

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	4 November 2014
Title:	Recycling Credit Policy
Reference:	6173
Report From:	Director of Economy, Transport and Environment

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1. Executive Summary

- 1.1. The purpose of this paper is to review the payment and amount of recycling credits by Hampshire County Council to Waste Collection Authorities and third party organisations in Hampshire. Recycling credits were originally introduced as a means of financially supporting organisations that operate schemes to divert household waste materials for recycling that may otherwise have been landfilled, thereby theoretically saving the Council disposal fees.
- 1.2. Following an external review of Waste and Resource Management by Deloitte and Jacobs in October 2013, a review of recycling credits was identified as having significant scope for reducing future spending and bringing the policy into better alignment with current costs.
- 1.3. This paper seeks to set out the background to the current scheme, consider its value in the present financial climate, and review procedures employed by other Waste Disposal Authorities. It recommends that consultation is undertaken with affected organisations to identify alternative approaches to the provision of recycling credits.

2. Contextual information

- 2.1. Recycling credits are a financial inducement to organisations to reflect cost savings made by recycling an item instead of disposing of it. Hampshire County Council, as a Waste Disposal Authority, has a legal obligation under the Environmental Protection Act 1990 to pay recycling credits to Waste Collection Authorities for household waste that they collect which is diverted from disposal through recycling.¹ At present in Hampshire this is

¹ *Environmental Protection Act 1990: Section 52, paragraph 1*

predominantly paid on glass bank tonnages. It does not apply to kerbside collected dry mixed recyclables as these are covered by a separate arrangement through the Project Integra Memorandum of Understanding.

- 2.2. In addition, the County Council has discretionary powers to make payments to other third party organisations which operate recycling banks or collections². Third party recycling credit claims are predominantly for textiles, but also to a lesser extent on paper and metals. Organisations must only collect and claim for material originating from a household source within the Hampshire county boundary and it must be sent to an approved reprocessor.
- 2.3. The majority of third parties currently signed up to receive recycling credits from Hampshire County Council are charitable or not-for-profit ventures. Recycling credits provide a small supplementary income stream for those organisations in addition to revenues received directly from reprocessors. Organisations may claim for non-saleable items arising from door-to-door collections or bank sites only, and not donations delivered directly to charity shops as this is deemed to be non-household waste.
- 2.4. Given the changes in material prices and financial pressures that the County Council is under and the annual costs of recycling credits, a review of its existing policies is recommended.

3. Finance

- 3.1. Hampshire County Council, in common with most authorities that pay recycling credits, sets a flat rate per tonne for any claims approved. This is reviewed annually and adjusted by 3% in line with inflation. For 2014/15 the rate is £41.09 per tonne.
- 3.2. All 11 Waste Collection Authorities in Hampshire currently claim for recycling credits on non-Dry Mixed Recyclable collected material. More than 90% of payments to Waste Collection Authorities are currently for glass claims. In 2013/14, the Waste Collection Authorities collectively claimed for 27,904.27 tonnes of material resulting in a total credit payment by the County Council of £1,171,272.28.³
- 3.3. A further 11 third party organisations claimed for recycling credits from Hampshire County Council during 2013/14, of which one was a profit-making organisation. Almost all claims from third parties were for textiles. Claims made during 2013/14 ranged from £166 to £45,000, resulting in a total credit payment by the Council to third parties of £107,563.98.³
- 3.4. Comparisons of tonnages and payments over the last 5 years are set out in the table below;:

² *Environmental Protection Act 1990: Section 52, paragraph 3*

³ *Fixed rate for recycling credits in 2013/14 was £39.89.*

Year	Rate paid	Tonnage claimed	Credits paid
2009/10	£35.44	35,067.67	£1,242,798.19
2010/11	£36.50	34,349.22	£1,253,746.43
2011/12	£37.60	33,831.45	£1,272,062.26
2012/13	£38.73	32,999.04	£1,278,052.73
2013/14	£39.89	32,059.07	£1,278,836.26

Comparing market prices for recyclable materials across the same period, it can be seen that prices have increased, and often more quickly than the County Council's recycling credit rate. This suggests that the original concept of recycling credits to act as a subsidy to incentive collection where prices alone would not be sufficient, is out of step with market conditions. Textiles in particular have experienced rapid growth despite the market downturn of 2007/08, such that collectors make significant profits from this activity.⁴

Material	Ave. price – Aug 2005	Ave. price – Aug 2014
Textiles	£45 p/t	£285 p/t
Mixed papers	£36 p/t	£43 p/t
Mixed glass	£11 p/t	£13 p/t

4. Matters arising

- 4.1. At over £1.25million per annum, recycling credits amount to a significant proportion of the County Council's waste budget. Although there is a statutory duty on the Council to pay a credit to Waste Collection Authorities, payments to third parties are discretionary. It is questionable whether paying in excess of £100,000 a year is appropriate in the current financial climate, when materials such as textiles, have such high market values. Recycling credits have effectively become a supplementary payment rather than the inducement to recycle that they were originally intended to be. Recycling credits were originally introduced as a means of stimulating growth in the UK recycling sector when it was lagging behind Europe and alternative methods were urgently required to dispose of rapidly growing arisings of household waste. Payment of credits was supposed to recognise the saving that disposal authorities would make from not landfilling the material. In Hampshire however, it is arguable that these conditions no longer apply because the vast majority of household waste is not landfilled due to Hampshire's extensive waste disposal infrastructure network, while end markets for recyclable material are now more well-established allowing new collections to be set up and be profitable quickly.
- 4.2. The Department for Environment, Food and Rural Affairs has previously stated that it does not consider recycling credits should be payable on re-

⁴ Prices taken from www.letsrecycle.com.

wearable 'second hand' textiles, which are passed to, or purchased by, a new recipient without repair. A condition of the Hampshire County Council scheme is therefore that claimants must only claim for 'recycled material', but for bank material this is hard to define. The European Recycling Company, which is used by some Hampshire Waste Collection Authorities for textile banks, states on its website that 62% of donated textiles are fully reused, with only 32% actually repaired or recycled and 6% sent for disposal. Therefore it is arguable that the County Council should only be paying 32% of any claims related to textiles unless the claimant can prove otherwise that they have claimed for recycled tonnage only. For the same reason, Hampshire County Council does not pay recycling credits on items such as shoes or books that could potentially change hands several times.

- 4.3. The disposal rate (gate fee) for household waste that was processed by one of the energy recovery facilities during 2013/14 was approx. £28.50 per tonne, meaning that compared to the recycling credit rate for the same period the County Council paid an additional £11 p/t in recycling credits than if the material had just been sent for end disposal.

5. National Comparison

- 5.1. Comparing Hampshire County Council with other equivalent authorities, it can be seen that there are different approaches to paying recycling credits. A brief desktop analysis shows there is little consistency between how authorities operate.
- 5.2. Some authorities do not pay recycling credits at all to third party claimants. East Sussex County Council recently considered the same decision to stop paying third parties on the grounds that it is deemed to be a discretionary activity and therefore ceasing the scheme would save the council money in the current financial climate. If Hampshire County Council had adopted the same policy, it would have saved approx. £107,000 in 2013/14.
- 5.3. Other authorities pay different rates for different materials. Staffordshire County Council, for example, pays a fixed £10 'top up' rate for textiles to reflect the high market value. If Hampshire County Council adopted the same policy, it could have saved up to approx. £85,000 on textile recycling credits alone in 2013/14.

6. Future direction

- 6.1. It is difficult for Hampshire County Council to continue with its recycling credit policy in its current form given the present economic situation that is affecting all local authorities. External reviews have identified a revised recycling credit policy as having potential to make significant budget savings.
- 6.2. As recycling credit payments to third party organisations are discretionary this offers the greatest scope for potential savings. This could take the form of ceasing this activity completely as other Waste Disposal Authorities have

done, or applying a reduced rate per tonne at a proportion of the existing rate. This could be applied with immediate effect from April 2015, or subject to a phased reduction annually until 2018.

Example options for consideration (not exhaustive):
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| <ul style="list-style-type: none"> • Proportional reduction (e.g. 25% or 50%). • Staggered reduction or cessation over a period of up to three years. • Consideration of a 'top up' rate for high value materials. • Immediate cessation of all discretionary payments. |
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- 6.3. As previously discussed, the County Council has a statutory duty to pay some form of credit to the Waste Collection Authorities. The County Council presently spends over £1million on Waste Collection Authority credits which is a significant amount. The Environmental Protection (Waste Recycling Payments) Regulations 2006 sets out a formula by which Waste Disposal Authorities should pay Waste Collection Authorities, however on present and projected rates Hampshire is currently overpaying by up to £12 per tonne. The 2006 Regulations state that any recycling credit rate paid should be in line with the equivalent cost of disposing household waste had the recycled material been instead treated by that route. Were the recycling credit to match the disposal gate fee payable (as outlined in paragraph 5.3), currently approximately £28.50 per tonne, the County Council would stand to make an immediate saving of around £300,000.

Example options for consideration (not exhaustive):
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| <ul style="list-style-type: none"> • Align recycling credit rate with disposal gate fee cost. • Staggered reduction over a period of up to three years. • Divert recycling credits to a project fund from which Waste Collection Authorities could trial new or innovative projects. |
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- 6.4. To further test the options outlined here, it is reasonable that a consultation is undertaken with both Waste Collection Authorities and third parties to evaluate the impact any reduction might have on their respective organisations, and work with them to agree an effective solution and a timetable for implementation.

7. Recommendations

That the Executive Member for Economy, Transport and Environment gives approval:

- 7.1. That consultation is conducted with existing third party claimants to evaluate the impact of ceasing or reducing the payment of discretionary recycling credits to such organisations.
- 7.2. That consultation is conducted with Hampshire Waste Collection Authorities to evaluate the impact of reducing the County Council's future recycling credit rate to more closely reflect the equivalent disposal cost,
- 7.3. That a further report be brought to the Executive Member for Economy Transport and Environment detailed future options following analysis of the consultation responses proposed in 7.1 and 7.2.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because: It applies directly to the corporate transformation and efficiency programme.	

Other Significant Links

Links to previous Member decisions:		
Not applicable	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
Environmental Protection Act 1990, s52		<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.2.1 It is considered that the recommendations will have little or no negative impact on protected characteristics. The County Council will invite consultation from all organisations directly affected by the proposals. Any decision on the results of this consultation would involve a more detailed impact assessment.

2. Impact on Crime and Disorder:

2.1. No impact.

3. Climate Change:

3.1. It is considered that the recommendations will have little or no negative impact on climate change. Any reduction in recycling credits paid is unlikely to impact negatively on recycling performance as the high market value of the material should continue to act as an incentive for it to be collected.