



THE LONDON RECYCLING FUND

**A Partnership between
The Mayor of London,
The Association of London Government
and
London Waste Action**

**Delivery Strategy and Business Plan
Years 3 and 4
2004-2006**

1 February 2004

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1 Introduction

The London Recycling Fund was established in early 2002 and began operation in May 2002. Since then over 70 grants have been made, allocating £24.9 million to a range of recycling and waste minimisation projects. The strategy of the Fund has always been to encourage additional investment by applicants and their partners. This has resulted in significant additional investment by waste authorities and their private sector partners – resulting in the core Government funding of £24.9 million supporting projects worth a total of over £45 million.

The Government has recently announced a further £135 million that enables the National Waste Minimisation and Recycling Fund for England to continue for the financial years 2004/5 and 2005/6. Ministers allocated £20.55 million of the £135 million, to the London Recycling Fund (LRF) over the same period.

The Fund has reviewed its Funding Strategy and Business Plan for the two financial years 2004/5 and 2005/6 and the details are set out in the following pages

2 Strategic Aims and Delivery Strategy

Strategic aims

Our strategic aims are to -

- Raise recycling rates and enable London's waste authorities to reach and exceed their 2005/6 BVPI recycling targets
- Enable London waste disposal authorities to achieve the diversion of untreated municipal waste produced in London so that they can meet the requirements of the EU Landfill Directive and avoid penalties imposed through the Landfill Allowance Trading Scheme (LATS).

Delivery Strategy

The Fund's delivery strategy simply put is to stimulate efforts and measures that result in a reduction of the amounts of household waste produced in London and to improve the management of waste that cannot be avoided.

The Fund particularly wants to encourage and support imaginative and innovative projects that will help minimise waste, with the aim to bring under control the amounts of waste currently being produced. The Fund also aims to stimulate the collection, processing and reprocessing of waste through enabling and encouraging appropriate collection arrangements, handling and processing facilities and campaigns to encourage participation in these schemes. Through these developments the Fund will make a positive and important contribution to the efforts of waste authorities in London, and the residents they serve, to achieve levels of recycling and composting in excess of the overall 25% target for London in 2005/6.

The Fund set out in 2002 to encourage individual waste professionals, elected Members and waste authorities to demonstrate the imagination, foresight, will and daring to make it happen. Our delivery strategy continues to be to help unlock the

imagination, foresight, will and daring that is within everyone wishing to meet or exceed the Government's recycling and composting targets.

Three *common themes* run through the approach being taken by the Fund. These are;

- ❑ Partnerships - between waste authorities (boroughs and statutory joint groupings) together, and with the private waste and resources sector, to develop jointly funded projects that have significant impact on the capacity to enable higher level of recycling, composting or diversion from landfill and to increase participation – all required to meet 2010 targets. *Whilst partnership bids are preferred this does not exclude individual borough bids.*
- ❑ Encouraging a more consistent approach, that is recognised as good practice, to waste reduction, reuse and recycling in London. This can be achieved by collective action by all waste authorities in London, to develop, agree and adopt good practice.
- ❑ Encouraging participation of individuals, households, groups and organisations, including waste authorities with the aim of maximising asset utilisation that has been funded through public and private sector funds

All applicants for funding will be required to demonstrate how they are working to achieve these common themes, through projects for which funding is sought. The evidence submitted as part of the application will be evaluated when funding is being considered.

3 Resources

Core Funds

The Fund has been allocated £20.5 million by Government, with £13.7 million being available in 2004/5 and £6.85 million in 2005/6.

The final indicative split between Capital and Revenue funding for each year will be determined once expressions of interest have been received and analysed. However, the intention is that averaged over the two years at least 50% of the funds will be allocated as capital expenditure

As well as the core Defra funds, the Fund has negotiated additional funding for projects from the Waste and Resources Action Programme (WRAP) and hopes to do so from the London Development Agency (LDA). The details are -

- ❑ The Waste and Resources Action Programme (WRAP) has agreed to allocate [£1.5 million] specifically to support local recycling awareness initiatives. These are likely to be directed at kerbside, estates and local bring recycling projects.

- LDA: A specific proposal has not been made and it is suggested that this and any conditions attached be dealt with later as a variation to the business plan.

Funding from these sources will be allocated according to specific priorities determined by WRAP and the LDA in due course as appropriate. Other management arrangements will be the same as for the core funds, but the way the funds have been applied will be identified separately in the LRF accounting process

4 Priorities

The Fund has three main priority areas that have equal standing. Together they aim to support the overall thrust of the Mayor's Municipal Waste Strategy, particularly through enabling the growth of waste in London to be stabilised at a rate of 2% a year and a movement towards self-sufficiency, together with achieving the recycling targets and landfill diversion targets for London as a whole.

Priority 1- Enabling recycling collections and improving participation through Awareness, Education and Promotion

The Mayor's Municipal Waste Management Strategy¹ states; "that by September 2004, all London Boroughs must introduce collection from homes of materials for recycling, except where impracticable, in which case exceptionally intensive and effective 'bring' systems should be developed, to meet and exceed the national recycling targets."

Enabling recycling collections and improving participation

The Fund has, over the first two years of operation, made a significant contribution through funding projects that support initiatives by many waste collection authorities that are designed to meet the authorities' and London's overall recycling targets. However, many more new and improved recycling collection schemes need to be implemented if 2005/6 recycling and composting targets and the Mayor's own targets for London are to be met. Measures are also required to maximise participation where recycling collections have been introduced.

As well as the multi-material dry recyclable collections already implemented or planned, more needs to be done to capture green and organic kitchen waste for composting. Between 20 and 30 per cent of household waste such as kitchen vegetable waste, tea bags and green garden waste is suitable for composting. A significant increase is needed if requirements to divert biodegradable wastes from landfill are to be met. The Fund will support projects to enable the separate collection of organic waste (with the emphasis on kitchen waste) but only where it can be demonstrated that efforts to encourage home composting and other initiatives to minimise green waste have already been introduced.

¹ "Rethinking Rubbish in London – The Mayor's Municipal Waste Management Strategy"; The Greater London Authority; September 2003; ISBN 1 85261 521 4

Crucially, where waste collection authorities are providing a recycling service, participation by householders and others using the service must be encouraged to maximise participation and where necessary the service itself should be improved to make it easy to use. Unless participation rates are high, recycling targets will not be achieved and the full value of the investment made in the recycling service is not fully realised. Schemes to increase participation are particularly encouraged.

The Fund is looking for proposals designed to support the expansion of recycling and increase participation of local recycling schemes. It expects to receive proposals at least, though not necessarily exclusively, under the following categories:

- **maximising participation in local recycling and composting arrangements**
- **multi-material recycling collections,**
- **organic waste recycling collections.**
- **rationalisation and improvement of existing “bring” recycling systems.**

Priority 1A: Increasing participation in existing and new local recycling schemes (e.g.)-

- Improving “buy-in” by local residents and others to existing and new local recycling schemes so that participation is maximised and to a more effective level. This process can be assisted through initiatives that encourage a more consistent operational approach across adjoining boroughs.
- Improving the local operational arrangements, including information and instructions to householders about how to make the best use of their local recycling schemes and facilities.
- Schemes that enable boroughs to monitor performance and give accurate feedback on recycling performance to individual households, groups of houses or individual streets or communities.

Priority 1B: Multi-materials Recycling Collections

- Extending the provision of recycling collections from homes
- Introducing and extending recycling collections for “hard to reach” premises, such as estate blocks, flats over shops and other multiple occupation premises

Priority 1C: Organic waste suitable for composting

- Introducing and extending collection arrangements to enable organic (green and kitchen) waste to be composted but with particular emphasis on kitchen waste and without increasing the overall amount of green waste going into the municipal waste stream.

Priority 1D: Complementing mainstream recycling collection

- Rationalise existing “bring” recycling systems to complement existing and new home and “near-entry” recycling collections and improve the quality of operation.

Awareness, Education and Promotion

The success of initiatives “to reduce waste and recycle more” depend on changing the public’s attitude to waste minimisation and recycling, and their behaviour when dealing with waste in everyday life, as well as when choosing lifestyles and purchasing goods and services.

Locally and across London, more needs to be done to inform people about the importance of minimising waste, re-using and recycling and the benefits socially, economically and for the environment. Many people have a poor understanding and awareness of the benefits and the potential for reusing goods that have been refurbished and remanufactured, and the costs to society and the local community (e.g. higher council charges) if they do not individually contribute to reducing the waste that requires collection.

Some authorities already work with schools to provide more information and assist learning about the importance of minimising waste, re-use and recycling. Initiatives include schools actions clubs, specialist classrooms and the provision of other learning resources. Benefits could be gained through extending these initiatives and through targeting young people in the higher age ranges, in schools, sixth form colleges, FE colleges and universities.

Priority 1E: Building awareness locally and across London

- Introducing and sustaining awareness campaigns and learning initiatives locally and London-wide designed to raise awareness about the need to minimise waste, reuse and recycle more.

Priority 1F: Schools, colleges and other training establishment

- Schemes that promote waste reduction, reuse and recycling in schools and other establishments where young people are trained. Examples of such schemes might include
 - Schools and colleges waste action clubs
 - Specialist learning facilities and resources that promote waste awareness

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## ***Priority 2 - London’s Strategic Materials Recycling and Processing infrastructure***

London has an inadequate network of facilities for handling and processing recyclable waste. The built infrastructure, equipment and vehicle fleet needs to change. The Fund aims to assist this process by encouraging inward investment through injecting capital and where appropriate revenue support to stimulate earlier investment by the waste and resources sector and boroughs in partnership than might otherwise occur. Developing this infrastructure also provides important opportunities for skills learning and job creation.

The future infrastructure needs to support reuse, recycling, composting and other processing operations and be strategically located, suitably designed, sized and equipped. One aim of the Fund is to encourage more effective use of existing local authority owned land, land in the ownership of the waste and resources sector and other private sector owned land, by encouraging its development for use connected with resource reprocessing or recycling..

Unless this processing infrastructure is established in the next 2-4 years, it is increasingly unlikely that London will become self sufficient in waste management terms and be able to meet the Government 2010 recycling targets. Not meeting these targets is also likely to result in spiralling costs for waste disposal authorities in London – as a consequence of London's inability to avoid penalties through the Landfill Trading Allowance scheme (LATS)

Four categories are proposed designed to promote and support the expansion of the waste infrastructure network – specifically

- **Multi-materials sorting facilities**
- **Bulking and transfer facilities for source separated waste**
- **Aerobic Composting and Anaerobic digestion facilities**
- **Other recycling led waste management facilities including Reuse and Recycling centres (civic amenity sites).**

*Priority 2A: Multi-materials sorting facilities*

- Establish new waste recycling infrastructure facilities

*Priority 2B: Bulking facilities for source separated waste for recycling and composting*

- Establish new and improve existing bulking facilities for source separated waste for recycling and composting

*Priority 2C: Aerobic Composting and Anaerobic digestion facilities*

- Establish community composting facilities where this is feasible and cost effective
- Establish closed vessel and other composting facilities in appropriate locations, so that composting of London's green and kitchen waste can be maximised
- Establish anaerobic digestion facilities that support the recycling of London's household waste

*Priority 2D: Reuse and recycling centres (Civic amenity sites) and other recycling led facilities*

- Improvements to existing civic amenity sites - shifting the emphasis to reuse and recycling and making sites easier to use
- Establishing new reuse and recycling centres to improve availability across London
- Establishing and improving other recycling led facilities

### **Priority 3 - Waste Reduction and reuse**

The Fund places a particularly high priority on encouraging and supporting imaginative and innovative projects that aim to minimise waste. The Fund will if necessary make additional funding available to this priority if the indicative amounts allocated (see section 5 below) prove to be insufficient.

Reducing the amount of waste that we all produce is a crucial yet challenging element of a strategy designed to achieve sustainable waste management. Achieving this reduction requires a significant shift in behaviour, lifestyles and attitudes to waste, but, if successful it offers potentially high returns in lower long term costs of waste management operations and a reduced number of extra facilities, both which benefit local communities<sup>2</sup>

Clear action is needed in London to halt the growth of household waste. It is projected that, if waste continues to grow unchecked at the 'combined' borough rate of growth, the amount of municipal waste that will require management in London would almost double by 2020, to 8.6 million tonnes. It is unlikely that such a growth rate can be sustained until 2020. We need to move to a situation where growth waste is stabilised to 2% a year by 2006 due to the impact of waste reduction policy measures, as reflected in the Mayor's Strategy and the Strategy Unit report. This would result in arisings of 6.5 million tonnes by 2020.

There are currently few direct incentives for waste authorities to reduce and reuse the waste they deal with. This issue is of major strategic importance - if waste growth is not reversed local authorities will have to provide the services to deal with the rising amounts. This would place a significant additional burden on local authority budgets.

Feedback from London's waste authorities is that the Fund needs to do more to promote and encourage waste minimisation through reduction and reuse initiatives.

Under this main priority two categories, designed to differentiate and stimulate projects aimed at *cutting down on waste* and projects aimed at *diverting material from the waste stream* through reuse, are adopted.

#### *Priority 3A: Waste Reduction*

- Establish and improve arrangements that cut down on waste production. Examples might include -
  - Home and community composting schemes
  - "Real Nappy" schemes
  - Schemes that promote to householders the benefits of the Mailing Preference Service, and provide an easy access to registering with the service
  - Schemes that provide grants to householders wishing to convert to a "low waste lifestyle" such as using household equipment that produces less waste (e.g.; mulching lawnmowers) or converting to low maintenance/low waste gardens.

#### *Priority 3B Waste Re-Use*

- Establish and improve arrangements to divert materials from the waste

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<sup>2</sup> Extract from "Waste not, Want not – a strategy for tackling the waste problem in England"; Cabinet Office Strategy Unit; November 2002; © Crown copyright 2002

stream. Examples include -

- Repair, remanufacture and upgrade facilities and workshops for household consumer items, including furniture, soft furnishings, IT equipment and white goods
- Partnerships with charity shops and the charity sector to re-use unwanted items

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5 Indicative Funding allocations to the priorities

Indicative allocations for the three priorities

The way that the available core funding of £22.05 million (including the additional £1.5 million from WRAP³) is sliced up should reflect both the priorities for the Fund and the relative cost of a typical project in each of the categories.

The Table below gives proposed *indicative* allocations for the three priorities.

It is important to note however that the figures are only indicative. The final allocation to projects will be dependant upon the information provided in the expressions of interest required by 8 March (see section 6 below) and the actual applications received.

Priority	Indicative allocation	%age of total core funds
Enabling recycling collections and improving participation through Awareness, Education and Promotion (inc WRAP funding of £1.5m)	£13.55m	56.9%
London's Strategic Materials Recycling and Processing infrastructure	£8.0m	40.8%
Waste Reduction and Reuse	£0.50m	2.26%
Total ⁴	£22.05m	100.0%

Enhancing the Value of the Fund

Right from the start, the Fund has set out to operate as more than just a handout of government grant. Our criteria for funding aimed to double the value of the fund – through partnerships with the private sector, and between waste authorities, with the aim of leveraging “additionality” commitments from all partners involved. Over the first two years the Fund succeeded in achieving this aim. 70 projects valued at over £45million were funded through £24.9 million of core funding

³ This version of the Funding Strategy and Business Plan takes into account £1.5 million of WRAP money. LWA awaits clarification about any further WRAP money that may be offered for inclusion in the LRF programme and which priority it should be allocated towards.

⁴ *ibid*

This approach continues. All applicants are encouraged to bring added value to their proposals through “additionality”. The Fund aims to lever additionality from waste authorities themselves and also from the private sector. Waste authorities are less likely to be able to raise capital funding, but do have the opportunity to contribute additionality from their revenue stream, whereas if the project is a partnership with the private sector, there is a much greater chance that capital funding can be levered into the project through private sector contributions.

Additionality through longer-term budget commitments

When waste authorities introduce new or enhanced recycling arrangements there are short term and longer term costs. Applications where authorities commit to maintaining the scheme and its revenue costs past the life of the existing fund will rank higher when the allocation is being considered.

These additional revenue costs may be found from existing budgets, or through new money gained from the Support Grant received from Government, associated with the Environmental Protective and Cultural Services Standard Spending Assessment (EPCS SSA). These additional funds are specifically for services that include waste management and recycling. Government has recently announced targeted grant for recycling of just over £3m in 2005/6 for London waste authorities.

If a typical waste collection authority, with a current annual waste management and recycling budget of £3million raised its spend on waste management and recycling by an additional annual spend of £250,000 over 5 years through a commitment to increased Kerbside collection, the authority is bringing £1.25 million additionality to a project proposal. If half of London’s waste collection authorities took this action, the value of projects enabled by the Fund would almost double from this action alone. The table below gives indicative values for additionality for the three main fund priorities

Priority Action Programme	Potential total value of projects (with additionality)	
	£ Millions	Main Sources
Recycling Collection, Awareness, Education & Promotion	£27 m	Revenue commitment, external funds & CRED
London’s Strategic Materials Recycling and Processing infrastructure	£25 m	Private Sector, Revenue commitment & CRED
Waste Reduction and reuse	£1m	WRAP, Revenue commitment & CRED
Potential Total Core Funding	£53 m	

Notes

1. Authority revenue commitments: In the case of revenue commitment the figures represent the added value over a 5-year period assuming participating waste authorities increase their annual budget by £0.25m per annum and sustain this level for 5 years.
2. Private capital investment; Assumes a 1:5 leverage value.
3. CRED Funding: The CRED programme, funded by the New Opportunities Fund has commenced work to distribute £35.3 million of lottery money. The scheme is funding community-based organisations undertaking recycling, minimisation and reuse projects across England.
4. Other external funding: External charitable funding bodies fund waste related projects that fall within their funding criteria

6 The Funding timetable

Timetable for Applications

The core funding for the next two years is front end loaded. £13.7 million (plus £1.5 million from WRAP) is available in 2004/5 and £6.85 million in 2005/6. For this reason projects must be able to start early and spend on time and to targets. There is a higher risk of under-spending for this phase of the Fund than in the first two years.

To give all successful applicants the best chance of success the funding timetable will aim to allocate all available funds by August 2004, to maximise the time available to implement projects and complete them on time and to budget.

Three funding rounds are planned

Funding Round	Closing date for Applications	Programme Board meeting	LWA Board meeting
Round 8	8 March 2004	6 April 2004	Late April
Round 9	26 April 2004	3 June 2004	Mid June
Round 10	21 June 2004	20 July 2004	Late July

Because of the need to reduce the risk of under-spending in 2004/5 we will also give a preference to allocating the 2004/5 funding as soon as possible on a first come first served basis. *The implications are that applicants wanting to spend in 2004/5 should apply in either round 8 or 9. There can be no guarantee that by Round 10 there will be any funding still available for this year.*

Forward planning – expressions of interest

Because the timetable for applications is shorter than in years 1 and 2 and the Fund aims to get the maximum value from the available funding, a priority will be given to fund those projects with the biggest impact and potential to provide long term solutions for London as a whole.

To assist this process the Fund will call for expressions of interest from authorities planning to submit applications for Rounds 9 and 10. To aid decisions over the final allocation of funds to Round 8 applicants, expressions of interest are sought as early as possible for projects to be funded through Rounds 9 and 10.

Deadline for expressions of interest

Round	Deadline
Round 9	8 March 2004
Round 10	(Both rounds)

The expression of interest will seek basic information only, such as applicant authority, details of partners, type of project, approximate project costs and spending timetable, approximate grant funding to be applied for (and which year), outline project timetable and key planned outputs and benefits (including to other authorities where appropriate).

A pro-forma will be available for the submission of expressions of interest

7 Application Criteria

Application Forms and Guidance

Applications for project funding must be made through an application form. It is proposed to issue revised guidance on the application and evaluation process. We have reviewed the application and project management arrangements, through consultation with ALCO and LROG members and our wider stakeholder group.

The application form has been simplified. A draft project plan will now be required to be submitted as part of the application.

Through this mechanism we hope to cut down on the workload of applicants and speed up the project management process for successful applicants

The Evaluation of project applications

Project applications will be evaluated using criteria and an evaluation process based on the arrangements that have proved sound and robust in the first two years. A review of the criteria is currently in progress and some changes are planned, following feedback from a consultation at the end of 2003.

The arrangements are to be publicised and explained at a seminar planned for 4 February 2004 in central London

All documents and information associated with the Fund will be available for downloading from the London Waste Action website (www.londonwasteaction.org).

8 Fund Operations

The in-house team

A small in-house implementation and development team has become an important feature of the London Recycling Fund. Feedback to the team indicate that its activities are highly valued by waste authorities seeking funding and those running funded projects, and by their waste and resources sector partners, as well as others associated with the Fund.

In addition to dealing with the applications to the Fund, the team works to stimulate partnerships and encourage potential applicants to commit their own additional contributions (“additionality”) to project budgets – so that the aim to double the value of the core DEFRA funding can be realised

To deliver this the team has worked closely with the London waste authorities and potential private sector partners. The team complements the authorities’ own project management arrangements through an independent review and monitoring process. Without this many projects would not keep to the expenditure, claims and reporting timetable that is a condition of the agreement that LWA has with Defra.

However, the costs of operation of the fund team ⁵ were formerly financed through landfill tax credits and currently the Legacy Fund. Neither funding stream is available for the 2004/6 period. LWA is currently discussing with stakeholders and Defra how funding might be made available. It may be necessary to fund a proportion of these operating costs by top slicing the core £20.55 million provided by Defra. Any decision to do this would require the approval of the Minister.

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⁵ The operating costs will be in the region of £450,000 in the first year and a lower amount in the second year. When the LRF was established in March 2002 the costs of administration of the Fund was through a combination of Landfill Tax Credit Funding (in the second year the Legacy Fund) , third party contributions from the GLA and the ALG and a contribution of £250,000 from DEFRA itself.