

Response to the Domestic Waste: Value for Money (S17A) Review 2017

File No:

Te take mō te pūrongo / Purpose of the report

1. To receive an update on the Domestic Waste: Value for Money (s17A) review and approve \$350,000 of additional budget for an independent review of the value and options for Auckland Council's ownership of key waste assets.

Whakarāpopototanga matua / Executive summary

2. In November 2017, the Finance and Performance Committee received the Domestic Waste: Value for Money (S17A) Review 2017.
3. The value for money S17A review found that Auckland Council has achieved value in delivering waste services, with demonstrable cost savings, growing rates of household waste diversion and high levels of customer satisfaction.
4. The review also identified three main areas of opportunity to deliver greater value for money:
 - more emphasis on commercial waste
 - greater economic discipline
 - a more commercial approach to delivery and contracting of waste services.
5. The Finance and Performance Committee approved nine recommendations from the S17A review which gave rise to 13 actions for council staff to complete. Some of these actions require a strategic response while others are more operational in nature. The full recommendations and the response plan for each are outlined in attachment A.

Strategic Response: Waste Management and Minimisation Plan

6. Six actions arising from the S17A required a strategic response, such as the recommendation that council should have a greater focus on reducing commercial (non-domestic) waste. All six of these recommendations have been incorporated into the draft Waste Management and Minimisation Plan 2018: Working Together for Zero Waste.
7. The draft plan will be consulted on in February and March 2018 and a final version approved by Environment and Community Committee before the end of June 2018. The S17A actions in the waste plan will then be implemented, subject to public feedback.
8. Regular updates on implementation of the waste plan will be provided to the Environment and Community Committee and the Waste Political Advisory Group.

Operational Response

9. The remaining seven actions arising from the S17A review required an operational response. These included actions such as reviewing the strategic case for the council owning and operating waste facilities and implementing outcome-based contracting for waste collection services. Six of these actions will be partially or fully implemented over the next year (see attachment A for detail).
10. The action to review the strategic case for the council owning and operating waste facilities or services, also involves evaluating alternatives, such as selling these assets or using long-term lease arrangements.
11. This review will require commission of external consultants to provide independent advice on the value of key waste assets, together with alternatives for ownership and service provision. Because this piece of work is unplanned it cannot be accommodated within existing budgets. It is estimated to cost approximately \$350,000, with the exact cost to be confirmed through the procurement process.
12. It is recommended that the Finance and Performance Committee approve additional budget of \$350,000 to fund a full and independent review of this topic.

13. More detail will be provided on the results of this review in a report back to Finance and Performance Committee in November 2018. An update on progress in implementing the other S17A recommendations and the anticipated cost savings will also be provided.
14. Finally, the S17A review recommended that council provide materials to assist community groups and businesses to apply to the central government Waste Minimisation Fund. It is recommended that this action not be completed, as it would duplicate existing resources that are available through the Ministry for the Environment.

Ngā tūtohunga / Recommendations

That the Finance and Performance Committee

- a) Note that the strategic actions arising from the Domestic Waste: Value for Money (S17A) Review have been included in the draft Waste Management and Minimisation Plan 2018 and will be implemented once the plan is approved (subject to public feedback).
- b) Note that the final Waste Management and Minimisation Plan 2018 will be presented to the Environment and Community Committee for approval by June 2018.
- c) Approve additional budget of \$350,000 operational expenditure to fund an independent review of the value and options for Auckland Council's ownership of key waste assets and services.
- d) Note that a report back on the results of this review and an update on the other actions arising from the Domestic Waste: Value for Money (S17A) Review will be reported to the Finance and Performance Committee in November 2018.
- e) Note that the S17A recommendation to develop materials supporting community groups and businesses to apply to the central government Waste Minimisation Fund will not be completed, as this would duplicate Ministry for the Environment resources.

Horopaki / Context

Value for Money programme

15. In March 2017 the Finance and Performance Committee endorsed a value for money programme for the council group, including thirty reviews of council services to be undertaken over the next three years.
16. A review of domestic waste was completed as part of the first group of four reviews. Its recommendations were endorsed by the Finance and Performance Committee on 6 November 2017 through nine resolutions (FIN/2017/154).
17. These recommendations generated 13 actions to be carried out by council staff. Six of these required a strategic response, while seven were more operational in nature.
18. This report outlines progress to date in implementing these actions, and the feasibility and time frame for those remaining. The full text of each resolution and the current implementation plan is provided in attachment A.

Tātaritanga me ngā tohutohu / Analysis and advice

Strategic Response to S17A Recommendations

19. The S17A value for money review coincided with the review of the Waste Management and Minimisation Plan 2012. Six actions arising from the S17A review required a strategic response and so have been included in the draft waste plan.
20. Subject to public feedback and Environment and Community Committee approval, these actions will be implemented once the final plan is adopted in June 2018. Regular updates on implementation will be provided to council's Waste Political Advisory Group. Specific actions are discussed in more detail below.

21. *Broaden the focus to non-domestic waste.* The S17A review noted that domestic waste accounts for only 14 per cent of all waste sent to landfill in Auckland. It recommended that council broaden its focus to reducing and diverting the 'larger and faster-growing commercial waste stream'. In response to this, a key objective of the new draft Waste Management and Minimisation plan is to broaden council's focus beyond household waste to commercial waste.
22. *Reviewing the need for, and effectiveness of, council's community grants for waste.* The S17A review recommended that council consider whether its own community grants scheme (the Waste Minimisation and Innovation Fund) was needed given the existence of the central government Waste Minimisation Fund.
23. The central government Waste Minimisation Fund only supports projects which have a budget of more than \$50,000 and are likely to have national impacts. In contrast, council's Waste Minimisation and Innovation Fund supports projects of up to \$50,000 which contribute to reducing waste to landfill in the Auckland region. This means that council's fund effectively complements the central government fund. Continuing the Waste Minimisation and Innovation Fund has been proposed in the next draft waste plan
24. An annual review of the outcomes of the Waste Minimisation and Innovation Fund is also conducted by the Waste Solutions Department after each major funding round to identify any areas for improvement. In 2018/2019 a relevant expert from another team within council will be asked to input into this review to ensure independence of the findings.
25. Once this review is completed a report back will be provided to Environment and Community Committee, by September 2018, outlining key outcomes of the review and any recommended changes to the fund's operation.
26. *Developing site waste management plans to enable diversion of business waste.* This action has been included in the draft waste plan for consultation. If adopted, a pilot programme will be developed in collaboration with the relevant business groups. Regular updates on progress will be provided to the Waste Political Advisory Group.
27. *Conduct research to ascertain if the benefits of raising the landfill levy outweigh the increase in household and business costs. Once this has been done, confirm council's position on advocating, or not, for a higher landfill levy.* Council has commissioned two studies on this topic, analysing the costs and benefits of raising the landfill levy both internationally and specifically for New Zealand. This research found that the benefits of raising the landfill levy outweigh the costs to households and businesses. More research on this topic should be led by central government as part of their regular reviews of the effectiveness of the levy.
28. Advocacy to raise the landfill levy is included in the draft Waste Management and Minimisation Plan 2018. If approved staff will continue this advocacy, which was also an action in the Waste Management and Minimisation plan 2012.
29. *Do market research to test what households and businesses are willing to pay or do to achieve reductions in waste going to landfill, for use in economic assessments.* Household behaviour studies like this have been included in the draft waste plan. The results will inform future business cases and decision making.
30. *Develop an economic evidence base that quantifies the wider environmental and other damages caused by landfill and whether these costs are already captured in market prices or covered by regulatory requirements, for use in business cases.* Some aspects of this recommendation have already been addressed through the cost benefit analysis work on food waste and on a national container deposit scheme. Undertaking more studies to develop this evidence base further is included in the draft waste plan.

Operational Response to S17A Recommendations

31. The S17A review also recommended seven actions for improvement relating to operational aspects of how council conducts waste services (rather than on the scope or strategic focus of our work). These are discussed below.
32. *Assess the strategic case for council owning and operating waste facilities or services. Evaluate alternatives such as selling these assets or using long-term lease arrangements.*

A business case will be developed by external consultants to evaluate the strategic case for Auckland Council owning waste assets or services. Key waste assets that will be considered include:

- the Waitakere Refuse and Recycling Transfer Station
 - Materials Recycling Facility. This is operated by Visy but will be returned to council in 2024 under their current Build Own Operate and Transfer contract
 - Auckland Council's share in Whitford Landfill
 - community facilities such as resource recovery centres.
33. The review will include a full valuation of these business assets and consider the costs and benefits to council of current ownership arrangements. The review will consider if there is a long-term benefit to the council of owning and operating these assets and whether it might benefit the council to purchase additional assets in future. It will also consider alternatives to ownership such as selling assets or long-term lease arrangements.
34. As the cost of commissioning this business case is unplanned work that was not budgeted for, it is not possible to fund this from existing 2018/2019 budgets. It is estimated this review will cost approximately \$350,000, although the exact cost will be confirmed through the procurement process.
35. It is recommended that the committee approve additional budget of \$350,000 to fund this work. This will ensure a detailed and independent review by external consultants.
36. *Council projects should seek funding from the government's Waste Minimisation Fund.* The review recommended that council should ensure any significant new waste services or trials that it develops seek support from the central government Waste Minimisation Fund.
37. Council will seek support for any eligible major waste initiative or trial with a budget of more than \$50,000 from the government's Waste Minimisation Fund. These projects will need to be predominantly rates funded, as any council initiatives which are funded through the central government Waste Levy are unlikely to receive significant co-funding through the Waste Minimisation Fund. There is also no guarantee that these applications will be successful.
38. *Council should provide materials to local community groups and businesses to support them to apply to the central government Waste Minimisation Fund.* Feedback on this action from the Ministry from the Environment has been that it will duplicate national resources which are already available. Therefore, it is recommended that this action not be progressed.
39. *Implement outcome-based contracting for waste services.* The S17A review recommended that council introduce outcome-based contracting to incentivise waste collectors to pursue waste minimisation and diversion targets.
40. A procurement plan to consolidate, bundle, and standardise the waste collection contracts when they are due to be renewed from 2020 is currently being developed. This will include a shift towards outcome-based contracting. It will be presented to the Strategic Procurement Committee for their approval by May 2018.
41. An update on the procurement approach and anticipated savings will also be provided to Finance and Performance Committee in November 2018.
42. *Activities to Improve Economic Discipline:* The S17A review also recommended three additional actions to improve economic discipline, which will be implemented by council.
- *Ensuring that no new initiative receives funding unless it is supported by a business case showing benefits exceed costs by a pre-determined margin.* Business cases are already developed by council's waste team for all major initiatives. Further work will be undertaken, including benchmarking with other practices, to establish a predetermined cost-benefit margin for projects. This will capture social, environmental, economic and cultural outcomes.
 - *Rank all of the council's existing and planned waste minimisation and diversion services or initiatives by their cost-effectiveness, to guide prioritisation and test value for money.* This

work has already been partially undertaken through the Waste Assessment which evaluated the value of projects based on their ability to achieve environmental, social, economic and cultural outcomes. This multi-criteria analysis informed the actions included in the draft plan. For example, incineration of waste did not rate highly. This type of evaluation will be applied to future high value services or trials developed by council.

- *Require independent review of material business cases by experts with economic or commercial expertise.* An independent review has already been commissioned for significant programmes, such as the waste levy and the container deposit scheme. This practice will be continued for all high value business cases.

Summary and Recommendations

43. In summary, work is well advanced on implementing the recommendations of the Domestic Waste: Value for Money (S17A) Review. Out of the 13 actions arising, six require a strategic response and have been included in the draft waste plan. These actions will be implemented once the plan is approved (subject to public feedback).
44. Of the remaining seven actions which require an operational response, six will be fully or partially implemented as part of Waste Solution's ongoing work programme. An update on progress on these actions and estimated savings will be provided to the Finance and Performance Committee in November 2018.
45. One of these actions, the strategic review of the business case for council's ownership of waste assets and services, will require commission of a review by external consultants. It is recommended that the committee approve additional budget of \$350,000 to fund this review.
46. Finally, one S17A action relating to promotion of the central government Waste Minimisation Fund will not be progressed, for the reasons outlined above.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views

47. As noted above, six actions from the S17A review have been included in the draft Waste Management and Minimisation Plan: Working Together for Zero Waste.
48. Workshops were held with local boards between September and November 2017 on the draft plan. Feedback from this engagement was incorporated in the draft plan presented to the Environment and Community Committee in December 2017.
49. Local boards will have the opportunity to give feedback on the draft plan before it is finalised.
50. Local boards will also be consulted on any changes to service levels resulting from the operational response to the S17A review.

Tauākī whakaaweawe Māori / Māori impact statement

51. Council has worked closely with mana whenua and mataawaka to implement the first Waste Management and Minimisation Plan 2012. Council has also engaged with these groups in the development of the second draft waste management and minimisation plan.
52. As five recommendations from the S17A review are included in the draft waste plan, these have been presented to mana whenua and mataawaka as part of the engagement process.
53. In general, feedback to date from mana whenua and mataawaka has been supportive of the second plan, noting that there is a strong alignment between the approach of the draft Waste Management and Minimisation Plan: Working Together for Zero Waste and Te Ao Māori.
54. Engagement with mana whenua and mataawaka on S17A initiatives will continue, both through the formal hearings process and throughout implementation of the plan.
55. Mana whenua will also be consulted on any changes to service levels or delivery of waste services resulting from the operational response to the S17A review.

Ngā ritenga ā-pūtea / Financial implications

Additional Budget Requirement

56. As noted above, most of the actions in the S17A review will be implemented using existing budgets and staff resources. However, the recommendation to commission a business case evaluating the ownership of council's waste assets and services will require the use of external consultants to ensure independence and quality of advice.

Anticipated Savings

57. The S17A review estimated anticipated direct savings to Auckland Council and indirect savings to Aucklanders from some of the actions included in the review.
58. In particular, it estimated that making greater use of the central government Waste Minimisation Fund could achieve \$25 million of savings over ten years. This included \$12.5 million of direct savings to council and \$12.5 million of savings to wider Auckland.
59. It also estimated that pursuing outcomes-driven and bundled contracting of waste services could achieve a direct savings to council of \$30 million over ten years.
60. More work is needed to validate these estimates and calculate what cost savings can be achieved through implementing the S17A actions. The quantum of savings that can be achieved through greater use of the central government Waste Minimisation Fund are highly uncertain and will need further analysis to confirm.
61. More detailed information on potential savings will be provided in the next report back to Finance and Performance Committee in November 2018.

Ngā raru tūpono / Risks

62. There are no identified risks associated with the implementation of most actions included in the S17A review at this point.
63. Any risks arising from implementation of the actions included in the value for money S17A review will be highlighted as these are presented to the relevant committee for approval.
64. In regards, to the recommendation to commission an external business case for the council's ownership of waste assets, if budget is not approved for this piece of work, there are risks it will:
- not be delivered in a timely fashion, or
 - to a sufficient standard to support informed decision making by elected members.
65. It is anticipated that implementing the S17A recommendations, particularly those relating to improved economic discipline and building the evidence base for council's waste reduction policies, will reduce financial risks to council in future.

Ngā koringa ā-muri / Next steps

66. Strategic actions arising from the S17A review have been included in the draft Waste Management and Minimisation Plan and will be implemented after the plan is adopted by Environment and Community Committee in June 2018 (subject to public feedback).
67. Operational actions will be implemented over the next 12 months and a further report back on progress and anticipated savings will be provided to the Finance and Performance Committee in November 2018.

Ngā tāpirihanga / Attachments

Attachment A: Response Plan for Domestic Waste: Value for Money (S17A) Review Recommendations

Ngā kaihaina / Signatories

Authors	Parul Sood, Waste Planning Manager
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Authorisers	Ian Stupple, General Manager Waste Solutions Barry Potter, Director of Infrastructure and Environmental Services
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Attachment A

Table 2: Response Plan for Domestic Waste: Value for Money (S17A) Review Recommendations

S17A Recommendation	Actions in Response	Implementation timeframe
<p>1. Prepare a plan of actions to advance the Zero Waste objective in the growing non-domestic waste segments and include it in the second Management and Minimisation Plan currently being developed for approval.</p>	<p><i>Strategic Response:</i> Plan of actions has been completed and is a key focus of the draft Waste Management and Minimisation Plan: Working Together for Zero Waste.</p> <p>Broadening of the council's focus to commercial waste will be implemented once the final waste plan is adopted (subject to public support and committee approval).</p>	<p>Plan of actions completed.</p> <p>These will be implemented after the waste plan is adopted by Environment and Community Committee in June 2018.</p>
<p>2. Review the strategic case for the council owning and operating waste facilities/services and prepare a business case which evaluates alternative options for achieving their domestic waste service and policy objectives, including selling non- strategic assets or using long-term lease arrangements, and report back on progress by March 2018.</p>	<p><i>Operational/ Response:</i> The value and options for Auckland Council's ownership of waste assets, such as Waitakere Refuse and Recycling Transfer Station and the Materials Recycling Facility currently operated by Visy, will be reviewed and alternatives evaluated. The review will be prepared by external consultants. The cost of this will be approximately \$350,000 and is currently unfunded within agreed budgets.</p>	<p>Report back to Finance and Performance Committee on results of business case in November 2018.</p>
<p>3. Immediately introduce a funding principle that no new waste management or minimisation service or trial is approved without it having:</p> <ul style="list-style-type: none"> i. first sought significant co-funding support from the contestable Government's Waste Minimisation Fund ii. a business case that shows benefits exceed costs by a predetermined margin. 	<p><i>Operational/ Response</i></p> <ul style="list-style-type: none"> i). New services will be submitted to the central government Waste Minimisation Fund if they are eligible, although there is no guarantee these applications will be successful. Services will need to have a value of over \$50,000 and are unlikely to receive a grant if they are also funded through the central government Waste Levy. ii). Business cases will be developed for all new initiatives. Benchmarking with other practices will be undertaken to establish a predetermined margin for projects seeking similar environmental, economic and social outcomes. 	<p>Report back to Finance and Performance Committee on progress in November 2018</p>
<p>4. Consider the value of continuing the current community grants for waste initiatives, based</p>	<p><i>Strategic Response:</i> Continuing the Waste Minimisation and Innovation Fund is proposed as part of the draft Waste</p>	<p>Subject to public feedback, implement once the draft plan is</p>

<p>on an evaluation of the impacts of grants, given the size of grants and compared to the administration costs</p>	<p>Management and Minimisation Plan: Working Together for Zero Waste.</p> <p>A review of the fund will be undertaken. A report on outcomes of the fund and any recommendations for improvement will be made to Environment and Community Committee.</p>	<p>adopted in June 2018</p> <p>Report back to Environment and Community on outcomes of the fund and any recommended changes by September 2018.</p>
<p>5. Develop information and guidance, and protocols for advisory support to community organisations and businesses to help them apply to the contestable Government 's Waste Minimisation Fund.</p>	<p><i>Operational Response:</i> Government advice for applicants is already provided on the Ministry for the Environment website. Feedback from the Ministry was that council resources would duplicate these.</p> <p>No further work recommended.</p>	<p>No further work recommended.</p>
<p>6. Develop, in collaboration with relevant business groups, simple easy-to-use site waste management plans to support businesses to cost-effectively minimise their waste that goes to landfill, and report back on progress by March 2018</p>	<p><i>Strategic Response:</i> This has been included in the draft Waste Management and Minimisation Plan: Working Together for Zero Waste, for piloting in council and CCO projects (refer action 46 in draft plan).</p> <p>Implementation will be undertaken as part of the delivery of the plan.</p>	<p>Subject to public feedback, implement once the draft plan is adopted in June 2018.</p> <p>Regular reports back on progress to Waste Political Advisory Group.</p>
<p>7. Within the next 12 months:</p> <p>i. Develop, and then maintain, an economic evidence base that quantifies the wider environmental and other damages caused by landfill and whether these costs are already captured in market prices or covered by regulatory requirements, for use in business cases</p>	<p><i>Strategic Response:</i> Some aspects have already been addressed through the cost benefit analysis work on food waste and on a national container deposit scheme.</p> <p>More evidence gathering has been included in the draft Waste Management and Minimisation Plan: Working Together for Zero Waste (refer action 33 in draft plan).</p>	<p>Subject to public feedback, implement once the draft plan is adopted in June 2018.</p>
<p>ii. Do market research to test with households and businesses on what they would be willing to pay or do to achieve additional reductions in waste going to landfill, for use in economic assessments</p>	<p><i>Strategic Response:</i> Household behavior studies are included in the draft Waste Management and Minimisation Plan: Working Together for Zero Waste (refer action 23 in draft plan).</p>	<p>Subject to public feedback, implement once the draft plan is adopted in June 2018.</p>

<p>iii. Rank all of the council's existing and planned waste minimisation and diversion services or initiatives by their cost-effectiveness, to guide implementation priorities and test value-for-money on an ongoing basis</p>	<p><i>Operational Response:</i> This has been partially addressed through the Waste Assessment criteria, which ranked initiatives included in the draft Waste Management and Minimisation Plan based on their ability to achieve environmental, social, cultural and economic outcomes. Future significant waste initiatives or services will be ranked on their cost-effectiveness using this multi-criteria analysis.</p>	<p>Report back to Finance and Performance on progress in November 2018.</p>
<p>iv. Require independent review of material business cases, to be undertaken by experts with economic or commercial expertise, as part of building internal economic and business capability.</p>	<p><i>Operational Response:</i> Independent review has been commissioned for significant programmes, such as the waste levy and the container deposit scheme. This will also be undertaken for any future major new waste initiatives.</p>	<p>Report back to Finance and Performance Committee on progress in November 2018</p>
<p>8. Do further economic research to ascertain if the introduction of a landfill levy would result in benefits that justify the increase in household and business costs of disposing waste in landfill, and once this research has been done, confirm the council's position on advocating or not for a higher landfill levy.</p>	<p><i>Strategic Response:</i> Research on the costs-benefits of increasing the landfill levy has been completed – reports commissioned from SLR and Eunomia. Proposal to continue council advocacy to raise the landfill levy is included in the draft Waste Management and Minimisation Plan: Working Together for Zero Waste.</p>	<p>Research completed. Subject to public feedback, council advocacy to increase the landfill levy will continue once the draft plan is adopted in June 2018.</p>
<p>9. Implement outcome-based contracting, to give waste collectors incentives to also pursue ambitious waste minimisation and diversion targets, such as through enabling innovative retail and advisory services to households and businesses, and report back on progress by May 2019, noting that work is underway to consolidate, bundle, and standardise the waste collection contracts when they are due to be renewed from 2020.</p>	<p><i>Operational Response:</i> Implementing outcome-based contracting will be considered as part of the procurement plan being currently developed for waste collection contracts. It will be presented to Strategic Procurement committee by May 2018</p>	<p>Procurement plan presented to Strategic Procurement for approval by May 2018. Report back to Finance and Performance committee on progress on implementing outcome-based contracting in November 2018.</p>