

OXFORDSHIRE WASTE PARTNERSHIP JOINT COMMITTEE

24 OCTOBER 2008

NEW FINANCIAL ARRANGEMENTS - TESTING

1 Purpose of Report

- 1.1 To update on the testing of the new financial arrangements ahead of their launch in April 2009.

2 Background

- 2.1 The new 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. OWP agreed to test the new arrangements during 2008/09.
- 2.2 In order to test the new arrangements, each partner council supplied waste tonnage forecasts for the year. A landfill diversion target of 38% was set (this is the Local Area Agreement recycling target for 08/09). From this a total residual waste tonnage allowance was apportioned to each Waste Collection Authority (WCA). The residual waste tonnage allowance was then divided up into a monthly allowance so that monthly incentive/penalty payments could be calculated (recycling credits are currently paid monthly).
- 2.3 The residual waste tonnage allowance has been divided up into monthly allowances in two ways:
- i. The annual target has been divided by 12 to give the same tonnage allowance for each month of the year. This has been termed the "linear profile".
 - ii. The annual target has been divided by 12 and then multiplied by a weighting factor that reflects the % of the annual waste total that typically falls within each month of the year. The weighting factor was arrived at by taking an average from the last 10 years of Oxfordshire's waste data. This has been termed the "monthly profile".
- 2.4 Appendix 1 summarises the incentive and penalty payments that would have been made for the first four months of 2008/09 (April – July). These are over and above the normal recycling credit payments. Payments under both the linear and monthly profiling are included. Payment is based on £19.71 per tonne, which is 50% of the present value of a recycling credit.
- 2.5 The annual payment will be the same under both the linear and monthly profile. The difference between the two is that the monthly payments vary. As the monthly profile better reflects patterns of waste generation it should have the benefit of requiring a lower end of year balancing payment.

3 Financial, Risk and Staff Implications

- 3.1 From appendix 1 it can be seen that over the first four months of the year, four of the five Waste Collection Authorities (WCAs) have bettered the residual waste target and would have so far earned bonus payments of up to £45,000. On this basis, the higher performing

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WCAs might expect an annual return in the region of £120,000. As expected, West Oxfordshire D.C has not so far met the residual waste target and from April to July 08 would have incurred penalties of between £33,000 and £45,000 (depending on the monthly forecasting method employed). This is likely to equate to an annual deficit of around £100,000.

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 Two forms of monthly profiling have been set out. The joint committee will in due course need to select the method to be used from April 2009.

7 Recommendations

7.1 That:

- i. the results of the first part of this testing phase are noted;
- ii. a further update report is provided in March 2009; and
- iii. a decision is made in March 09 as to which form of monthly payments profiling should be used.

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.

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Background Papers:

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Appendix 1 - 2008/09 Financial Arrangements Testing, based on 38% diversion target

Cherwell 2008/09
residual
waste
target 34,490

	April	May	June	July	Totals
Target linear	2,874.17	2,874.17	2,874.17	2,874.17	11,496.67
Actual	2,580.18	2,528.04	2,297.40	2,546.10	9,951.72
Difference	293.99	346.13	576.77	328.07	1,544.95
Payment (@£19.71 per tonne)	£ 5,795.33	£ 6,823.17	£ 11,369.90	£ 6,467.21	£ 30,455.61
Target monthly profile	2,996.16	3,044.86	3,174.32	3,061.39	12,276.73
Actual	2,580.18	2,528.04	2,297.40	2,546.10	9,951.72
Difference	415.98	516.82	876.92	515.29	2,325.01
Payment (@£19.71 per tonne)	£ 8,200.14	£10,188.12	£ 17,286.76	£ 10,157.96	£ 45,832.98

City 2008/09
residual
waste
target 33,638

	April	May	June	July	Totals
Target linear	2,803.16	2,803.16	2,803.16	2,803.16	11,212.64
Actual	2,341.51	2,305.82	2,482.15	2,723.20	9,852.68
Difference	461.65	766.87	590.54	349.49	2,168.55
Payment (@£19.71 per tonne)	£ 9,100.52	£15,117.21	£ 11,641.38	£ 6,889.47	£ 42,748.58
Target monthly profile	2,922.14	2,969.64	3,095.90	2,985.76	11,973.43
Actual	2,341.51	2,305.82	2,482.15	2,723.20	9,852.68
Difference	580.63	663.82	613.75	262.56	2,120.75
Payment (@£19.71 per tonne)	£ 11,445.92	£13,085.80	£ 12,098.84	£ 5,175.81	£ 41,806.36

