

Waste management service charges

Purpose

1. To advise on options for consultation regarding waste management services and associated funding.

Summary

2. The draft Waste Management and Minimisation Plan (WMMP) provides for the staged introduction of the following changes across the region:
 - weekly food waste collection service for urban residential properties (excluding the Hauraki Gulf Islands)
 - an increase in the waste management targeted rate of approximately \$67 for urban residential properties to fund food waste collection
 - weekly pay as you throw 120 litre refuse bin collection using \$3.80 pre-paid bin tags
 - removal of the current refuse targeted rate for the former Auckland and Manukau city areas, following the introduction of the rates funded food waste service and pay as you throw refuse.
3. The council is required to consult on the implementation of these proposed changes to funding for waste services.

Food waste collection service funding

4. The weekly food waste collection service will provide each residential property with a 23 litre bin to be placed on the kerbside for collection, and a 7 litre caddy to have in the kitchen. The collected food waste will be processed for beneficial reuse (i.e. energy, biofuel, compost).
5. The service is expected to divert approximately 50,000 tonnes per annum from landfill, which equates to approximately 21 per cent of kerbside waste or three per cent of overall waste to landfill. It will also contribute to achieving Auckland's greenhouse gas emissions reduction target of 40 per cent by 2040.
6. Targeting the rate to urban residential ratepayers is the most appropriate funding choice for the services because this is the group whose properties will receive the services. A fixed targeted rate will also encourage residents to use the food waste collection service.
7. Users of the service will have an opportunity to offset some of the cost of paying for refuse collections by diverting organics from their pay as they throw waste. Therefore the average net cost increase to ratepayers will be in the order of \$27 to \$45 per annum.

Funding residential refuse collection in the former Auckland and Manukau city areas

8. The legacy Auckland and Manukau city areas currently pay for weekly refuse collections through a targeted rate. User pays funding is proposed to replace the targeted rate in these areas because it:
 - incentivises the reduction of household waste and encourages use of the food waste service
 - standardises the funding of household waste across the region.

Consultation and implementation options

9. There are two consultation options for targeted rates for the food waste service:
 - Option 1)** Consult with all Aucklanders on the phased introduction of a targeted rate for the food waste service under the Long-term Plan
 - Option 2)** Consult with Papakura residents on the introduction of a targeted rate for the food waste service through the Long-term Plan and consult with all Aucklanders through the Annual Plan 2019-2020
10. If option 1 above is adopted then consultation on the replacement of the current refuse targeted rate for the former Auckland and Manukau city areas with user pays should take place as part of the Long-term Plan 2018-2028. If option 2 is adopted then this consultation should take place as part of the Annual Plan 2019/2020.

Background

11. In 2012 council adopted the WMMP as required under the Waste Minimisation Act 2008. The WMMP is currently being reviewed concurrently with the LTP but at this stage it is proposed that the following will be continued with:
- providing a three bin service to residential properties with:
 - recycling funded through rates
 - food waste collection funded through rates and the waste levy (urban area only)
 - refuse funded through user pays.
 - working on diverting organic waste from landfill
 - providing a rates funded kerbside food waste collection service for urban residential properties
12. The Long-term Plan 2015-2025 provided for the required investment in supporting infrastructure such as the resource recovery network and centres, wheelie bins, and progressive changes towards a user pays and a three bin system.
13. In May 2017, the Environment and Community Committee endorsed the implementation of a food waste collection service for residential properties, commencing in the former Papakura District Council area. In October 2017 the Strategic Procurement Committee endorsed the strategy for procurement of food waste processing. For the provision of the regional food waste collection service to start in 2020, contracts need to be put in place for collection by mid - 2019 and for processing by August 2018. However no decisions on procurement for the food waste service for the region will be made ahead of decision making in the Long-term Plan 2018-2028.
14. The food waste collection service will be a weekly service for all urban residential properties, (except the Hauraki Gulf Islands). As part of this service the targeted rate will fund a 23 litre kerbside bin and a smaller 7 litre kitchen caddy for every property within the urban residential area.
15. Roll out of the food waste service will be coordinated with the introduction of a user pays refuse bin service. Residents will be provided with a 120 litre refuse bin using \$3.80 pre-paid bin tags or an electronic tag. Residents will also have a choice of an 80L (tag price to be determined when service is rolled out) or a 240L bin (\$5.50 bin tag). Once the food waste service is embedded, the refuse collection will move to fortnightly.
16. The proposed timing for the changes are:

Legacy Area	Food waste introduction	User Pays refuse bin service
Papakura	March 2018	May 2018
North Shore	From 2020	April 2018
Rodney and Franklin	From 2020	From 2019
Manukau and Auckland	From 2020	From 2020
Waitakere	From 2020	Since October 2017

Consideration of statutory criteria

17. The council is required to consider and consult on any changes to funding for services. This proposal considers the sources of funding for the food waste collection service for the urban residential parts of the region and kerbside residential refuse collection in the former Auckland City Council and Manukau City Council areas against the statutory criteria in section 101(3) of the Local Government Act 2002. The key elements of this assessment are set out in the options below. A full analysis against the statutory criteria is set out in Attachment B: Assessment against statutory criteria.

Funding Options

18. Funding options on the changes to waste management services are presented in two parts set out in the table in Attachment A:
- a) Food waste service funding

The food waste collection service is proposed to be funded with an increase in the solid waste targeted rate of \$67 and \$1.9 million from the Waste levy¹. The rate will be introduced in each area of the city as the service is rolled out as per attachment A.

b) User pays refuse in Auckland and Manukau

The proposal is to fund a 120 litre refuse bin collection using estimated \$3.80 pre-paid bin tags.

19. Under the proposal, residents in the former Auckland City and Manukau areas would pay directly for their refuse service. Ratepayers would have a lower waste targeted rate as the cost of refuse collection will be funded from users. This means that in tenancy scenarios the cost of refuse to landfill disposal in this area will transfer to the household. This change would mean that all residential refuse collections across the Auckland region would be a standardised user pays service.
20. The impact of this proposal on the different legacy areas is variable depending on when different service changes are progressed. A full break down of these impacts is in Attachment B 'consideration of overall impact section.'

Consultation and implementation options

Food Waste

21. Council has two main options for consultation on targeted rates for the food waste service:

Option 1) Consult with all Aucklanders on the phased introduction of a targeted rate for the food waste service under the Long-term Plan

Option 2) Consult with Papakura residents on the introduction of a targeted rate for the food waste service through the Long-term Plan and consult with all Aucklanders through the Annual Plan 2019-2020

22. Option 2 above would allow council to consider the response of the Papakura community to the proposal, and adjust any aspects based on this feedback, before proceeding with wider regional proposals and consultation.

Removing Waste Refuse Targeted Rates – Auckland and Manukau

23. If option 1 above is adopted then consultation on the replacement of the current refuse targeted rate for the former Auckland and Manukau city areas with user pays should take place as part of the Long-term Plan 2018-2028. If option 2 is adopted then this consultation should take place as part of the Annual Plan 2019/2020.
24. Changing the timeframe for consultation on regional funding would move out region wide implementation by up to a year. Contracting for the service has a lead time of 12 to 18 months to allow service providers time to put in place the required plant. Providers cannot begin this process until funding decisions are confirmed.

Attachments

No.	Title
A	Options table
B	Assessment against statutory criteria

Signatories

Authors	Parul Sood, General Manager Waste Solutions Andrew Duncan, Manager Financial Policy
Authorisers	Barry Potter, Director Infrastructure and Environmental Services

¹ The government provides the council with funding from the Waste Levy to encourage activities that divert waste from landfill.

Attachment A: Funding Options Table

Rationale	Benefits	Risks/Issues	Impacts
Food waste service funding			
Option A: Increase in solid waste targeted rate (\$67 pa)	Spreads the cost equally between all households with access to the service and encourages participation	<ul style="list-style-type: none"> Will help achieve the 30% per capita reduction target for kerbside waste to landfill (estimated to divert 50,000 tonnes from landfill initially, rising to 75,000 tonnes by 2040) Collected food waste will be processed for beneficial reuse 	<ul style="list-style-type: none"> The targeted rate including food waste collection is anticipated to rise by a total of \$73 pa while the average cost of refuse will fall by \$28 pa in Auckland and Manukau and \$45 pa elsewhere The impact of the changes differs depending on the property's ownership, see table at paragraph 10
Option B: User Charge for participating households (\$95-\$120 pa)	Only those households that use the service would pay for it	<ul style="list-style-type: none"> Will make some contribution to reduction target for kerbside waste to landfill – but will be much less than option 1 Collected food waste will be processed for beneficial reuse 	<ul style="list-style-type: none"> A user charge acts as a disincentive to participation Costs of operating the service are much higher per pick-up when there is less participation Participating households will pay full cost of service – estimated to be \$95-\$120.
Option C: Increase in general rates	Reflects wider benefit to the community of reduction in waste to landfill	<ul style="list-style-type: none"> All ratepayers contribute to the service and therefore would encourage participation Will help achieve the 30% per capita reduction target for kerbside waste to landfill (estimated to divert 50,000 tonnes from landfill initially, rising to 75,000 tonnes by 2040) Collected food waste will be processed for beneficial reuse 	<ul style="list-style-type: none"> Ratepayers with no access to the service will be contributing (business, Gulf Islands and rural ratepayers) General rates would increase by approximately 1.7% Ratepayers receiving the service can lower the overall impact by reducing their refuse under pay as you throw High value properties would have a greater cost impact
Option D: Do not provide service	Does not add new costs to ratepayers	<ul style="list-style-type: none"> Minimise changes to rates costs 	<ul style="list-style-type: none"> The reduction to landfill targets are less likely to be achieved The move to user pays refuse in the Auckland and Manukau areas will not have the offsetting reductions available from diverting some of their waste into the food No impact for those already on pay as you throw charges, but Auckland and Manukau areas will have new user charges with no ability to divert food waste

Rationale	Benefits	Risks/Issues	Impacts
<p>waste service</p> <ul style="list-style-type: none"> The contract for the Papakura service has already been procured 			
<p>User pays refuse in Auckland and Manukau</p>			
<p>Option A: Introduce pay as you throw to the Auckland and Manukau areas (\$3.80 per bin tag)</p>	<p>Aligning waste services across the Auckland region and encouraging reduction in kerbside waste to landfill</p>	<ul style="list-style-type: none"> Will encourage use of the recycling and food waste services which in turn will help achieve the 30% per capita reduction target for kerbside waste to landfill Aligns the Auckland and Manukau areas with other parts of the region 	<ul style="list-style-type: none"> Higher costs for residents (tenants and owner occupiers) if introduced without food waste service to assist in reduction in refuse volume The impact differs depending on the property's ownership, see table at paragraph 12
<p>Option B: Status quo – targeted rate in the Auckland and Manukau areas</p>	<p>Minimise change to ratepayers</p>	<ul style="list-style-type: none"> Minimise change to ratepayers 	<ul style="list-style-type: none"> Different methods of charging and perceived inequities across the Auckland region The reduction to landfill targets are less likely to be achieved No change

Attachment B: Assessment against statutory criteria

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

101(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- (a) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (b) the overall impact of any allocation of liability for revenue needs on the community.

The following sections consider the funding of the food waste collection service and kerbside residential refuse collection in the former Auckland City Council and Manukau City Council areas against the criteria in section 101(3) of the Local Government Act 2002.

1. Food waste collection service

The community outcomes to which the activity primarily contributes

The community outcome to which the activity (solid waste) primarily contributes are set out in the LTP 2015-2015 as:

- A green Auckland – Through protecting our natural heritage and managing our natural resources sustainably. Managing Auckland's waste and reducing our reliance on landfills.

The provision of kerbside food waste collection contributes to wider outcomes for the region. However, it also provides a service to individual residential properties. A funding source directed to these beneficiaries, user pays or a targeted rate, is therefore more appropriate than general rates funding. A targeted rate is preferred as user pays would discourage use of the service thus defeating its primary purpose of diverting waste to landfill.

The distribution of benefits between the community as a whole; any identifiable part of the community; and individuals

This service provides direct benefits to the properties receiving it. These properties should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. A user charge more directly targets users of the service as it applies to all residents receiving the service, tenants and owner occupiers. A targeted rate is only indirectly incident on tenants through their rent.

The period in or over which the benefits are expected to occur

The costs to deliver this service are incurred over a one to three year contractual cycle. These costs should be recovered from the beneficiaries over that time period i.e. from user charges or targeted rates.

The extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity

The cost of this service is driven by the properties who receive the service. These properties should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. A user charge more directly targets users of the service as it applies to all residents receiving the service, tenants and owner occupiers. A targeted rate is only indirectly incident on tenants through their rent.

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

The cost of implementing a targeted rate for food waste collection is minor. The council only needs to adjust the geographical boundary for application of the current targeted rate to match the serviced area.

There is no cost to the council of using general rates to fund the food waste collection. The introduction of user pays for food waste collection would require the council to incur additional administration costs.

Funding the food waste collection from a targeted rate will improve the transparency of decision making on additional funding. Ratepayers will be able to clearly see exactly how any additional funding they provide will be used. This will make it easier for them to express a preference on increased funding. A fixed rate per SUIP will make it easier to communicate to the community the cost of the service improvements relative to their benefits.

The use of a targeted rate will also improve accountability for expenditure. If a decision is made to raise additional funding by use of a targeted rate then ratepayers can be confident it will be used for that purpose. Targeted rates can only be spent on the activity for which they are raised.

Overall accountability will not be impacted, as the form of funding will not influence ratepayers' ability to hold the council to account for the effectiveness of this expenditure given the technical expertise required to make such an assessment.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of the overall impact on the community. This involves elected members exercising their judgement and considering the proposal in the context of council's funding decisions as a whole, not just in relation to this activity.

The cost of the food waste collection service on its own is approximately \$67 per year or \$1.30 per week. However, the net cost is between \$27 and \$45 per residential ratepayer receiving the service, see table, between 50 and 87 cents per week.

Service	Ratepayer cost impact of food waste collection (incl. GST)		
	2017/2018 Former North Shore, Waitakere, Franklin, Papakura & Rodney	2017/2018 Former Auckland City & Manukau	Future ^[1] Food waste collection introduced
Base service Including recycling and inorganic collection	\$102	\$102	\$108
Standard ^[2] refuse targeted rate	n/a	\$117	n/a
Food waste	n/a	n/a	\$67
Total Rates	\$102	\$219	\$175
Change in rates	+\$73 (=\$175-\$102)	-\$44 (=\$175-\$219)	
Refuse – pay as you throw bags vs bin tags	\$135 ^[3]	n/a	\$89 ^[4]
Total cost	\$237	\$219	\$264
Net change in cost with food waste service ^[5]	+\$27 (=\$264-\$237)	+\$45 (=\$264-\$219)	

^[1] Presented in today's dollars for comparison purposes.

^[2] Ratepayers can request a larger bin for an additional rates charge of \$55 per annum.

^[3] This is the current average cost per household which uses the council's bag pick up service.

^[4] Expected cost is based on the change in refuse disposal in the food waste pilot area on the North Shore. Rodney customers currently use non-council refuse services. They will face similar impact as shown in this table if they choose to use council's refuse service when it becomes available.

The table above shows the impact of the proposal on the majority of ratepayers – owner occupiers. The table below summarises the average change in waste management cost for various types of households under the proposal to introduce food waste service in the region and user pay refuse in the former ACC and MCC.

Ratepayer/Household	Former ACC & MCC		Other areas	
	- Food waste collection targeted rate and Targeted rate refuse	- Food waste collection targeted rate and User pays refuse	- Food waste collection targeted rate and User pays refuse	
Residential landlords	\$56		-\$44	\$73
Residential tenants	\$0		\$89	-\$46
Owner occupied properties	\$56		\$45	\$27

2. Kerbside refuse collection: former Auckland City Council and Manukau City Council areas

The community outcomes to which the activity primarily contributes

The community outcome to which the activity (solid waste) primarily contributes are set out in the LTP 2015-2015 as:

- A green Auckland – Through protecting our natural heritage and managing our natural resources sustainably. Managing Auckland's waste and reducing our reliance on landfills.

The provision of kerbside refuse collection in the former Auckland City Council and Manukau City Council areas contributes to wider outcomes for the region. However, it also provides a service to individual residential properties. A funding source directed to these beneficiaries, user pays, is therefore more appropriate than general rates funding or targeted rates funding. User pays is the funding method used for kerbside residential refuse collection in the other areas of the region.

The distribution of benefits between the community as a whole; any identifiable part of the community; and individuals

These services provide direct benefits to the residents receiving the service. These residents should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. Users charges more directly targets users as they apply to both tenants and owner occupiers.

The period in or over which the benefits are expected to occur

The costs to deliver these services are incurred over a one to three year contractual cycle. These costs should be recovered from the beneficiaries over that time period i.e. from user charges or rates.

The extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity

The costs of the services are driven by the residents who receive the service. These residents should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. Users charges more directly targets users as they apply to both tenants and owner occupiers.

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

The application of user pays for kerbside refuse collection in the former Auckland City and Manukau areas will be an extension of the changes to user pays charging being introduced in the remainder of the region. One off additional communication costs will also be incurred to support the new service. Retaining the current targeted rate has no direct cost but would not encourage use of the food waste service reducing its effectiveness in achieving a reduction in residential waste to landfill.

The costs of funding this service distinctly from other services are not substantial relative to the benefits of ensuring the beneficiaries pay:

- equitable allocation of cost - only those receiving the service would pay for it

^[5] Average net cost based on residents making use of food waste service to level observed in pilot.

- reduced waste to landfill from the incentive for residents to reduce refuse disposal via user pays for the kerbside refuse collection service.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of the overall impact on the community. This involves elected members exercising their judgement and considering the proposal in the context of council's funding decisions as a whole, not just in relation to this activity.

The estimated average change in the costs of solid waste services for the residents of the former Auckland City Council and Manukau City Council areas will change with the introduction of user pays kerbside refuse collection. The costs will differ between different types of household/ratepayer given the movement in charging mechanisms.

Residential tenants in the former Auckland City and Manukau areas would now pay directly for their refuse service. Landlords in these areas will have lower rates as the cost of refuse collection is recovered from user pays. It is unlikely that landlords will reduce rents when their rates fall with the removal of the targeted refuse rate. At present tenants in other parts of Auckland in all socio-economic groups pay user charges for their refuse.

The costs will differ between different types of household/ratepayer given the movement in charging mechanisms. The following table summarises the average impact if user pays refuse is implemented without the introduction of region wide food waste service.

Ratepayer/Household	Former ACC & MCC
Residential landlords	-\$117
Residential tenants	\$112
Owner occupied properties	-\$5