

## Waste Management – Financial Arrangements

### Introduction

1. The Oxfordshire Treasurers Association (OTA) was asked by the Leaders to draft proposals for the financial arrangements for the Oxfordshire Waste Partnership (OWP). This paper sets out proposals for initial consideration by the OWP on 12 October.
2. Following this consideration the paper along with the comments of the OWP will be considered by the Leaders on 24 October.
3. There are three matters that the OTA has considered:
  - (a) the accounting arrangements for the OWP (Section 1 – Governance)
  - (b) the funding of the OWP (Section 1 – Governance)
  - (c) how the costs of waste management might be shared in a way that drives behaviour to produce outcomes consistent with the joint waste management strategy (Section 2 – Waste Management Costs)
4. A list of abbreviations used is in appendix 1.

### Section 1 – Governance

#### ACCOUNTING AND FUNDING

5. Proposals for these issues have been incorporated into the governance arrangements paper also being considered by the OWP on 12 October. For ease of reference the principles proposed by the OTA are attached as appendix 2.
6. Detailed consideration of the funding of future projects and how pooled funds might be used are outside of the scope of this work. As a principle, these are matters for future agreement by the OWP and the partners in accordance with the governance arrangements.
7. ***The one matter for consideration and agreement now is the contribution each partner will make to core and development funding. It is recommended that OCC contribute 50% and each other partner 10%.***
8. The OTA acknowledges that the partners will need to consider
  - (a) the continuity of funding for existing projects
  - (b) the funding arrangements for 2006/07 if the OWP is formally constituted before 1 April 2007, given that budgets have already been set.

In the absence of any strong arguments for change existing agreements should continue.

## Section 2 – Waste Management Costs

### GENERAL

9. Proposals from the OTA are set out in this section. We have considered and agreed a set of principles for consideration. We accept that there is more detailed work to be done by the OWP before they can be implemented.

#### **10. Matters for consideration and agreement:**

- (a) That the existing regime of recycling credits remains, as amended for changes in the regulations, until 1 April 2009 (paras 15-16)**
- (b) That from 1 April 2009 the new arrangements set out in paras 17-24 are implemented**
- (c) Whether, in paras 22 and 23 there should be a single rate for all types of waste**
- (d) The percentages to be used in paras 22 and 23**
- (e) The freezing of recycling credits at 31 March 2009 and distribution as set out in para 26**
- (f) That there are no transitional arrangements (para 27)**
- (g) That a new initiatives fund is created (para 28)**

***If agreed, the OWP will need to consider a number of issues in more detail.***

### PRINCIPLES

11. These arrangements only apply to household waste.

12. Outside of what is proposed and agreed each authority will remain responsible for its own waste management costs, according to its statutory responsibilities.

13. The key objectives of the new financial regime are:

- (a) to promote waste reduction and reuse as well as recycling
- (b) equity, with each authority responsible for the financial consequences of its performance<sup>1</sup>
- (c) to enable Oxfordshire to avoid paying LATS penalties
- (d) to avoid perverse incentives (those that encourage behaviour contrary to the Oxfordshire Waste Strategy)
- (e) simplicity

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<sup>1</sup> This is consistent with the OJMWS policy 1

14. All waste analyses, including any baselines required, will be undertaken by an independent third party. OWP will provide oversight and scrutiny.

#### REVENUE – ARRANGEMENTS TO 31 MARCH 2009

15. Recycling credits will continue to be paid until 31 March 2009.

16. Payments will reflect changes in regulations, specifically:

- (a) The amount per tonne will increase only with inflation, effective from 1 April 2006
- (b) The amount per tonne will be standardised across all WCAs to equal the average disposal cost in Oxfordshire, effective from 1 April 2007

#### REVENUE – ARRANGEMENTS FROM 1 APRIL 2009

17. For each year from 2009/10 there will be a countywide target for the maximum amount of residual waste to be landfilled. This will be calculated to meet overall diversion targets, LAA targets<sup>2</sup> and any other targets agreed by OWP.<sup>3</sup>

18. The countywide target will be split between OCC and the WCAs calculated from the percentage of waste collected in 2005/06.

19. The WCA target will be divided between the WCAs based on the number of households in each.

20. Within the overall waste target calculated in (6) will be a target for the maximum amount of BMW included in residual waste. This will be calculated to meet the LATS target in each year (or interpolated between target years). It may include a safety margin agreed by OWP.

21. Each WCA and OCC will have a maximum target for BMW calculated in the same way as the overall target. Each WCA will therefore have a target maximum tonnage for BMW and, by deduction, a target maximum tonnage for non-BMW.

22. Each WCA will receive:

- (a) A payment for each tonne of BMW below its target, at a rate of [100%] of the LATS penalty per tonne
- (b) A payment for each tonne of non-BMW below its target, at a rate calculated in accordance with the method used for recycling credits.

23. Conversely, each WCA will pay:

- (a) A payment for each tonne of BMW above its target, at a rate of [100%] of the LATS penalty per tonne
- (b) A payment for each tonne of non-BMW above its target, at a rate calculated in accordance with the method used for recycling credits.

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<sup>2</sup> While the LAA target and stretch target apply to 2008/09 the 2009/10 targets need to be consistent with achieving these

<sup>3</sup> See OJMWS policies 5 and 6

24. One option in support of simplicity and certainty is to have a single rate for all types of waste agreed in advance. This might, however, reduce accountability and could remove the focus on BMW.
25. The percentage to be used in these paragraphs determine the extent to which costs and benefits are shared between the WCAs and OCC. The OTA propose 100% to ensure maximum accountability.
26. The recycling credits paid in 2008/09 will be pooled for 2009/10. They will be cash limited from 2009/10 onwards and will be distributed to WCAs as an amount per household. These payments will be adjusted by the amounts calculated in (11) and (12).
27. OTA do not propose any transitional arrangements for revenue costs and income as these would undermine the principle of accountability.

#### NEW INITIATIVES FUND

28. OCC has indicated support for setting some money aside to create a fund to help meet the capital or one-off costs of waste management initiatives. These would be new initiatives designed to meet OJMWS objectives, and in particular minimise residual waste requiring landfill or further treatment.
29. If this principle is supported then more detailed criteria will be drafted and agreed.

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**Abbreviations**

BMW	Biodegradable municipal waste
LATS	Landfill allowance trading scheme
OCC	Oxfordshire County Council (waste disposal authority)
OJMWS	Oxfordshire joint municipal waste strategy “No Time to Waste”
OTA	Oxfordshire Treasurers Association
OWP	Oxfordshire Waste Partnership
WCA	Waste collection authority

## Financial Governance

### ACCOUNTING AUTHORITY

1. One partner will be appointed as the accounting authority for OWP.
2. The accounting authority will be responsible for:
  - (a) Preparing draft and final budgets for OWP
  - (b) Producing budget monitoring and other financial management information agreed by OWP
  - (c) Producing a set of accounts and balance sheet at the end of each financial year
  - (d) Accounting for all income and expenditure of the OWP (including both revenue and capital)
  - (e) Collecting income due to the OWP and making payments on behalf of OWP, including banking arrangements.
  - (f) Completing and certifying any government or other returns submitted by the OWP
3. A draft budget shall be agreed by the OWP by 31 October for the forthcoming financial year. This will include the proposed contribution from each OWP partner. The accounting authority will prepare a final budget once the contributions have been confirmed.
4. The financial and other internal control systems of the OWP together with its annual accounts will be subject to audit. The OWP will appoint one of the partners to carry out the audit work. In the absence of an appointment the accounting authority's internal audit section will undertake the work.
5. The costs of the accounting authority (and auditing authority if different) in providing these services shall be met by the OWP from its core funding.

## FUNDING ARRANGEMENTS

6. Core funding – this covers the ongoing costs of maintaining the OWP, including staff costs, the costs of meetings and accounting and audit fees.
7. Development fund – this provides money for initiatives agreed by OWP in accordance with its governance arrangements. It is intended to provide an annual budget for relatively small scale initiatives, such as promotion.
8. Core funding and contributions to the development fund will be met by the partners as follows:

Oxfordshire County Council	[50%]
WCAs	[10% each]
9. The partners will commit to the core funding and a base level of development funding for a rolling period of at least three years
10. If the OWP undertake more major projects then it will decide how these are to be funded and make recommendations to each partner for agreement.