

# Waste management service charges

## Proposal

The council sought the community's views on the following proposals for waste management services:

### Food scraps collection targeted rate:

- funding food scraps collection for properties in urban Auckland with an increase in the waste management targeted rate of approximately \$67
- starting in Papakura in 2018 and then in the rest of Auckland as the service is rolled out

### Pay as you throw refuse collection for Manukau and Auckland:

- 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 scraps service and pay as you throw refuse.

## Feedback

### Food Scraps targeted rate:

40 per cent of feedback was in support of the proposal and 60 percent opposed. Those in support of the proposal identified the benefits from waste minimisation and diversion waste from landfill. Those opposed noted that the charge would apply to existing composters who did not need the service and argued for a user pays service. They also considered that as a core service it should be funded from general rates.

### Pay as you throw refuse collection for Manukau and Auckland:

60 per cent of feedback was in support of the proposal and 40 per cent opposed. Those in support of the proposals identified the incentive to minimise waste and diversion of waste from landfill. Those opposed consider that as a core service it should be funded from general rates and the potential for charging to encourage illegal dumping.

Overall, regional stakeholders' were supportive of standardisation and consistency of charging for waste collection throughout Auckland.

### Mana Whenua feedback

Ngāti Tamaoho Settlement Trust, expressed support for both proposals.

### Key/regional stakeholders

Waste sector stakeholders, including Kelmarna Gardens and Kaipātiki Project Environment Centre, supported both proposals. The food scraps funding proposals was opposed by the Auckland Chamber of Commerce and the Auckland Ratepayer's Alliance who both considered that, if introduced, the service should be user pays. We Compost (an organic waste collection company) also opposed introduction of a food scraps targeted rate.

Overall, stakeholders' were supportive of standardisation and consistency of charging for refuse collection throughout Auckland.

## Local board feedback

Local boards provided feedback on the food scraps collection and the pay as you throw refuse proposal through resolutions on both the Long-term Plan and the Waste Management and Minimisation Plan. A summary of feedback on both plans is provided below.

*Food Scraps Collection and Targeted Rate:* Albert-Eden and Puketāpapa supported the proposed food scraps collection and Papakura specifically stated that they support both the service and use of a targeted rate to fund it. The Rodney Local Board supported investigation into expanding kerbside food waste collection to rural townships and giving rural residents the choice to opt in. Hibiscus and Bays and Ōrākei supported making the food scraps collection service opt in or out. Kaipātiki Local Board

also requested some investigation into possible discounts for residents that already recycle or compost at home.

Waitematā Local Board stated in their feedback on the Long-term Plan that they supported the targeted rate for food scraps collection but noted in their feedback on the Waste Management and Minimisation Plan that they did not support a centralised collection of food waste. They supported a decentralised waste collection service that grows local composting capacity.

*Pay as You Throw:* Rodney, Puketāpapa and Papakura Local Boards all noted support for introduction of a pay as you throw refuse collection, although Puketāpapa only supported this if there was a protection against people using other’s bins to dispose of rubbish. Waitematā also stated their support for standardisation of user-pays refuse collection.

Manurewa, Maungakiekie-Tāmaki and Papakura stated that they did not support changing to a fortnightly frequency for refuse collection and asked the council to retain a weekly frequency. The Ōrākei Local Board noted that many submitters were concerned about the introduction of a pay as you throw collection as it could lead to illegal dumping and people putting their rubbish in a neighbour’s bin.

## Comment

### Context

Under the Waste Minimisation Act 2008, council is required to promote effective and efficient waste minimisation and management and a reduction in waste to landfill.

- In 2012, Auckland Council adopted a Waste Management and Minimisation Plan (WMMP) with the aspirational goal of zero waste to landfill by 2040. This plan commits council to a three-bin service to residential properties with:
  - recycling funded through a targeted rate
  - a food scraps collection funded through a targeted rate and the waste levy (urban area only)
  - refuse funded through user pays (called pay-as you throw).

A refreshed WMMP 2018 is currently under consideration. This revised plan, if adopted, will continue this approach with an expanded focus on the waste streams that council does not directly control; non-residential waste.

### Service and funding changes

The targeted rate of approximately \$67 will fund a 23 litre kerbside bin and a smaller seven litre kitchen caddy. The collected food scraps will be processed for beneficial reuse (i.e. energy, biofuel, compost). Roll out of the food scraps 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 (\$2.60 bin tag) or a 240L bin (\$5.50 bin tag). Once the food scraps service is embedded, the refuse collection will move to fortnightly. 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

The two proposals are linked:

- food scraps service allows households to reduce the cost of refuse collection by diverting organic matter from their user pays refuse collection

- user pays refuse collection in Auckland and Manukau encourages use of food scraps collection service
- both encourage waste minimisation and diversion of waste from landfill.

Each proposal is discussed below. A full analysis of funding options is set out in Attachment A.

### **Food scraps collection targeted rate**

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.

Targeting the rate to urban residential ratepayers is the most appropriate funding choice because this is the group whose properties will receive the service. A fixed targeted rate will encourage residents to use the food scraps collection service.

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. A food scraps scheme available in some parts of Wellington charges \$30 per month.

Many Auckland residents state that they already compost their food scraps to some degree. Feedback from this group preferred a user pays approach as they did not wish to pay for a service they would not use. The trial service provided on the North Shore was used by 75 per cent of households that composted. The service to be provided by the council allows the composting of all food scraps including processed food, bones and meat which cannot be managed by most domestic composting. Officers have considered user pays as an alternative to a targeted rate but note that this would discourage use of the service. A lower take up of the service will substantially reduce revenue without a commensurate reduction in cost, for example collection vehicles will still have to drive down a street whether there are a few or many pick-ups.

### **Modification of proposal in response to feedback**

The council could consider that the application of the targeted rate make provision for residents who already compost their food scraps to opt out of the council provided service. The option to opt out would be available to owner occupiers. Rates for residential rental properties are payable by the landlord and there is no connection between the rate and the decision to compost on site. In addition, there are likely to be issues with changing tenants having different preferences for composting.

At this time a process has not been established to provide for opt out. A process could be developed and trialled in the Papakura area in 2018/2019. The lessons from this could then be developed into a scheme that can be operated when the service is rolled out to the rest of the region.

The operation of an opt out scheme will reduce the revenue from the targeted rate. Some additional costs are also likely to be incurred. Officers do not expect the revenue reduction and cost to be major but it still represents a risk. Opt out would only be available to owner occupiers and the council's service is convenient and can manage all food scraps and the return for opting out is low at \$67 per year or \$1.30 per week.

### **Pay as you throw refuse collection for Manukau and Auckland**

The introduction of users pays for weekly refuse collections in the former Auckland and Manukau city areas will:

- incentivise the reduction of household waste by recycling and use of the food scraps service
- standardise the funding of household waste across the region
- raise costs for tenants and lower rates for landlords.

Council officers are working with Housing New Zealand to ensure transition to user pays works for their tenants.

### **Consideration of statutory criteria**

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 scraps 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. A

full analysis against the statutory criteria is set out in Attachment B: Assessment against statutory criteria.

## Attachment A: Funding Options Table

Rationale	Benefits	Risks/Issues	Impacts
<b>Food waste service funding</b>			
<b>Option A: Increase in solid waste targeted rate (\$67 pa)</b>	Spreads the cost equally between all households with access to the service and encourages participation	<ul style="list-style-type: none"> <li>Will help achieve the 30 per cent 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)</li> <li>Collected food scraps will be processed for beneficial reuse</li> </ul>	<ul style="list-style-type: none"> <li>Reliant on processing facilities for food scraps</li> <li>The targeted rate including food scraps 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</li> <li>The impact of the changes differs depending on the property's ownership, see table at paragraph 10</li> </ul>
<b>Option A modified Increase in solid waste targeted rate (\$67 pa) with opt-out</b>	Spreads the cost equally between all households receiving the service and encourages participation	<ul style="list-style-type: none"> <li>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).</li> <li>Collected food scraps will be processed for beneficial reuse</li> <li>Owner occupiers who compost will not be charged if they choose to opt out and can demonstrate that they can divert food scraps from landfill.</li> </ul>	<ul style="list-style-type: none"> <li>Reliant on processing facilities for food scraps</li> <li>Additional cost for administering the opt-out scheme and some loss of revenue</li> <li>A high level opt-out could result in costs exceeding revenue</li> <li>Potential greater contamination of recycling collections</li> <li>The targeted rate including food scraps 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</li> <li>The impact of the changes differs depending on the property's ownership, see table at paragraph 10</li> <li>Impact limited to households that do not opt out</li> </ul>
<b>Option B: User Charge for participating households (\$95-\$120 pa)</b>	Only those households that use the service would pay for it	<ul style="list-style-type: none"> <li>Will make some contribution to reduction target for kerbside waste to landfill – but will be much less than option A and Option A modified</li> <li>Collected food scraps will be processed for beneficial reuse</li> </ul>	<ul style="list-style-type: none"> <li>A user charge acts as a disincentive to participation</li> <li>Costs of operating the service are much higher per pick-up when there is less participation</li> <li>Participating households will pay full cost of service – estimated to be \$95-\$120.</li> </ul>

	Rationale	Benefits	Risks/Issues	Impacts
<b>Option C: Increase in general rates</b>	Reflects wider benefit to the community of reduction in waste to landfill	<ul style="list-style-type: none"> <li>All ratepayers contribute to the service and therefore would encourage participation</li> <li>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)</li> <li>Collected food scraps will be processed for beneficial reuse</li> </ul>	<ul style="list-style-type: none"> <li>Ratepayers with no access to the service will be contributing (business, Gulf Islands and rural ratepayers)</li> </ul>	<ul style="list-style-type: none"> <li>General rates would increase by approximately 1.7%</li> <li>Ratepayers receiving the service can lower the overall impact by reducing their refuse under pay as you throw</li> <li>High value properties would have a greater cost impact</li> </ul>
<b>Option D: Do not provide service</b>	Does not add new costs to ratepayers	<ul style="list-style-type: none"> <li>Minimise changes to rates costs</li> </ul>	<ul style="list-style-type: none"> <li>The reduction to landfill targets are less likely to be achieved</li> <li>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 scraps service</li> <li>The contract for the Papakura service has already been procured</li> </ul>	<ul style="list-style-type: none"> <li>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 scraps</li> </ul>
<b>User pays refuse in Auckland and Manukau</b>				
<b>Option A: Introduce pay as you throw to the Auckland and Manukau areas (\$3.80 per bin tag)</b>	Aligning waste services across the Auckland region and encouraging reduction in kerbside waste to landfill	<ul style="list-style-type: none"> <li>Will encourage use of the recycling and food scraps services which in turn will help achieve the 30% per capita reduction target for kerbside waste to landfill</li> <li>Aligns the Auckland and Manukau areas with other parts of the region</li> </ul>	<ul style="list-style-type: none"> <li>Higher costs for residents (tenants and owner occupiers) if introduced without food scraps service to assist in reduction in refuse volume</li> </ul>	<ul style="list-style-type: none"> <li>The impact differs depending on the property's ownership, see table at paragraph 12</li> </ul>
<b>Option B: Status quo – targeted rate in the Auckland and Manukau areas</b>	Minimise change to ratepayers	<ul style="list-style-type: none"> <li>Minimise change to ratepayers</li> </ul>	<ul style="list-style-type: none"> <li>Different methods of charging and perceived inequities across the Auckland region</li> <li>The reduction to landfill targets are less likely to be achieved</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>

## 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 scraps 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 scraps 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 scraps 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 scraps 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 scraps collection. The introduction of user pays for food scraps collection would require the council to incur additional administration costs.

Funding the food scraps 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 scraps 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 scraps collection (incl. GST)		
	Charges		
	2017/2018 Former North Shore, Waitakere, Franklin, Papakura & Rodney	2017/2018 Former Auckland City & Manukau	Future <sup>[1]</sup> Food scraps collection introduced
Base service Including recycling and inorganic collection	\$102	\$102	\$108
Standard <sup>[2]</sup> refuse targeted rate	n/a	\$117	n/a
Food waste	n/a	n/a	\$67

<sup>[1]</sup> Presented in today's dollars for comparison purposes.

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

Ratepayer cost impact of food scraps collection (incl. GST)			
Service	Charges		
	2017/2018	2017/2018	Future <sup>[1]</sup>
	Former North Shore, Waitakere, Franklin, Papakura & Rodney	Former Auckland City & Manukau	Food scraps collection introduced
Total Rates	\$102	\$219	\$175
Change in rates	+\$73 (= \$175-\$102)	-\$44 (= \$175-\$219)	
Refuse – pay as you throw bags vs bin tags	\$135 <sup>[3]</sup>	n/a	\$89 <sup>[4]</sup>
Total cost	\$237	\$219	\$264
Net change in cost with food scraps service <sup>[5]</sup>	+\$27 (= \$264-\$237)	+\$45 (= \$264-\$219)	

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 scraps service in the region and user pay refuse in the former ACC and MCC.

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

## 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.
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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.

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

<sup>[4]</sup> Expected cost is based on the change in refuse disposal in the food scraps 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.

<sup>[5]</sup> Average net cost based on residents making use of food scraps service to level observed in pilot.

**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 scraps 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
- 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 scraps service.

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