

OXFORDSHIRE WASTE PARTNERSHIP JOINT COMMITTEE**28 September 2007****New Financial Arrangements****1 Purpose of Report**

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

2 Background

- 2.1 At its meeting on 31 August 2007 the OWP agreed a series of revised recommendations. This report sets out the progress that has been made towards fulfilling these decisions.
- 2.2 The OWP strongly affirmed the principle that new financial arrangements should incentivise waste reduction as well as recycling and there was consensus on 31 August 2007 that the proposed new financial arrangements achieve this. Consequently, the amount of residual waste and biodegradable municipal waste produced remains the basis for payments under the new financial arrangements.
- 2.3 OWP decided that consideration be given as to whether a more equitable result would be achieved by using a demographic base rather than households. To address this, the current landfill target share received by each authority on a per household basis was compared with an allocation on a per capita basis. By moving from the current per household allocation to a per capita based target, the landfill reduction targets become more difficult for Cherwell, South Oxfordshire and West Oxfordshire. Oxford City and Vale of White Horse benefit from easier targets.
- 2.4 A briefing paper was presented to the Officer Strategy Group (OSG) on 7th Sept, where it was agreed that the financial modelling should not be changed to a per capita basis due to the adverse impact upon Cherwell, South Oxfordshire and West Oxfordshire. This paper is attached at Annex 1. OSG agreed that further consideration might be given to other demographic factors (such as rurality) in due course, but that for the time being target allocation should remain on a per household basis.
- 2.5 On 31 August 2007, the County Council stated that it will either pay the gate fees or recycling credits/new financial arrangements payments for waste treated at In-Vessel Composting (IVC) facilities that it provides. The original financial model assumed that the County Council paid both.
- 2.6 OWP decided that further financial modelling must include the estimated financial effects to all affected partner authorities of IVC. Extensive modelling has since been undertaken to assess the financial implications of firstly, transferring the gate fees for IVC from the County Council to the District Councils and secondly the financial implications of the gate fees remaining with the County council, but with no payments being made to the District Councils for waste treated by IVC.
- 2.7 The County Council's position on IVC applies to both the current recycling credits system (the Statutory Instrument) and any new financial arrangements agreed by the Partnership. Thus the financial implications of removing recycling credit payments for waste treated at an IVC facility provided by the County Council have also been modelled.

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- 2.8 The financial implications of IVC were discussed at an extraordinary meeting of the Strategic Directors on 17th September. This meeting agreed that of the various payment options relating to IVC that have been modelled, two should be developed for presentation to the Partnership. These are:
- I. Forecast recycling credit payments by the County Council to the District Councils under the Statutory Instrument, where the County Council pays the gate fees but not recycling credits for IVC waste;
 - II. Forecast payments by the County Council to the District Councils under the new financial arrangements, where the County Council pays the gate fees but not any other payments relating to IVC waste.
- 2.9 The OWP believes that further work is required on waste minimisation and reuse, and that scheduled work should be undertaken to achieve this. In order to begin modelling the potential financial impacts of additional waste minimisation and reuse measures, a reduction of 0.65% per annum has been made to forecast overall waste arisings and also biodegradable municipal waste arisings.
- 2.10 The figure of 0.65% was arrived at by referring to the "Waste Reduction Options" report prepared for the Partnership in June 2006 by its appointed consultants, ERM. The full introduction from 2008/09 of all the activities without capital costs featured within the report has been assumed, together with the medium rates of waste diversion. On 17th September, Strategic Directors agreed that these waste reduction measures should be built into the financial model and presented to OWP.
- 2.11 OWP recognised that modelling completed by 31 August produced figures that were inadequate to Cherwell District Council and inequitable and unaffordable to West Oxfordshire District Council. OWP also agreed that all partner authorities commit to further modelling work and finally report back on the outcome of that work by the next OWP meeting. The simplest way for collection authorities to better their position within the financial arrangements is to improve their forecast performance against the residual waste and BMW targets. Improved performance results in greater levels of payment either through waste reduction or increased recycling. This is, perhaps, the only alteration that does not result in any fundamental changes to the model or to the financial principles.
- 2.12 Revised recycling and performance forecasts have been supplied by Cherwell and South Oxfordshire. Revised forecasts are currently being developed by Oxford City and West Oxfordshire. These revised figures will be entered into the latest version of the model, together with the alterations made to account for IVC and waste minimisation (as discussed above).
- 2.13 The results of the work set out in paragraph 2.12 above will be presented to a meeting of the Strategic Directors on 24th September and a verbal update provided to OWP on 28th September.

3 Financial, Risk and Staff Implications

- 3.1 A number of the risks highlighted on 31 August 2007 still apply. The financial model remains dependent upon the forecast recycling & composting performance. Any variance from these forecasts will result in changes to the level of income projected for each Waste Collection Authority. The modelling is also based on forecast values for Landfill Allowance Trading Scheme (LATS) permits and also contains estimates for future IVC, waste treatment, and landfill costs. These estimates should be reviewed regularly to ensure that they continue to

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reflect the best information available to the Partnership.

- 3.2 Each Partner Council will need to assess the financial implications for their authority of moving to the new financial arrangements, based upon their current base budgets, their estimated recycling & composting performance and also the costs of implementing new collection schemes.

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 JMWMS 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 continuation of the Statutory Instrument (the recycling credits system) remains an alternative option.

7 Recommendations

- 7.1 That the progress set out within this report be noted.

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:

ERM (June 2006) "Waste Reduction Options". Report for the Oxfordshire Waste Partnership.

"New Financial Arrangements", Agenda item 5, OWP meeting 31 August 2007

"New Financial Arrangements", Agenda item 6, OWP Meeting 25th May 2007

"OWP Financial Arrangements", Agenda item 7, OWP Meeting 30th March 2007.

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Annex1

Briefing Note Analysing the impact of changing OWP landfill targets from a per household to a per capita basis

I have received the demographic data from the councils Data Observatory and compared them to the household data OWP financial arrangement model. The aim is to see the potential impact of the change before we consider further work on using demographics to redistribute the targets within the OWP model.

The demographic data forecast finishes in 2016 so I have used a snap shot of 2009/10 and 2016/17 to report the impact of the change here.

	2009/10			2016/17		
	% share based on households	% share based on demographics	% change in share	% share based on households	% share based on demographics	% change in share
Cherwell	21.9%	21.2%	-3.6%	23.2%	21.1%	-8.8%
Oxford City	21.4%	23.1%	7.8%	21.0%	22.8%	8.2%
South Oxon	21.2%	20.2%	-4.7%	20.9%	20.5%	-2.0%
Vale of White	18.8%	19.1%	1.5%	18.5%	19.4%	5.0%
West Oxon	16.7%	16.5%	-1.1%	16.4%	16.2%	-1.2%
	100.0%	100.0%		100.0%	100.0%	

In basic terms the table above shows that, for example, if you maintain the current landfill target share through households Oxford City in 2009/10 would get 21.4% of the total. If you changed the data set to demographics they would receive 23.1%, a 7.8% ($23.1\%/21.4\% = 7.8\%$) increase to their current landfill target share.

In principle this is the same in 20016/17 although the growth in housing within the Cherwell district means their reduction in the share of the landfill target increases from 3.6% to 8.8%.

The main impacts then on changing the data set in order to redistribute the landfill target from households to a per capita basis would mean that:

1. Cherwell's landfill target would reduce on average per year by 5.5% generating a greater financial burden
2. Oxford City 's landfill target would increase on average per year by 7.7% generating more financial benefit
3. South and West's landfill targets would reduce on average by 3.4% and 1.4% respectively increasing their financial burden
4. Vale's landfill target would increase on average by 3.1% generating more financial benefit

I would strongly recommend not changing the data set for redistributing the target as it would only perversely impact on the current targets set and widen the financial gaps already modelled.

Rob Finlayson, Strategic Finance Manager, OCC 5th September 2007