

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

RECYCLING CREDIT CLAIMS 2004/05

REPORT OF:

HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING.

DATE:

19th October 2005

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 notes current arrangements for the payment of third-party recycling credits.

RECOMMENDATIONS

The Authority is recommended to: -

- (i) approve the payment of recycling credit payments to Constituent Boroughs for 2004/05 as set out in this report;
- (ii) approve the payment "on account" to Constituent Boroughs for 2005/06 as set out in this report;
- (iii) note the arrangements for third party recycling credits and encourage Constituent Boroughs to support claims where eligible;
- (iv) approve the payment of third party recycling credits as set out in this report; and
- (v) agree that any review of third party recycling credits be held back until the Government's intentions and timetable in respect of the Tonnage Based Levy are clear.

Signed **Head of Waste Strategy**
by **& 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 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 WDA's net saving of expenditure for the purposes of section 52(1) or (3) of the Environmental Protection Act 1990 (EPA).
 - Section 52(1) of the EPA 1990 requires WDAs to pay WCAs amounts representing their net savings on the disposal of waste retained by the collection authorities for recycling.
 - Section 52(3) of that Act confers a power on WDAs to pay persons other than WCAs equivalent amounts for waste collected by them for recycling.
- 1.3 The Authority makes payments to its Boroughs based on the highest marginal cost of disposal through LondonWaste Ltd, to whom all the Authority's waste is contracted until December 2014.
- 1.4 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 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 Waste Collection Authority submitting the claim.
 - (v) A claim for credit can only be presented to one Waste Disposal Authority and only on the one occasion.

- 1.5 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.
- 1.6 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

- 1.7 The Authority introduced a limited scheme to pay recycling credits to third parties in July 1997. Eligibility is based on the same criteria as stated in paragraph 1.4, 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.
- 1.8 The WCA must support, in writing, each third-party recycling credit claim emanating from their borough.
- 1.9 More recently, the Authority has agreed to pay third party recycling credits for schemes operating across the Authority's area run by the Association of Charity Shops, the Kings Cross Furniture Project and Christmas card recycling for The Woodland Trust by WH Smith and Tesco.
- 1.10 The Authority has previously requested that this policy is reviewed to bring these different strands together. It is recommended that this review be held back until the Government's intentions and timetable in respect of the Tonnage Based Levy are clear (the subject of a separate report elsewhere on this agenda).

2.0 RECYCLING CREDIT CLAIMS

- 2.1 The recycling credit payment is a major source of budget income for the Boroughs' waste management services. In previous years, recycling credit payments have grown from £0.73m in 97/98 to £4.19m in 2003/04, as shown below:

| Year | Recycling Credit Claim |
|-------------|-------------------------------|
| 97/98 | £0.73m |
| 98/99 | £1.00m |
| 99/00 | £1.40m |
| 00/01 | £1.70m |
| 01/02 | £2.00m |
| 02/03 | £2.70m |
| 03/04 | £4.19m |

- 2.2 The Authority makes payments to Boroughs for their annual claim once a year following approval of audited claims for the previous year. Last year the payment 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). This approach will continue this year, with the payment based upon 75% of the 2004/05 tonnage claim paid at the estimated recycling credit payment rate for 2005/06 of £61.45.
- 2.3 In the unlikely event that a Borough's payment on account exceeds the actual recycling credit entitlement for the year any overpayment will be treated as a prepayment in respect of the 2006/07 recycling credit claim year. Should, however, the Government's proposals for amending the default arrangements for apportioning the levy come into effect for 2006/07, including the removal of a waste disposal authority's duty to pay recycling credits, any overpayment(s) will be recovered directly from the borough(s).
- 2.4 The table below summarises the proposed payments to the Constituent Boroughs (the 2004/05 tonnage breakdown is at Appendix 1). The Finance Officer advises that there is budget provision for these payments.

| Borough | Total Claim 2004/05 | Less Payment on Account 2004/05 | Balance Payment due 2004/05 | Payment on Account 2005/06 | Total Payment due to be Paid |
|----------------|----------------------------|--|------------------------------------|-----------------------------------|-------------------------------------|
| Barnet | £1,677,320.70 | £1,009,679.37 | £667,641.33 | £1,353,589.88 | £2,021,231.21 |
| Camden | £901,252.91 | £575,630.44 | £325,622.47 | £727,306.84 | £1,052,929.31 |
| Enfield | £1,766,012.53 | £925,896.74 | £840,115.79 | £1,425,163.76 | £2,265,279.55 |
| Hackney | £453,910.28 | £228,065.42 | £225,844.86 | £366,303.45 | £592,148.31 |
| Haringey | £603,310.04 | £257,865.29 | £345,444.75 | £486,868.35 | £832,313.10 |
| Islington | £441,517.41 | £242,343.63 | £199,173.78 | £356,302.46 | £555,476.24 |
| W/Forest | £1,008,905.26 | £553,248.38 | £455,656.88 | £814,181.78 | £1,269,838.66 |
| Total | £6,852,229.13 | £3,792,729.27 | £3,059,499.86 | £5,529,716.52 | £8,589,216.38 |

2.5 The 2004/05 claims have been verified through a detailed audit process in accordance with the conditions agreed by the Authority in February 2004. Officers audited paper in all Boroughs, glass in all boroughs except Enfield and Waltham Forest and green waste at Enfield and Waltham Forest. This process fully satisfied 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 adjusted claims made in error by all boroughs except Haringey and Islington. Minor discrepancies were identified and agreed with the five boroughs amounting to a total of 190 tonnes net reduction on the total claimed.

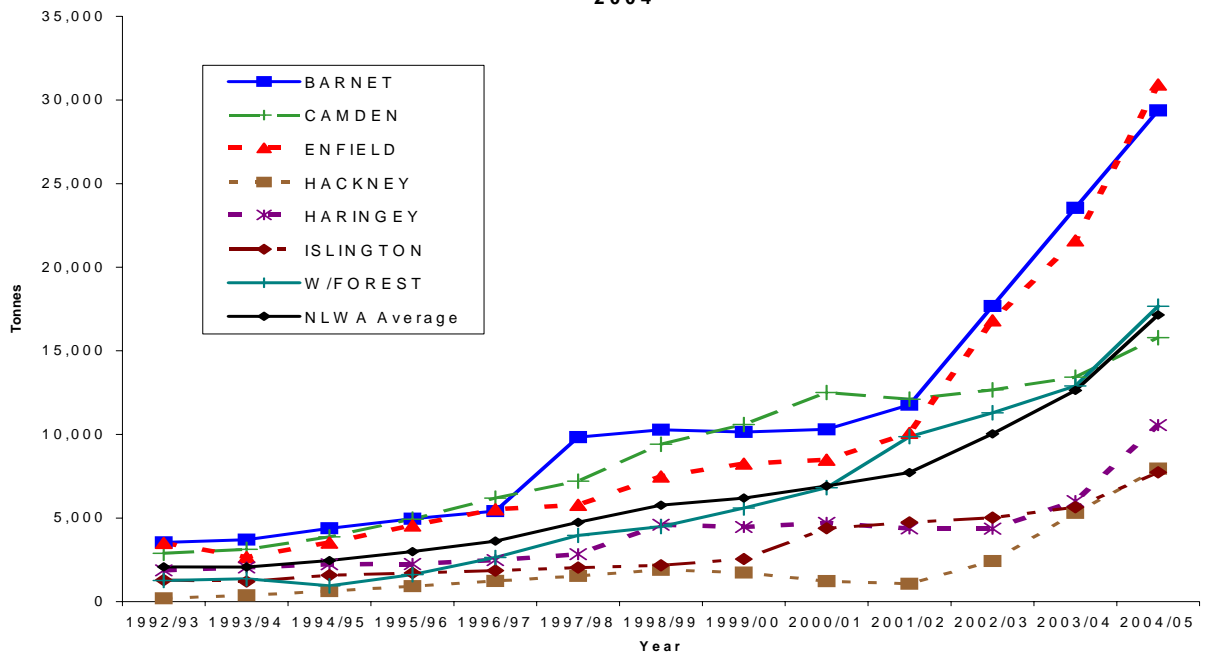
2.7 Because of the difficulties of separation, there is undoubtedly an element of commercial waste within the recycled material stream and some WDAs make an arbitrary reduction to allow for this. This Authority has always chosen not to make any such reduction in the past.

2.8 Third party recycling credit claims have been received from three organisations. Oxfam has claimed on textiles collected within the seven boroughs amounting to £16,676.12. The Woodland Trust has claimed for Christmas cards collected in Tesco and WH Smith stores within the authority area, amounting to £694.45. Scope has submitted a claim for textiles recycled via shops in Barnet, Camden and Hackney, amounting to £1,296. The Authority has agreed to pay third party recycling credits in the past.

3.0 ANALYSIS OF RECYCLING TONNAGE

3.1 Analysis of recycling trends within the Authority's area is shown below for the period 1992/93 – 2004/05, with a line for each Constituent Borough and a line showing the average tonnes collected per Borough in the Authority's area.

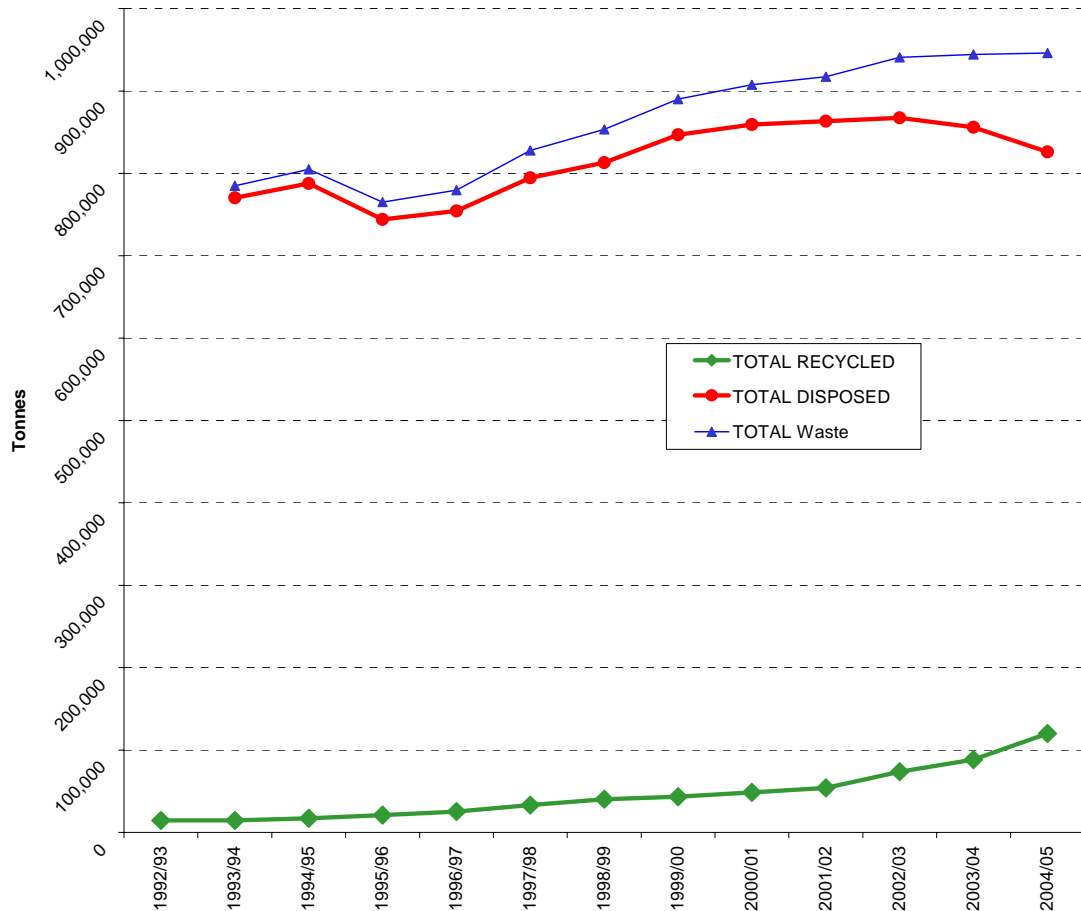
Tonnes of recycling credits claimed by the North London Boroughs 1992 - 2004



3.2 The graph above shows tonnes of recycled waste for which recycling credits have been claimed, and the greatest tonnages are shown in the largest boroughs. The four boroughs making the largest claims are the same top four in 2004/05 for standardised best value performance standards of household waste recycling and composting, albeit in a different sequence. 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 Boroughs.

3.3 It can be seen in the graph below that the amount of residual waste for disposal by the Authority has continued to fall, and that the total waste being generated has steadied between 2003/04 and 2004/05 with a very small amount of growth of just 0.2%.

Comparison of total waste disposed to total Borough recycling 1993 to 2004



4.0 COMMENTS OF THE FINANCIAL ADVISER

- 4.1 Based upon the proposed recycling credit payment rate of £57.11 per tonne the total value of audited 2004/05 recycling credit claims made by Boroughs is £6,852,229.13. After allowing for a payment on account of £3,792,729.27 a further sum of £3,059,499.86 is now due to be paid. A payment of £18,666.57 is also proposed in the case of third party recycling credit claims.
- 4.2 The proposed payments can be met from the budget provision allowed for in the 2004/05 final accounts. However, as the actual recycling activity is lower than assumed in closing the 2004/05 accounts it will be possible to write back an excess creditor provision to revenue in 2005/06 of £391,279.

- 4.3 As indicated at paragraph's 2.2. and 2.3 the report again proposes to make a payment on account in 2005/06 based upon 75% of the previous year's approved tonnage claim but at the estimated recycling credit payment rate for 2005/06 of £61.45. 2005/06 is a statutory target year and therefore the level of payment recognises the increased level of recycling and composting activity now being undertaken by all Boroughs. The need for a strong audit trail remains. Although considered unlikely, any over payment in 2005/06 will be treated as a prepayment for the 2006/07 recycling credit claim year. Should, however, the Government's proposals for amending the default arrangements for apportioning the levy come into effect for 2006/07, including the removal of a waste disposal authority's duty to pay recycling credits, any overpayment(s) will be recovered directly from the borough(s).
- 4.4 The total value of the 2005/06 proposed payment on account is £5,529,716.52. This payment can be met from the 2005/06 approved budget.

5.0 COMMENTS OF THE LEGAL ADVISER

- 5.1 The Legal Adviser's comments are incorporated in the report.

6.0 RECOMMENDATIONS

- 6.1 The Authority is recommended to: -
- (i) approve the payment of recycling credit payments to Constituent Boroughs for 2004/05 as set out in this report;
 - (ii) approve the payment "on account" to Constituent Boroughs for 2005/06 as set out in this report;
 - (iii) note the arrangements for third party recycling credits and encourage Constituent Boroughs to support claims where eligible;
 - (iv) approve the payment of third party recycling credits as set out in this report; and
 - (v) agree that any review of third party recycling credits be held back until the Government's intentions and timetable in respect of the Tonnage Based Levy are clear.

Local Government Act 1972 – Access to information

Documents used: - Recycling Claim Data from Boroughs

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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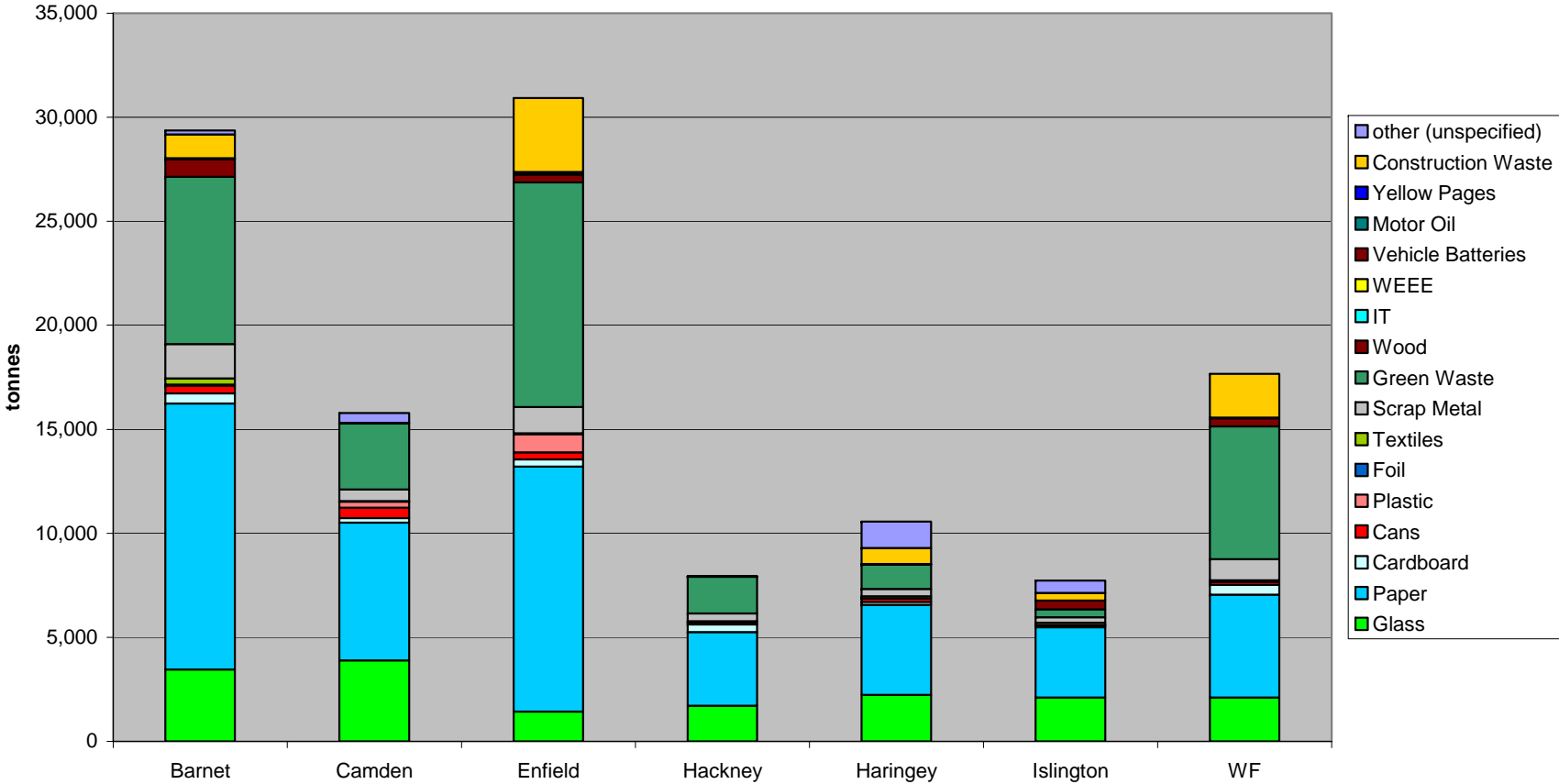
APPENDIX 1

RECYCLING CREDITS 2004/5

| Material | Barnet | Camden | Enfield | Hackney | Haringey | Islington | WF | Total |
|----------------------------|---------------|---------------|----------------|----------------|-----------------|------------------|---------------|----------------|
| Glass | 3,462 | 3,899 | 1,435 | 1,711 | 2,229 | 2,105 | 2,116 | 16,958 |
| Paper | 12,778 | 6,616 | 11,778 | 3,539 | 4,339 | 3,377 | 4,936 | 47,363 |
| Cardboard | 484 | 222 | 342 | 373 | 136 | 81 | 467 | 2,105 |
| Cans | 379 | 500 | 331 | 107 | 165 | 22 | 137 | 1,641 |
| Plastic | 55 | 294 | 880 | 0 | 0 | 8 | 0 | 1,237 |
| Foil | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 3 |
| Textiles | 290 | 18 | 45 | 42 | 105 | 104 | 86 | 691 |
| Scrap Metal | 1,640 | 561 | 1,267 | 381 | 350 | 266 | 1,021 | 5,486 |
| Green Waste | 8,047 | 3,179 | 10,789 | 1,755 | 1,168 | 382 | 6,380 | 31,700 |
| Wood | 839 | 0 | 384 | 0 | 0 | 424 | 381 | 2,028 |
| IT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| WEEE | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 21 |
| Vehicle Batteries | 29 | 15 | 90 | 13 | 19 | 4 | 29 | 199 |
| White Goods | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Motor Oil | 8 | 5 | 30 | 0 | 15 | 0 | 13 | 71 |
| Yellow Pages | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 7 |
| Construction Waste | 1,139 | 0 | 3,552 | 0 | 758 | 364 | 2,100 | 7,913 |
| other (unspecified) | 197 | 471 | 0 | 27 | 1,273 | 594 | 0 | 2,562 |
| Total | 29,370 | 15,781 | 30,923 | 7,948 | 10,564 | 7,731 | 17,666 | 119,983 |

APPENDIX 2

Recycling Credits 2004/5



Recycling Credits 2004/5

