

OXFORDSHIRE WASTE PARTNERSHIP JOINT COMMITTEE**30 MARCH 2007****NEW FINANCIAL ARRANGEMENTS****1 Purposes of Report**

1.1 The purposes of this report are to:

- advise the committee of progress in setting waste targets for each partner
- ask the committee to agree targets for overall residual waste
- consider matters that have arisen during the work on residual biodegradable waste (BMW) targets and give guidance to officers for further discussions.

2 Background

2.1 At its meeting on 12 October 2006 the OWP agreed new financial arrangements that would start in 2009/10. These were endorsed by the Leaders at their meeting on 24 October 2006 and have been incorporated into the governance arrangements as an annex. A copy of this is attached. The arrangements give incentives for changing behaviour in ways that will help us meet the objectives of the Oxfordshire Joint Municipal Waste Strategy (OJMWS).

2.2 The new financial arrangements set targets for the amount of residual waste each authority can present to the County Council for landfill or further treatment. They reward authorities that out-perform their targets, and penalise those who fail to meet them. The principle behind this is that the council taxpayers in each collection area bear the costs or receive the rewards rather than these being spread over all taxpayers in the county. This will improve accountability and is seen as more equitable.

2.3 OWP agreed that the work needed to implement the principles that had been agreed would be completed by the end of February 2007. By that date officers had:

- Agreed the estimated numbers of households within each collection area for each year through to 2019/20
- Reviewed collection methods and participation and capture rates to estimate the residual waste each will produce, again through to 2019/20

This has enabled targets to be calculated for each collection authority (including the County Council) in accordance with the new arrangements. The targets have been calculated to meet recycling and composting targets set in the OJMWS and to minimise penalties under the landfill allowance trading scheme (LATS). For collection authorities (excluding the County Council) each has the same allowance per household.

2.4 However, the work has highlighted the following issues:

- Whether any form of treatment of residual waste can contribute towards the recycling targets set by the OWP in policy six
- The effect and timing of residual treatment capacity on the targets
- If or how will we take into account trade waste, particularly the biodegradable waste within it

The committee is asked to consider these and the proposed targets.

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3 Matters for Consideration

- 3.1 Attached to this report are two tables. Table 1 shows the targets and estimated performance for each authority assuming no treatment of residual waste. Table 2 uses the same data but includes the treatment of 150,000 tonnes of residual waste per annum from 1 April 2013. Both tables include household waste only; neither includes trade waste.
- 3.2 Each authority has two targets under the new arrangements. Both are for the tonnage of residual waste presented to the County Council for disposal. One is for overall residual waste, the other is for the amount of biodegradable municipal waste (BMW) within the residual waste. BMW makes up about 68% of overall waste.
- 3.3 Where performance is better than the target (lower waste) the table shows a negative figure highlighted in green. Where performance is worse than the target the figure is highlighted in red. At the bottom of each table is a summary showing the overall performance for Oxfordshire.
- 3.4 In estimating the amount of waste produced officers have taken account of increases in the number of households, and that waste per household will rise by 0.34% a year until 2012 after which it will remain static. The latter is in accordance with OJMWS policy five.
- 3.5 Officers have also taken account of changes to collection methods being proposed by authorities, such as the collection of green waste and kitchen waste.

OVERALL RESIDUAL WASTE

- 3.6 Please refer to Table 1. The individual targets for overall residual waste have been calculated to meet the county-wide targets set in policy six of the OJMWS:
- By 31 March 2010 recycle or compost at least 40% of household waste
 - By 31 March 2015 recycle or compost at least 45% of household waste
 - By 31 March 2020 recycle or compost at least 55% of household waste

For calculating individual targets these have been taken as targets for the years 2009/10, 2014/15 and 2019/20. County-wide targets for other years have been arrived at by interpolation and are shown highlighted on page three of Table 1.

- 3.7 Using the latest estimates for waste arising, recycling and composting the county-wide targets are met until 2016/17 (when the target reaches 49%). The recycling and composting rate reaches 47.7% in 2011/12 and then remains at that level. In order to hit the targets in 2016/17 and later authorities will need to increase some or all of:
- The range of materials that can be diverted
 - The number of people who recycle or compost (participation rate)
 - The amounts of waste people separate (capture rate)

Reducing waste that cannot be recycled or composted will also help. A number of the policies in the OJMWS are designed to encourage these improvements through education, promotion and the provision of easy-to-use facilities.

- 3.8 As can be seen from Table 1 the challenge for some authorities will be greater than for others. Taking the four years from 2009/10 to 2012/13 together all authorities apart from West Oxfordshire beat their recycling targets:

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Cherwell	17,600	tonnes below target
Oxford City	30,900	tonnes below target
South Oxfordshire	5,100	tonnes below target
Vale of White Horse	7,400	tonnes below target
West Oxfordshire	3,000	tonnes above target
Oxfordshire County Council	10,900	tonnes below target

By 2019/20 only Oxford City is meeting its recycling target. Taking the 11 year period from 2009/10 to 2019/20 South Oxfordshire, West Oxfordshire and the County Council fail to achieve their targets on current estimates.

- 3.9 These targets are for overall residual waste, both BMW and non-BMW. As there is a separate target for residual BMW waste the rewards or penalties only apply to the non-BMW part. It is proposed to set these at the level of recycling credits at 1 April 2009. An amount of £40/tonne for the non-BMW waste would be a reasonable assumption. This gives an indication of the financial implications of the proposed targets, however paragraph 16 of the new arrangements gives the opportunity to adjust these.
- 3.10 It has been suggested that treatment of residual waste to extract materials or energy should count towards the recycling and composting targets. This approach measures the recovery of value from waste. However, officers understand that OWP set the targets in policy six to promote high recycling and composting rates. In referring to treatment of residual waste policy nine states it must not be a substitute for reuse, recycling and composting. This suggests authorities should improve recycling facilities to raise participation and capture rates. It is proposed that this be reviewed further once more detail is known of the residual waste treatment technology to be procured by Oxfordshire County Council (and its likely recycling performance), but that for the time being no allowance is made for this additional recycling within the targets set out in Table 1.
- 3.11 If OWP confirms this then it is recommended to agree the overall residual waste targets set out in Table 1.

BMW WITHIN RESIDUAL WASTE

- 3.12 Please refer again to Table 1. The targets for the amount of BMW in residual waste presented to the County Council for disposal have been calculated to meet the LATS allowances, which are shown highlighted on page three of Table 1.
- 3.13 County-wide the LATS allowances are exceeded from 2010/11 onwards. The excess increases sharply in 2011/12 and 2012/13 and then rises more steadily to some 60,000 tonnes in 2019/20. This is in-line with the modelling that was done in the development of the OJMWS, that highlighted the problem until residual waste treatment was available.
- 3.14 Over the four years from 2009/10 to 2012/13 the LATS allowances are exceeded by about 41,400 tonnes. The position for individual authorities varies significantly:
- | | | |
|----------------------------|--------|---------------------|
| Cherwell | 10,500 | tonnes below target |
| Oxford City | 6,100 | tonnes below target |
| South Oxfordshire | 12,600 | tonnes above target |
| Vale of White Horse | 11,900 | tonnes above target |
| West Oxfordshire | 20,000 | tonnes above target |
| Oxfordshire County Council | 13,400 | tonnes above target |

Over the 11 year period to 2019/20 every authority exceeds their target, and county-wide the LATS allowance is exceeded by about 371,000 tonnes.

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- 3.15 If the LATS penalty is £150/tonne then in the absence of any treatment for residual waste in the first four years the taxpayers of Oxfordshire face a bill of £6.2 million. Under the new financial regime these costs will fall on the taxpayers of the authorities that exceed their targets, rather than being spread equally across taxpayers in the county.
- 3.16 The effect of treatment facilities being available from 2013/14 is shown in Table 2. This assumes that the facility has the capacity to extract 100,000 tonnes of BMW from residual waste each year. This is consistent with a facility processing 150,000 tonnes a year, which is the size the County Council is considering.
- 3.17 The effects of treatment on the targets is significant:
- County-wide the LATS allowances are met from 2013/14 onwards
 - In 2019/20 we are still some 39,000 tonnes below the LATS allowance
 - Each authority is within its own targets for residual BMW from 2013/14 to 2019/20
 - Over the 11 years from 2009/10 to 2019/20 only West Oxfordshire exceeds its aggregate target (and then by only 400 tonnes in total).

The spare allowances at a county level can be traded with disposal authorities that are exceeding their limits, though it's not known what value these may have.

- 3.18 There are three significant issues arising from the introduction of treatment facilities that inter-relate and need further evaluation:
- If the new arrangements are implemented in full from 2009/10, with treatment facilities available only from 2013/14, there will be significant costs falling on some authorities during these four years. Others will benefit financially. The costs and benefits depend upon performance. Without the new arrangements the net cost will be spread evenly across county taxpayers.
 - Once the facilities are operational authorities will benefit financially from the ability to sell spare capacity.
 - The charges that might be made for using the facilities.

Paragraph 16 of the new arrangements was included in anticipation that further work might be needed. The principles that have been agreed, in particular linking the financial consequences to performance, will not be affected by this.

- 3.19 OWP is recommended to agree that officers undertake further work on these matters and report on progress to the next meeting.

TRADE WASTE

- 3.20 All the figures in Tables 1 and 2 exclude trade waste. For historic reasons trade waste only affects Oxford City and West Oxfordshire, which collect about 12,800 and 2,200 tonnes a year respectively.
- 3.21 This is not a problem for the recycling and composting rate targets set in policy six of the OJMWS, as these are clearly for household waste only. It therefore does not affect the overall residual waste targets in Table 1.

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- 3.22 However, the BMW content in the residual trade waste will count against the LATS allowance set for the county. Paragraph three of the new arrangements makes it clear they only apply to household waste, and the targets in Tables 1 and 2 for residual BMW allocate all of the LATS allowance for household waste. This means the cost of disposing of trade waste including and LATS costs will initially fall on the County Council. The County may well pass this on to the collection authorities, who in turn may increase charges to meet the cost if they can without becoming uncompetitive.
- 3.23 This issue has been raised with the government and an increased LATS allowance sought. It is unlikely this will be granted and in this case two ways of dealing with the matter are to:
- Continue to exclude trade waste from the new arrangements, and allocate all the LATS allowances for household waste. This is the basis on which targets have been calculated.
 - Exclude trade waste but allocate some of the LATS allowance to cover BMW within trade waste, either on a permanent basis or for a transitional period.
- 3.24 When BMW figures were submitted to the government prior to LATS allowances being set they included West Oxfordshire's trade waste, but not Oxford City's. This is some justification for the second option.
- 3.25 The counter-argument is that trade waste customers should meet the costs of waste disposal including the LATS cost. This would provide an incentive to separate the BMW for collection and treatment. It would also avoid a reduction in the BMW targets for household waste, making them harder to achieve for all authorities.
- 3.26 Officers from the two collection authorities and the County Council need to discuss this further. Oxford City in particular is concerned about the financial implications of BMW in trade waste as it faces increased collection costs or LATS costs, with consequent increases in charges or a budget pressure.
- 3.27 OWP is asked for its views, prior to officers undertaking more work and reporting to the next meeting.

4 Financial, Risk and Staff Implications

- 4.1 The recommendations include targets for residual waste for each partner. Under the new financial arrangements there will be financial rewards or penalties linked to performance against the targets. 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.
- 4.2 There are strategic risks for the OWP and partners should it fail to agree a way forward on a matter that is fundamental to the new governance arrangements. Partners may decide to withdraw, with lost opportunities for partnership working and the risk of external criticism.
- 4.3 The administration of the new financial regime can be undertaken within existing staff resources.

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5 Areas Affected

- 5.1 The matters in this report and the recommendations affect all partners. The new financial arrangements will only work effectively if all partners commit to them as part of the governance arrangements.

6 Effect on Strategic Policies

- 6.1 The financial arrangements agreed by the OWP have been designed to help meet policies in the OJMWS, 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)

7 Options or Alternatives

- 7.1 Details of options for the issues raised in the detailed work on targets are set out in the report. If 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.
- 7.2 This would not be consistent with the OJMWS as it rewards only one element of the waste hierarchy. It would also bring into question the ability of OWP to improve the management of waste.

8 Recommendations

- 8.1 That:
- (a) The targets for overall residual waste set out in Table 1 to this report are agreed
 - (b) Officers undertake further work on the matters raised in this report and develop a set of final implementation proposals for presentation to the OWP meeting on 31 August 2007
 - (c) That progress be reported to the next meeting of the OWP on 25 May 2007.

9 Reasons for Recommendations

- 9.1 The recommendations are made in order to help meet OJMWS policies six and nine and are in accordance with the new financial arrangements agreed by all partners.

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ANNEX 5

Waste Management – Financial Principles

Waste Management Costs

INTRODUCTION

1. The Partner Authorities have agreed the principles and arrangements set out in this Annex.
2. The Partner Authorities agree that the more detailed work needed to enable the principles and arrangements to be implemented will be completed by the 28 February 2007.

PRINCIPLES

3. These arrangements only apply to household waste.
4. Outside of what is proposed and agreed each Authority will remain responsible for its own waste management costs, according to its statutory responsibilities.
5. 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
 - (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
6. 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

7. Recycling credits will continue to be paid until 31 March 2009.
8. Payments will reflect changes in regulations, specifically:
 - (a) the amount per tonne will increase only with inflation, as defined in the Environmental Protection (Waste Recycling) Regulations, 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

9. 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 and any other targets agreed by OWP.

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10. The countywide target will be split between OCC and the WCAs calculated from the percentage of waste collected in 2005/06.
11. The WCA target will be divided between the WCAs based on the number of households in each.
12. Within the overall waste target calculated in paragraph 9 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.
13. 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.
14. 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.
15. 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.
16. Prior to 1 October 2007 the Partner Authorities may agree to vary the percentages and amounts per tonne in paragraphs 14 and 15, providing the result is consistent with the objectives set out in paragraph 5.
17. 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 paragraphs 14 and 15.

NEW INITIATIVES FUND

18. OCC will 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.
19. The Partner Authorities agree to pay into this fund the reward grant that is due to them from achievement of the PSA1 wastes target, and any reward grant that becomes payable to them for achievement of the LAA stretch target on non biodegradable municipal wastes.