

NAWDO response to the Consultation Paper on changes to the recycling credit scheme.

Question 1

- (a) **Do you agree that there should be a single value for a disposal credit across an entire WDA area?**

Nawdo fully supports this approach. It is not considered reasonable to differentiate between WCA's following a review. This will also give the Audit Commission more transparency when evaluating a WCA's performance

- (b) **Do you agree with the Government proposal to base the calculation on average cost of the most expensive form of disposal across the WDA area?**

Nawdo agrees with this principle. However, as this could lead to some WCA's initially losing funding, Nawdo believes any payments currently made above the average should be frozen until the natural increases through proposed through inflation catch up and overtake the value. This in some extreme case may mean a frozen credit for a number of years.

Question 2

- (a) **Do you agree that change is needed to decouple the value of recycling credits from rising disposal costs driven by Landfill Tax and to promote sensible dialogue in two-tier areas on the most appropriate financial support for recycling across the area?**

Nawdo believes that in the interest of efficiency and effectiveness and to be in line with the principles of Gershon this is an essential requirement.

- (b) **Do you agree with the Government's proposal to introduce a cap with subsequent rises of 3% to keep pace with inflation?**

Nawdo fully support the proposed cap but believes that future increases should be based on the actual inflation rather than 3% which could be detrimental to the WDA or the WCA depending on the rate of inflation at the time.

- (c) **Do you agree that the cap should fix disposal credit values at 2005/06 levels?**

Nawdo fully supports this move. However, it accepts that WDA should be encouraged to work with WCA who have built any increase in the short term into their budgets

My personal view would be a single capped rate for the whole Country with figures above frozen until inflation catches up.

Question 3

Do you agree that credits for third parties should be calculated in the same way as for local authorities?

Nawdo believes that this is accepted practice at present and should continue.

Question 4

Do you agree that re-use credits should be calculated on the same basis as recycling credits?

Nawdo does not agree with this proposal. The assertion that re-use and recycling are only delaying disposal (4.19) is incorrect e.g. glass and cans can be continually recycled hence they are not disposed. Paper can also technically be recycled several times. Re-use credits should be at a lower level than recycling credits and only payable at the point of re-use, not at the time of collection.

Nawdo believes that re-use credits should not be set as the same rate as recycling credits, if payment is to be mandatory it should be at a lower level which should be between 1/3 and 1/2 of a recycling credit. This was the position agreed by the stakeholder working group set up by DEFRA to advise on these issues. In most cases WDA's will still end up paying the disposal cost of many re-used items as re-use merely delays the point at which the item enters the waste stream.

Nawdo believes it is also perverse that it will only be mandatory to pay WCA's a reuse credit when most re-use is carried out by the community and voluntary sector and other third parties i.e. furniture schemes. It is foreseeable that WCAs will develop partnerships with these groups to ensure the credit payment can be claimed, although there is then no obligation for the WCA to pass on the full value of the credit to the third parties. There is then the potential that the re-use schemes may conflict with WDA objectives and that some or all of the credit funding may be diverted into other areas. A lower level of credit value will address these issues.

Nawdo also believes that any such move should be considered a new burden and will also potentially bring more waste under MSW calculations.

Issues could still exist on payment of re-use to charity shops etc is their any difference in a charity shop selling a wardrobe and a furniture scheme.

Question 5

Issue over contracts and tendering and guidance on the role of recycling credits would be useful here !!!! Especially as there is technically no limit to what credit you can pay. This links also with the powers of well being under the LG Act 2000 (Para 3.10 of guidance). Also see 3.19 of guidance document

Also think it would be useful for Nawdo to request a pre-consultation meeting i.e. be involved in putting consultations together along with Larac, this could be done here but also to the Defra consultation person.

Recycling Credits – Outline Comments on Draft

1. When the consultation is released can a summary of key changes be included at the start.
2. The changes do not change the duty of a WDA to pay a recycling credit and therefore miss a key opportunity to address one of the main difficulties in joint working in two tier areas. Partnership working will be much easier to achieve without the obligation to pay a recycling or re-use credit.
3. Whilst the draft guidance recognises that authorities may agree not to pay a credit, any such agreement is likely in practice, to require all WCA's in an area to agree on the same basis to avoid accusations that the agreed alternative is unfair. Agreeing an alternative with all WCAs will be extremely difficult and a scenario can occur where those who are working together see themselves as 'worse off' than those who are not, due to the duty to pay issue.
4. In relation to the value of disposal credits, it is assumed that it remains the intention of the credit system to ensure a reasonable payment is made to reflect avoided costs and to help fund recycling collections. Continuing to base the credit value on the most expensive disposal method will not achieve this objective as the most expensive disposal method is likely to be for household clinical waste or other household hazardous waste. It needs to be clear that the rate applies only to residual waste, and not to materials separated for recycling or other treatment. Ideally the rate should be based only on landfill disposal cost plus current tax not landfill disposal cost plus cost of

transfer/bulking station etc. Including transfer station costs is unfair, in moving away from landfill we are seeing less landfills developed, WCA and third parties who have previously received credits at the relevant disposal rate should not receive a higher rate just because the WDA has had to build a Transfer Station in its area. This is also unfair to other WCA's in the WDA who still use a local landfill.

5. Transfer stations can also improve efficiency and costs for the WCA through better location and less damage to vehicles, and even by enabling the purchase of less costly vehicles which do not need to be built to go on landfill sites. By including the costs of transfer there is a perverse incentive for the WDA to take its additional recycling credit burden into account when assessing the business case justification for a transfer station. It is probable that transfer stations are not being built despite them being cost effective and more sustainable, just because of the impact the facility will have on recycling credits.
6. Where rates are already set using transfer stations they could be frozen at the current level until the inflation index makes the two rates comparable.
7. Clarity is also needed on the obligation or otherwise for the WDA to pay a recycling credit where the WCA is collecting recyclables in response to a direction given by the WDA under its powers within the WET act. I am assuming that in this case, the WCA will not be recycling but merely collecting recyclables and delivering them to the WDA and therefore, a credit is not payable. This needs confirming.

Comments on the Recycling Credit Guidance Document

The following relates to numbered paras:

3.7 The duty of Best Value is to the individual authority and is often used as justification for not working in partnership with a WDA. Despite its good principles, the requirement for Best Value is often used by recalcitrant authorities to frustrate the development of partnership approaches.

3.8 Clarity is needed as to what the impact will be for an authority of not doing what the Government expects. The link to area Waste Strategies is welcomed.

3.8 Care is needed on the application of credits to third parties to avoid inadvertently funding commercial enterprises with public funds. The risk is where private companies cherry pick high value recyclables and then claim credits to further increase their income. This could also undermine existing contracts and

arrangements. The wording of this section must be very clear to avoid the obligation to pay commercial enterprises.

3.16. Does this now mean that we will need to make sure a furniture scheme provides a waste transfer note to residents.

3.20. & 4.1 Where private contractors are concerned payments may inhibit future development of WDA or WCA schemes. Needs careful consideration

Poss comments

6.5 – any authority whose cost per tonne comes out higher than the default in the Schedule to the Regulations should be able to use the default figure, thereby fixing a maximum recycling credit rate.

6.6 – the calculation of the average cost per tonne should be the gate fee at the disposal facility receiving the waste, not the full cost of getting the waste to the facility. In taking the total cost it penalises the WDAs that have invested large amounts of money in building intermediate facilities such as transfer stations. In addition to costing the WDA a large amount of money such facilities have the benefit of saving the WCAs money due to their convenient location, quick turnaround, guaranteed availability and solid base (thus avoiding possible damage to vehicles, as on landfill sites).

Main Consultation Document

3.3. Nawdo missing from the consultation list, bearing in mind who is primarily responsible for payment of the Credits this was large omission.

3.6. The point made about “The scheme not been designed to cover the additional collection costs associated with recycling” is very valid.

3.8. Nawdo agree that new legislation has necessitated Joint Working. However, this has been driven by the WDA as the responsibility has been solely with them and this has created animosity.

3.10. This is a key para but the current position does little to address this.

3.14. Changes such as this have already occurred albeit technically illegally i.e. Lancashire. How is the latter sentence dealt with in this consultation.

3.16. If WDA have a duty to pay re-use credits to WCA this could lead to artificial partnerships with the voluntary and community sector or other 3rd parties to access this money. The issue of re-use payments should be actively encouraged but should remain discretionary.

- 4.1. Under this definition could the use of a TLS be classed as collection rather than disposal. This would be helpful if this was the case so that a WDA only pays the costs of disposal of the waste.
- 4.4. This a very key paragraph and a sound assumption of what is currently happening in reality. It also impacts on efficiencies and effectiveness and on Best Value/CPA assessments. Currently as landfill tax goes up WCA receive more money from WDA's and appear to be more efficient where as WDA are losing more money outside of their control.
- 4.5. In reality this paragraph will only work if a WDA offers to pay more to a WCA. It is unlikely a WCA will elect to receive less money when the fall back is a duty to pay more. Finance offers in a District would argue under Best Value this would not be permitted to accept less. A similar issue may arise with LATS and the current approach of LA's keeping a £20 limit on sales as things become more pressing its likely finance offers will want maximum return to their authority.
- 4.7. This proposal if adopted would be at odds with the statement made at para 3.6.
- 4.8. There is a legitimate argument here that WCA's have known about the Landfill Tax escalator for some year and have planned long term strategies around it and the payment of recycling credits. Government may wish to make the approach that they could year on year reduce payments to WCA to reflect this but its unlikely.
- 4.11. What form of dialogue does Defra envisage here, is it still cap in hand.
- 4.12. Question will remain what happens if don't work together and agree.
- 4.13. Government needs to be minded that third parties and the voluntary and community sector are not the same thing. Mandatory payments to third parties could lead to privatisation.
- 4.1.4. Do we need clarification on the legal standing of recycling credit payments to third parties. What happens if payments go beyond European Contract thresholds. There could be potential to misuse this !!!!
- 4.21. Due to the number of exemptions not all WDA's and WCA's are required to have a Joint Strategy.