

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

RECYCLING CREDIT CLAIMS 2003/04

**REPORT OF:**

HEAD OF WASTE STRATEGY & CONTRACTS

**FOR SUBMISSION TO:**

AUTHORITY MEETING.

**DATE:**

15<sup>th</sup> December 2004

**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**

Members are recommended to: -

- (i) approve the payment of recycling credit payments to Constituent Boroughs for 2003/04 as set out in this report.
- (ii) approve the payment "on account" to Constituent Boroughs for 2004/05 as set out in this report.
- (iii) note the arrangements for third party recycling credits and encourage Constituent Boroughs to support claims where eligible.

**Signed**      **Head of Waste Strategy**  
**by**            **& 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 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 20<sup>th</sup> 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 No such claims were received from the WCAs again this year, but Borough Technical Officers have agreed that this is through no intrinsic fault of the scheme, and that they do not wish to propose any changes to this scheme.
- 1.10 The Government has recently consulted in outline on third party recycling credits as part of its Clean Neighbourhoods proposals. The Authority approved a response at its last meeting.

## **2.0 RECYCLING CREDIT CLAIMS**

- 2.1 The recycling credit payment is a major source of budget income for the Boroughs' waste management services. Recycling credit payments raised nearly £730,000 for the Boroughs in 1997/98, nearly £1m in 1998/99, over £1.4m in 1999/00, over £1.6m in 2000/01, over £2m in 2001/02 and very nearly £2.6m in 2002/03. The Boroughs also benefit from any income generated from the sale of the recyclable materials to their contracted re-processors.

- 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 50% of the previous year's approved claim). However, in view of the significant stepped change that Boroughs are now making to achieve their statutory recycling and composting targets it is proposed to increase the payment on account in respect of 2004/05. It is proposed that the payment should be based upon 75% of the 2003/04 tonnage claim and paid at the estimated recycling credit payment rate for 2004/05 of £57.17.
- 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 2005/06 recycling credit claim year. The latter is considered unlikely as data received from the Boroughs suggests that all Boroughs have achieved at least 62% of their 2003/04 actual recycling levels in the first half of 2004/05.
- 2.4 The table below summarises the proposed payments to the Constituent Boroughs (the 2003/04 tonnage breakdown is at Appendix 1). The Finance Officer advises that there is budget provision for these payments.

<b>Borough</b>	<b>Total Claim 2003/04</b>	<b>Less Payment on Account 2003/04</b>	<b>Balance Payment due 2003/04</b>	<b>Payment on Account 2004/05</b>	<b>Total Payment due to be Paid</b>
Barnet	£1,114,526.84	£326,977.16	£787,549.68	£1,009,679.37	£1,797,229.05
Camden	£635,405.25	£234,120.38	£401,284.87	£575,630.44	£976,915.31
Enfield	£1,022,044.02	£311,038.78	£711,005.24	£925,896.74	£1,636,901.98
Hackney	£251,748.27	£44,856.74	£206,891.53	£228,065.42	£434,956.95
Haringey	£284,642.62	£80,671.87	£203,970.75	£257,865.29	£461,836.04
Islington	£267,509.16	£92,838.29	£174,670.87	£242,343.63	£417,014.50
W/Forest	£610,698.99	£208,752.10	£401,946.89	£553,248.38	£955,195.27
<b>Total</b>	<b>£4,186,575.15</b>	<b>£1,299,255.32</b>	<b>£2,887,319.83</b>	<b>£3,792,729.27</b>	<b>£6,680,049.10</b>

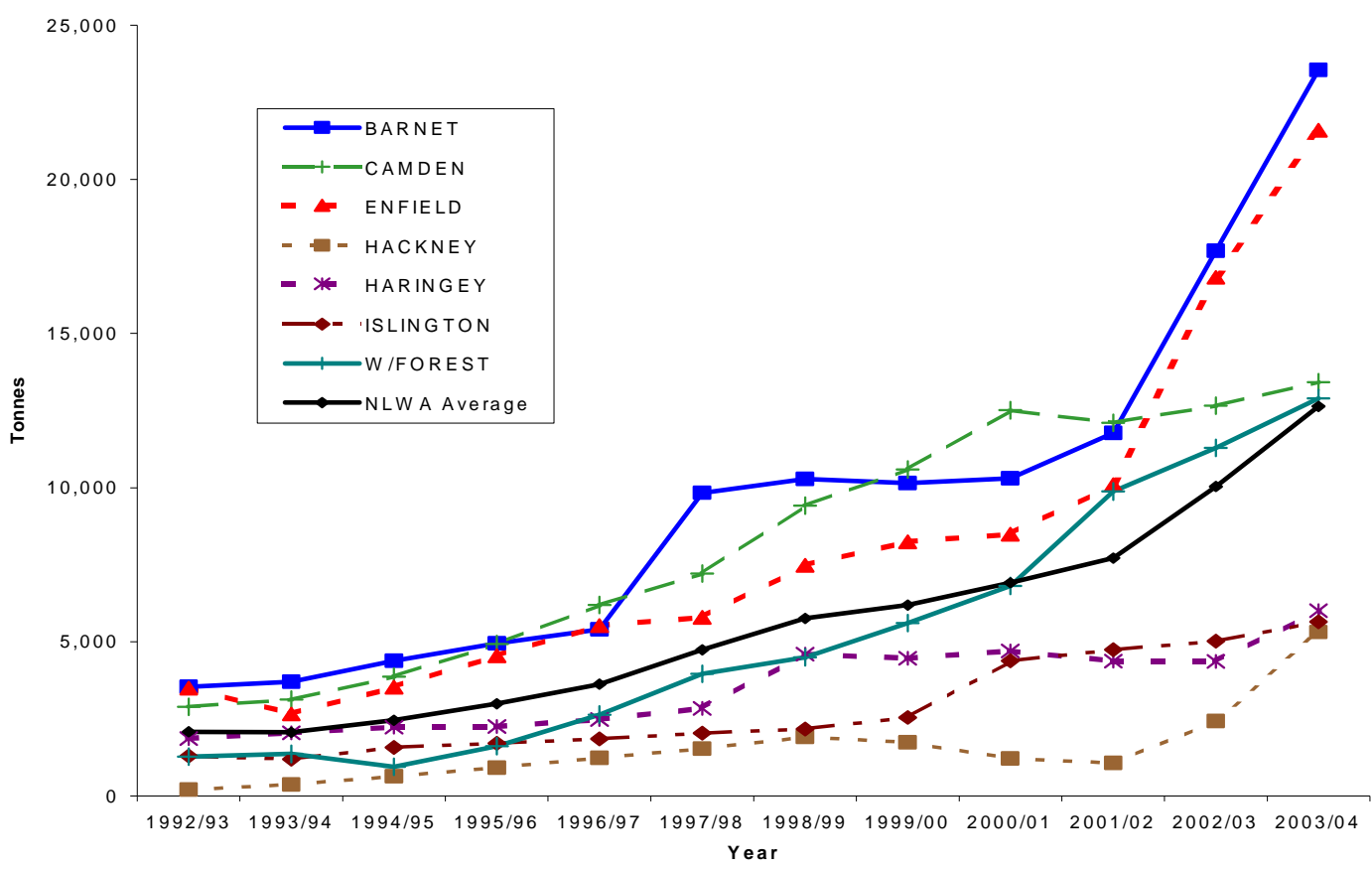
- 2.5 The 2003/04 claims have been verified through a detailed audit process in accordance with the conditions agreed by the Authority in February 2004. Officers audited paper in all Boroughs and also glass and metal at Barnet, glass and green waste at Camden, metal and green waste at Enfield, all mixed recyclables at Hackney, glass and oil at Haringey, glass and cans at Islington and green waste and construction waste at Waltham Forest. This 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 by Barnet, Camden and Enfield for fridge recycling and/or charity shop recycling that the Authority had arranged. Other minor discrepancies were also identified and agreed (Enfield -99 tonnes, Haringey -2 tonnes, Islington +9 tonnes and Waltham Forest -13 tonnes).
- 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 A third party recycling credit claim is expected via the National Association of Waste Disposal Officers relating to the Christmas card recycling scheme of WH Smith and Tesco, who raise funds for the Woodlands Trust. The Authority has agreed to pay third party recycling credits to them 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 – 2003/04, with a line for each Constituent Borough and a line showing the average tonnes collected per Borough in the Authority's area.

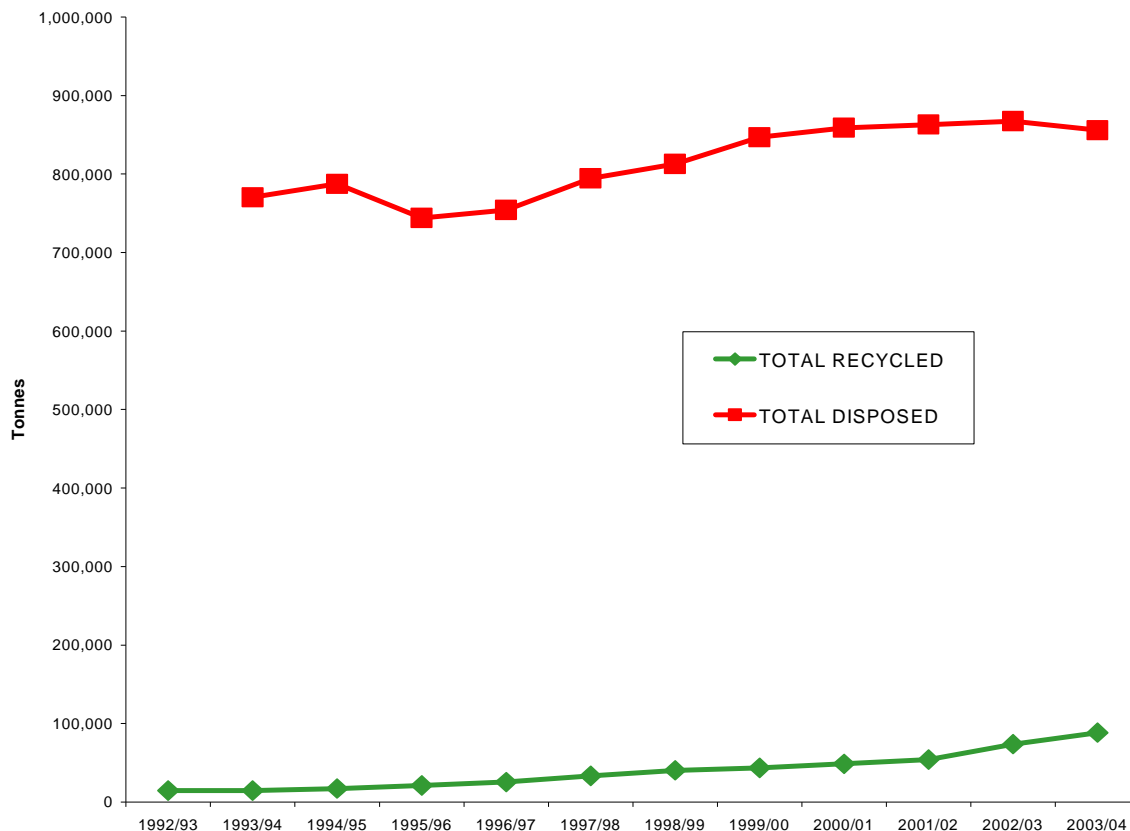
Tonnes of waste recycled by the North London Boroughs 1992 - 2004



3.2 The above table shows absolute tonnes collected, and the greatest tonnages are shown in the largest boroughs. The figures are also effected by the recycling of construction waste in Barnet, Enfield and Waltham Forest, but the top four boroughs above are the same top four in 2003/04 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 for the first time in 2003/04 the amount of residual waste for disposal by the Authority actually fell, but that the growth in recycling is not yet making serious in-roads into the total amount of municipal waste disposed in the Authority area. Very large increases in recycling and composting are still required.

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



3.4 The actual solution to tackle the amount of waste for disposal will not just involve increases in recycling and composting levels, but a combination of waste minimisation, re-use, recycling and composting strategies, developed in the context of the North London Joint Waste Strategy.

## **4.0 COMMENTS OF THE FINANCIAL ADVISER**

- 2.1 The total value of recycling credit claims made by Boroughs based upon the proposed recycling credit payment of £47.33 is £4,186,575.15. The proposed payment can be met from the budget provision allowed for in the 2003/04 final accounts. However, as the actual recycling activity by Boroughs has been lower than assumed in closing the 2003/04 accounts it will be possible to write back an excess creditor provision to revenue in 2004/05 of £0.896m.
- 4.2 As indicated at paragraph's 2.2. and 2.3 the report proposes to reward boroughs sooner than usual by increasing the value of the 2004/05 payment on account. The increased payment recognise 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 2004/05 will be treated as a prepayment for the 2005/06 recycling credit claim year. As a consequence the total value of the 2004/05 proposed payment on account is £3,792,729.27. This payment can be met from the 2004/05 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 2003/04 as set out in this report.
  - (ii) approve the payment "on account" to constituent Boroughs for 2004/05 as set out in this report.
  - (iii) note the arrangements for third party recycling credits and encourage Constituent Boroughs to support claims where eligible

**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.

Contact Officer: Andrew Lappage  
Head of Waste Strategy & Contracts  
Contract House  
Tottenham N17 9AY

Tel: 020 8489 5730

Fax: 020 8365 0254

E-mail: [post@nlondon-waste.gov.uk](mailto:post@nlondon-waste.gov.uk)



**APPENDIX 1**

**RECYCLING CREDITS 2003/4**

<b>Material</b>	<b>Barnet</b>	<b>Camden</b>	<b>Enfield</b>	<b>Hackney</b>	<b>Haringey</b>	<b>Islington</b>	<b>Waltham Forest</b>	<b>Total</b>
<b>Glass</b>	<b>3,139</b>	<b>3,546</b>	<b>1,872</b>	<b>388</b>	<b>1,794</b>	<b>2,013</b>	<b>1,894</b>	<b>14,646</b>
<b>Paper</b>	<b>11,804</b>	<b>6,538</b>	<b>7,733</b>	<b>458</b>	<b>3,568</b>	<b>3,484</b>	<b>4,274</b>	<b>37,859</b>
<b>Cardboard</b>	<b>378</b>	<b>286</b>	<b>269</b>	<b>52</b>	<b>37</b>	<b>0</b>	<b>125</b>	<b>1,147</b>
<b>Cans</b>	<b>300</b>	<b>54</b>	<b>84</b>	<b>14</b>	<b>101</b>	<b>86</b>	<b>117</b>	<b>756</b>
<b>Plastic</b>	<b>34</b>	<b>39</b>	<b>328</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>401</b>
<b>Foil</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>
<b>Textiles</b>	<b>265</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>51</b>	<b>80</b>	<b>527</b>
<b>Scrap Metal</b>	<b>1,569</b>	<b>616</b>	<b>1,338</b>	<b>461</b>	<b>323</b>	<b>18</b>	<b>906</b>	<b>5,231</b>
<b>Green Waste</b>	<b>4,223</b>	<b>2,199</b>	<b>6,029</b>	<b>555</b>	<b>161</b>	<b>0</b>	<b>2,222</b>	<b>15,389</b>
<b>Wood</b>	<b>711</b>	<b>0</b>	<b>89</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>924</b>
<b>IT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>WEEE</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>
<b>Vehicle Batteries</b>	<b>71</b>	<b>17</b>	<b>76</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>218</b>
<b>Motor Oil</b>	<b>21</b>	<b>6</b>	<b>58</b>	<b>2</b>	<b>10</b>	<b>0</b>	<b>13</b>	<b>110</b>
<b>Yellow Pages</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38</b>
<b>Construction Waste</b>	<b>969</b>	<b>0</b>	<b>3,709</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,144</b>	<b>7,822</b>
<b>other (unspecified)</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>3,339</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,348</b>
<b>Total</b>	<b>23,548</b>	<b>13,425</b>	<b>21,594</b>	<b>5,319</b>	<b>6,014</b>	<b>5,652</b>	<b>12,903</b>	<b>88,455</b>

Recycling Credits 2003/4

