be Paid
Oxfam	361.57	£22,218.48
PDSA	33.16	£2,037.68
Scope	11.67	£717.12
Woodland Trust	20.79	£1,277.55
TRAID	89.71	£5,512.68
Total	516.90	£31,763.51

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 – 2005/06, 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 against which credits are not eligible to be paid.
- 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). However, the trend across the Authority's area for over a decade now is clearly upward, with varying rates of overall growth between the constituent borough councils, as shown at Appendix 3.

4.0 RECOMMENDATIONS

4.1 The Authority is recommended to: -

- (i) approve the payment of recycling credit payments to constituent Boroughs for 2005/06 as set out in this report.
- (ii) approve the payment "on account" to constituent Boroughs for 2006/07 as set out in this report.
- (iii) approve the payment of third party recycling credits as set out in this report.

5.0 COMMENTS OF THE FINANCIAL ADVISER

5.1 The total value of audited recycling credit claims made by Boroughs based upon the proposed recycling credit payment of £61.45 is £8,663,998.34. Allowing for a payment on account of £5,529,716.52 a net payment of £3,134,281.82 is now due to be paid. The proposed payment can be met from the budget provision allowed for in the 2005/06 final accounts.

5.2 The total value of the audited recycling credit claims made to third parties is £31,763.51.

5.3 Allowing the costs at 5.1 and 5.2 there is an excess 2005/06 creditor provision of £367,450.60 which can be written back to revenue in 2006/07.

5.4 As indicated at paragraphs 2.2. and 2.3 the report proposes to reward boroughs as in previous years by paying an amount equal to 75% of 2005/06 tonnage as a pre-payment on account for 2006/07. Although considered unlikely, any over payment in 2006/07 will be treated as a prepayment for the 2007/08 recycling credit claim year. As a consequence the total value of the 2006/07 proposed payment on account is £4,625,263.89. This payment can be met from the 2006/07 approved budget.

6.0 COMMENTS OF THE LEGAL ADVISER

6.1 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

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 2005/6

Material	Barnet	Camden	Enfield	Hackney	Haringey	Islington	WF	Total
Glass	4,568.00	3,426.00	1,574.48	2,512.60	1,356.47	715.08	2,650.00	16,802.63
Paper	14,505.00	6,620.00	11,821.66	4,101.23	2,581.14	193.02	6,154.00	45,976.05
Cardboard	512.00	175.00	1,395.05	443.07	263.90	165.10	722.00	3,676.12
Cans	591.00	0.00	293.72	171.15	140.07	2.68	180.00	1,378.62
Plastic	79.00	0.00	851.45	0.00	0.00	8.60	0.00	939.05
Foil	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Textiles	670.00	3.00	64.00	114.88	29.07	147.60	91.00	1,119.55
Scrap Metal	1,721.00	309.00	1,216.98	630.11	430.87	609.00	1,165.00	6,081.96
Green Waste	9,370.00	3,630.00	11,811.91	2,908.83	1,653.12	1,009.20	6,847.00	37,230.06
Wood	880.00	0.00	302.05	0.00	83.08	910.40	630.00	2,805.53
IT	0.00	0.00	47.33	0.00	0.00	0.00	0.00	47.33
WEEE	96.00	0.00	0.00	0.00	0.00	0.00	77.00	173.00
Vehicle Batteries	201.00	13.00	79.90	15.76	27.90	0.00	23.00	360.56
White Goods	0.00	0.00	143.39	0.00	0.00	0.00	0.00	143.39
Motor Oil	58.00	6.00	19.04	2.39	2.00	1.10	19.00	107.53
Yellow Pages	188.00	0.00	0.00	0.00	7.48	0.00	0.00	195.48
Construction Waste	1,103.00	0.00	2,383.00	0.00	952.37	890.60	0.00	5,328.97
Commingled	0.00	3,146.00	0.00	0.00	7,186.22	8,280.78	0.00	18,613.00
Biok	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other (unspecified)	0.00	0.00	0.00	0.00	0.00	2.82	10.00	12.82
Verification Process Outcomes TOTAL:	34,543.00	17,328.00	32,003.96	10,900.02	14,713.69	12,935.98	18,568.00	140,992.65

