

**OXFORDSHIRE WASTE PARTNERSHIP JOINT COMMITTEE****25 MAY 2007****NEW FINANCIAL ARRANGEMENTS****1 Purpose of Report**

- 1.1 To provide an update on the development of the new Oxfordshire Waste Partnership (OWP) financial arrangements.

**2 Background**

- 2.1 At its last meeting on 30<sup>th</sup> March 2007, the OWP agreed projected annual targets for the amount of residual waste that can be sent to landfill by each of the Partner Authorities from 2009 through to 2020.
- 2.2 It was also agreed on 30<sup>th</sup> March 2007 that further work was required to develop the new financial arrangements and that a progress report should be given to the next meeting of the OWP. It was agreed that a recommendation on the implementation of the new arrangements would then be tabled at the August 2007 meeting of the OWP.
- 2.3 Since the last OWP meeting some further spreadsheet modelling has been undertaken. This applied indicative costs of meeting the agreed annual targets to each of our five Waste Collection Authorities (WCAs). The costs applied were:
- Collection costs (vehicles and crew)
  - Gate fee costs
  - Recycling Credits income
  - Recycling incentives/penalties
  - LATS incentives/penalties
  - Loss of interest on capital
- 2.4 The costs to each WCA of meeting the agreed annual targets under the new financial arrangements was then compared with the cost of each WCA meeting the same targets under the existing statutory instrument (the recycling credits system).
- 2.5 Differing waste collection methods were also considered. For each of the three contracted out authorities (South Oxfordshire, Vale of White Horse and West Oxfordshire), the costs of meeting the agreed annual targets using the two short-listed collection systems within the Joint Municipal Waste Management Strategy (JMWMS) were estimated. The two short-listed options, referred to as options G and H, are set out in table 1. For the two in-house services (Cherwell and Oxford City) only Option G was modelled, as this best reflects the collection systems that have recently been introduced in these areas.

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Table 1 – Short listed collection system options

<u>Waste Stream</u>	<u>Option G</u>	<u>Option H</u>
Residual waste	Fortnightly, wheeled bin	Fortnightly, wheeled bin
Dry recyclables	Fortnightly, commingled	Weekly, commingled
Kitchen waste	Fortnightly, wheeled bin, mixed with garden waste	Weekly, collected separately
Garden waste	Fortnightly, wheeled bin, mixed with kitchen waste	Fortnightly, collected separately and charged for.

- 2.6 The results of this initial modelling were considered by the OWP Finance Working Group on the 27<sup>th</sup> April. This group includes waste officers from each authority, together with a county and a district finance officer. The main issues highlighted by the group were that:
- Compared to the statutory arrangement, WCAs face a potential reduction in income between 2009 and 2013 (assuming that the contracted out authorities employ option H and the in-house services use option G).
  - The current iteration appears to promote Option G (which includes the free collection of garden waste), over Option H (where garden waste is charged for).
  - From 2013, costs to Oxfordshire County Council appear to be excessive (due to the way that the introduction of waste treatment capacity in 2013 is handled by the model).

- 2.7 The Finance Working Group concluded that further work should be undertaken to ensure that comprehensive modelling is undertaken of all applicable waste collection and disposal methods, the assumptions behind each of these and the modelled costs accruing. This work includes:
- Validate the initial model findings;
  - Model the effect of altering the penalty and reward payment levels for overall residual waste sent to landfill and for BMW sent to landfill (as allowed for within the financial principles within the OWP Partnership Agreement);
  - Review the way that the introduction of waste treatment capacity is dealt with by the model;
  - Review the assumptions used by each Partner Authority when forecasting annual performance through to 2020;
  - Consider whole-system costs by adding in Waste Disposal Authority costs, such as landfill prices, LATS penalties etc.

Work is now underway to address these issues, meaning that the model remains very much a work in progress.

- 2.8 A plan outlining the key tasks and reporting deadlines for delivering the remainder of this project is attached at Appendix 1. The exercise is targeted for completion in July 2007 in time for formal consideration by OWP in August 2007. A contingency has been made to allow for slippage, which might result from feedback received from the various officer groups involved in the development process (such as the Strategic Directors and Treasurers Groups). OWP is asked to support this potential extension to the agreed timescales to ensure that the model is of suitable quality and that the final recommendations are acceptable to all Partner Authorities. Further project slippage beyond November 2007, would mean that the new financial arrangements could not be included within the Medium Term Financial Plans of the Partner Authorities.

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### **3 Financial, Risk and Staff Implications**

- 3.1 Under the new financial arrangements there will be financial rewards or penalties linked to performance against the agreed targets. Our initial modelling has attempted to quantify the likely costs, but these figures are incomplete and subject to change as the model is refined and as further information is included (as detailed in paragraph 2.8 herein). Each partner will need to assess the financial implications for their authority, based upon their estimated performance and the costs of implementing alternative collection methods. Each authority will also need to assess the risks that might prevent the achievement of targets.
- 3.2 There are strategic risks for the OWP should it fail to agree a way forward on a matter that is fundamental to our new Partnership Agreement. Partners may decide to withdraw, with lost opportunities for partnership working and the risk of external criticism.
- 3.3 In order to meet the development project deadlines set out in Appendix 1, partners are asked to ensure that a high priority be given to this work and that sufficient officer time continues to be made available.
- 3.4 Once implemented, the administration of the new financial regime can be undertaken within existing staff resources.

### **4 Areas Affected**

- 4.1 The matters in this report and the recommendations affect all Partner Authorities.

### **5 Effect on Strategic Policies**

- 5.1 The financial arrangements agreed by the OWP have been designed to help meet policies in the JMWMS, specifically:
- They reward waste minimisation as well as diversion (policies three, four and five)
  - They reward high recycling and composting rates (policies six and eight)
  - They reward the minimisation of BMW in residual waste in order to meet LATS targets (policy nine)

### **6 Options or Alternatives**

- 6.1 If in due course, the OWP cannot reach a consensus then the new financial arrangements will need to be amended or abandoned. The fallback position is the continuation of the statutory recycling credit scheme.
- 6.2 This would not be consistent with the JMWMS or the Partnership Agreement, as the statutory instrument rewards only one element of the waste hierarchy and does not adequately share the responsibility and financial consequences of failure to meet landfill diversion targets.

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### **7 Recommendations**

- 7.1 That:
- i. the report be noted;
  - ii. the project plan attached at Appendix 1 be approved.

### **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:  
OWP Financial Arrangements, Agenda item 7, OWP Meeting 30<sup>th</sup> March 2007.

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**Appendix 1 - Project Plan for development of OWP financial arrangements**

<b>Task/output</b>	<b>Task owner(s)</b>	<b>Deadline</b>	<b>Reporting to</b>
Model cost implications of new financial arrangements to each Partner Authority and to Oxon overall (using agreed tonnage forecasts). Compare to existing financial arrangements.	Carolyn Durrant & Wayne Lewis	27 <sup>th</sup> April 2007	OWP Strategy Group and Waste Directors
Validate model findings.	OWP Finance working group	11 May 2007	Feedback to Wayne
Undertake further modelling resulting from OWP Finance working group meeting of 27 <sup>th</sup> April. To include: <ul style="list-style-type: none"> <li>• Modelling effect of altering levels of residual and BMW incentives/penalties;</li> <li>• Reviewing the way that waste treatment capacity is handled by the model;</li> <li>• Introducing WDA costs to the model in order to assess whole system costs.</li> </ul>	Wayne Lewis, supported by: Andrew Pau, OCC Rob Finlayson, OCC Carolyn Durrant, WODC	8 <sup>th</sup> June 2007	OWP Finance working group OWP Officer Strategy Group
Draft Progress & Issues report	Wayne Lewis	4 May 07	OWP Officer Strategy Group
Progress & Issues report dispatched to OWP members	Wayne Lewis	16th May 07	OWP
OWP Meeting	Wayne Lewis	25 <sup>th</sup> May 07	OWP
Model refinement & development of draft recommendations	Wayne Lewis, supported by: Andrew Pau, OCC Rob Finlayson, OCC Carolyn Durrant, WODC	6 <sup>th</sup> July 2007	OWP Finance working group OWP Officer Strategy Group and Waste Directors
Presentation to Waste Directors/Treasurers	Wayne Lewis	TBC – mid July 2007	Waste Directors/Treasurers
Discussion by Oxon Chief Executives/Leaders to ensure that the arrangements accord with agreed principles	Oxon Chief Executives/Leaders	TBC - By end of July 2007	OWP Directors and Strategy Group; Wayne Lewis

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Report with recommendations agreed by OWP Strategy Group and Directors (validated by Chief Execs and Treasurers)	OWP Strategy Group and Waste Directors Wayne Lewis	13 Aug 07	OWP Officer strategy group
		Contingency date – 7 Nov 07	
Report with recommendations dispatched to OWP members	Wayne Lewis	21 Aug 07	OWP
		Contingency date – 21 Nov 07	
Report with recommendations presented to OWP Members	Wayne Lewis, OWP Strategy Group and Directors	31 Aug 07	OWP Meeting
		Contingency date – 30 Nov 07	
Report with recommendations to be agreed by each individual partner authority	OWP Directors	31 Oct 07	Partner Authority Cabinet (and Council) meetings
		Contingency date – 30 Jan 2008	
Develop framework for implementation of new arrangements	OWP Finance Group, Wayne Lewis	Jan 2008	OWP Authorities
		Contingency date - Feb 2008	
Implement new financial arrangements	All Oxfordshire authorities	Mar 2009	n/a