

OXFORDSHIRE WASTE PARTNERSHIP JOINT COMMITTEE

15 JANUARY 2010

FINANCIAL ARRANGEMENTS

1 Purpose of Report

- 1.1 To seek approval for a revision to the residual waste tonnage targets set for 2009/10 within the OWP financial arrangements.

2 Background

- 2.1 The OWP financial arrangements were agreed by the partnership on 29th Feb 2008. The arrangements are based on the payment of a recycling credit for every tonne recycled & composted, plus an incentive or penalty payment set at 50% of the recycling credit value for each tonne of residual waste below or above target.
- 2.2 The landfill diversion rate required to meet the 2009/10 Joint Municipal Waste Management Strategy target is 40%. In order to set an equivalent tonnage based target, a forecast of total waste arisings for 2009/10, together with the current actual number of households on each district's council tax base was used to calculate a residual waste tonnage target for each district council. OWP agreed the 2009/10 targets on 27th March 2009. It was acknowledged that there would be a requirement for a year end adjustment of payments to account for any difference between the forecast and actual total waste arisings for the year.
- 2.3 Total waste arisings for 2009/10 have so far been much lower than expected. Tonnages for the April to September 2009 period are approximately 10% lower than the equivalent period last year. This variance exceeds anything recorded within Oxfordshire over the last decade, where the change in total waste arisings from one year to the next is typically within a range of 3-4%. The biggest change within the last decade was actually last year, when annual waste arisings dropped by 6%. Such a steep downward trend had not been forecast for 2009/10, where originally a further reduction in waste arisings of 0.7% was estimated. It is likely that the continued decline in waste arisings recorded over the first half of this year reflects the ongoing economic recession.
- 2.4 The divergence between the original forecast of total waste arisings and the much lower total waste arisings now predicted means that a large year end adjustment of payments will be needed to account for the difference. At present the difference between the residual waste target bonus/penalty payments set using the original forecast, and bonus/penalty payments calculated using a revised estimate (that uses this year's actual tonnages to date) averages some £2,865 per authority per month. This means that a year end adjustment of some £30,000 to £40,000 per authority may be necessary.
- 2.5 In order to avoid such a large year end adjustment, it is recommended that the residual waste targets for 2009/10 are changed by using a revised waste forecast based on data available for the first six months of this year. The original and proposed revised targets are shown in appendix 1.

3 Financial, Risk and Staff Implications

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- 3.1 Due to lower overall waste arisings in the first half of 2009/10, it is likely that a lower tonnage will need to be diverted in order to meet the 2009/10 target of 40% diversion from landfill. This means that district councils' residual waste allowance under the OWP financial arrangements also reduce accordingly (i.e. the total amount of waste that a district may deliver for disposal before penalties apply). A lower residual waste allowance will result in lower bonuses and increased penalty payments compared to the previous forecast.
- 3.2 The estimated impact on forecast bonus and penalty payments through the recommended change to the 2009/10 residual waste targets are shown in appendix 2. These are reproduced in table 1 below.

Table 1 Estimated bonus/penalty payments using original and revised waste forecasts

| | Estimated annual bonus/penalty - Original forecast | Estimated annual bonus/penalty - Revised forecast | Difference |
|-------------------|----------------------------------------------------|---------------------------------------------------|-----------------|
| Cherwell | £ 115,096.68 | £ 79,068.84 | £36,027.84 |
| Oxford City | £ 116,989.72 | £ 81,299.77 | £35,689.94 |
| South Oxfordshire | £ 290,634.05 | £ 255,936.77 | £34,697.28 |
| Vale | £ 62,623.39 | £ 31,631.25 | £30,992.14 |
| West Oxfordshire | -£ 69,377.36 | -£ 96,975.02 | - £27,597.66 |

These estimates are based on comparing actual performance for the April – Oct 2009 period against the original targets (as reported to the Joint Committee in October 2009) and against the proposed revised 2009/10 targets. The results have been multiplied to estimate a full year effect.

4 Areas Affected

- 4.1 All Partner Authorities are affected by the matters within this report.

5 Effect on Strategic Policies

- 5.1 The new financial arrangements have been designed to help meet many of the policies within the Joint Municipal Waste Management Strategy that relate to waste reduction, increased recycling & composting and landfill diversion. The new arrangements specifically support policy 14, which states that "The Oxfordshire Waste Partnership will develop methods of working together to improve the level of service through effective and efficient use of resources within Oxfordshire".

6 Options or Alternatives

- 6.1 The 2009/10 forecast target could remain unchanged and the difference between the forecast and actual total waste arisings for the year dealt with through a year end adjustment as originally planned. However, due to the likely size of the adjustment

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necessary with this approach, it is considered prudent to revise the residual waste target and apply it to all further payments made this financial year (October 2009 to March 2010). Revising the target now and adjusting future bonus/penalty payments accordingly will reduce the size of the year end adjustment.

7 Recommendations

- 7.1 It is recommended that in order to reduce the size of the year end adjustment needed, that the residual waste targets for 2009/10 be amended using a revised forecast for total waste arisings that takes in to account the lower than predicted tonnages recorded from April to September 2009.
- 7.2 That the revised forecast residual waste targets be finalised by the Officer Strategy Group in consultation with the Oxfordshire Treasurer's Association.

8 Reasons for Recommendations

- 8.1 To develop the best overall waste management outcomes for Oxfordshire taxpayers and to develop incentivisation arrangements that help achieve this.

9 Contact Officer

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Background Papers: