

Solid Waste Kerbside Services - Section 17A Service Delivery Review

Summary and Recommendations

Assessments carried out so far show clearly that a Council-provided kerbside collection service of some kind is expected to provide better value to the householder, and achieve better waste management and minimisation outcomes for the district compared to the status quo of private sector kerbside service provision.

The recommended method by which these services are delivered is through a traditional contractor-client relationship, with a well-managed and specified procurement process.

Current governance arrangements would be a good option for future service management, while the best funding arrangement would involve Council recovering costs from service users through a combination of rates and user charges.

However; should the opportunity for a shared procurement process with Tauranga City Council arise, Council should also open discussions with TCC regarding potential alternative options for governance and service funding and explore these further at this time.

Introduction

In order to carry out a thorough review of the operation of a council activity, this report considers Council's requirements under section 17A of the Local Government Act (LGA). Section 17A requires that Territorial Authorities (TA) review their services, such as local infrastructure, local public services, and the performance of regulatory functions. These reviews should actively seek efficiencies, and should demonstrate that the TA is delivering services in a way that is most cost-effective for their customers. Cost-effectiveness does not necessarily mean 'least cost'. The requirements specifically state that:

"A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions".

Essentially, the Council must assess its service delivery models and determine if we are delivering the right service at the most affordable cost, and if there are more suitable arrangements.

A section 17A review must consider how a number of options would achieve better cost-effectiveness. Section 17A (4) of the LGA clearly sets out what a review must consider as a minimum, including consideration of various governance, funding, and delivery methods. This report assesses the delivery against all the necessary options.

The requirement for a review is triggered by a number of circumstances, including consideration of a significant level of service change. A service review is required to consider options for the governance, funding and delivery of the service, including:

- governance of the service and whether this may be delegated to a joint committee;
- how the service is funded; and
- how the service is delivered, such as directly by the TA, through a council-controlled organisation fully or partly owned by the TA, or by another council or person/agency.

Current Services

Current kerbside services are provided by private operators. A good understanding of the market was achieved through the Waste Assessment 2016 and more detailed research as part of a modelling exercise into alternative kerbside services in 2018¹.

Surveys shows that around 70% of rubbish currently collected from households could be recycled or composted, with an average of 201 kg per capita (640 kg per household) per annum of waste being sent to landfill disposal each year from the Tauranga/Western Bay area. An average of 76 kg/capita/annum of materials are recycled through domestic kerbside collections and drop-off facilities in Tauranga and Western Bay.

Council's Waste Management and Minimisation Plan (WMMP) was formally adopted in December 2017. The Council's vision, as stated in the WMMP, is: 'Minimising waste to landfill'. The WMMP set a target of increasing the quantity of diverted materials by 80% by 2022. One of the key decisions made through the WMMP was that Council would actively investigate alternative recycling and rubbish collection models to achieve better oversight and management of solid waste and recycling throughout the District.

Governance

Section 17A requires that a review of the governance function must consider the relative advantages of (i) governance by a local authority, (ii) governance by a joint committee, or (iii) governance by another type of shared governance arrangement. Governance is about who has the right to (a) make binding decisions on the overall objectives for the provision of the service and (b) set the strategic framework in which the service operates.

Waste management and minimisation issues are currently dealt with at full Council; supported by a policy staff and an operational officer with external specialist advice where necessary. This appears to work effectively within the constraints of the current private-sector based system. There are, however, management and governance issues with the current situation, with Council having responsibility for ensuring waste is managed and minimised effectively and efficiently within the district, but having little control over the services provided by the private sector.

Based on the requirements of a section 17A review the following options have been investigated:

¹ See Eunomia (2018) Kerbside Waste and Recycling Services – Background Information; Solid Waste Services Options – Modelling Report; and Solid Waste Services Options – Detailed Investigations Report. Prepared for Western Bay of Plenty District Council.

Table 1: Governance Options for Solid Waste Services

Governance Options	Advantages	Disadvantages
Governance by the Council (status quo)	Council has statutory obligations for solid waste management, both in service provision and in strategic planning; Council will have direct governance control over delivery of waste services to the district	Governance on a wider scale may enable access to more options and reduced cost through economies of scale; Council elected members may have restricted capacity (time and understanding) to provide effective governance.
Governance by a joint committee	Could be more effective and efficient for governance to be provided by a joint committee with another council, for example with Tauranga; particularly if there were to be shared service provision through contracting or similar arrangements.	The joint committee will need to consider the needs and requirements of the joint governance area, which may result in decisions being made which, while in the best interests generally, are not in the best interests of Western Bay district.
Governance by another type of shared governance arrangement	Council could govern in partnership with (for example) a community representative group. This could enable a wider range of preferences and options for service delivery being considered.	Shared governance arrangements for waste services are uncommon. Where these exist, they are usually a partnership between Council and a well-established community group; which is not currently the situation in Western Bay.

At this stage, it is considered that continuing Council governance (by full Council, by a sub-committee with appropriate delegations, or some other arrangement such as having an executive councillor with responsibility for waste) of solid waste service provision is likely to be the most effective and efficient way to make decisions regarding these services.

If, in future, solid waste services are aligned closely with another council (such as Tauranga) then governance on an ongoing basis could be effectively carried out by a joint governance committee. However, given that the considerations at this stage involve fairly significant decisions around what service is to be delivered, and to which householders, continued Council governance will ensure that the best interests of the Western Bay community are served during this process.

Funding

Section 17A requires that a review of funding must consider the relative advantages of (i) funding by the local authority, (ii) funding by a joint committee, or (iii) funding by another type of shared arrangement. Funding arrangements involve the manner in which financial resources are garnered and distributed to support the service.

With the majority of waste services in the Western Bay provided by the private sector, these services are currently funded through payments from customers directly to their chosen service provider. This section explores alternative options for funding services, particularly should Council choose to intervene in the waste services market to a greater extent.

Based on the requirements of a section 17A service review the following options have been investigated:

Table 2: Funding Options for Solid Waste Services

Funding Options	Advantages	Disadvantages
<p>Kerbside collections funded through user-pays charges and private arrangements between householders and industry.</p> <p>Other services funded by Council through rates.</p> <p>(Status quo)</p>	<p>Council has a clear delineation between its responsibilities and those of private operators.</p> <p>Encourages individuals to find solutions for their own waste.</p>	<p>Council has no control over the type and extent of services offered to householders, nor any changes made to these services</p> <p>Higher average household costs.</p> <p>Lack of clarity for the public on service responsibilities.</p>
<p>Funding by the Council</p>	<p>Council has statutory obligations for solid waste management, both in service provision and in strategic planning.</p> <p>Funding waste services through Council enables economies of scale to be achieved, and is often the cheapest way to provide waste services to a community.</p> <p>Services funded through Council should ideally also be governed through Council. This ensures that the agency which is</p>	<p>Funding solid waste services by Council will usually mean that the costs of the services need to be recovered through rates charges, targeted rates charges, or some method of service user charge. In a community that is particularly sensitive to increases in charges by Council, this could result in some negative public perception.</p> <p>Recovering costs through targeted rates or user charges would result in</p>

	<p>responsible for charging members of the community for solid waste services is also making decisions as to what those services would be (in consultation with the community).</p>	<p>increased administration needs to ensure individual customers are being charged correctly.</p>
<p>Funding by a joint committee</p>	<p>Where services are governed by a joint committee (such as with another council) the services could also be funded in a similar way. This would ensure that funds are recovered consistently.</p> <p>Governing and funding services jointly usually requires that the services are reasonably consistent across the area. This could result in cost savings through economies of scale, and cross-subsidisation between highly populated areas and less densely-populated areas.</p>	<p>Funding services jointly usually involves consistent charges being applied. This can mean that some customers may end up paying more for the service than if it were funded directly through Council.</p> <p>Funding services jointly is only really feasible where the services are reasonably consistent across the area where costs are being recovered. This may mean that services are provided which are not the ideal option for Western Bay householders.</p>
<p>Funding by another type of shared arrangement</p>	<p>Council could provide services in partnership with the private sector, with private sector continuing to charge a portion to householders, and Council recovering costs for a fixed portion. This could result in some reduction in cost to the householder although to an unknown extent.</p>	<p>Council would need to hold a significant level of control over service provision, which would require some kind of agreement being reached with the private sector. It is likely that the private sector would still like also retain some control over services that are provided however.</p> <p>There would be increased administrative costs for</p>

		<p>Council, and possibly also for the private sector.</p> <p>This may also cause confusion to householders with respect to who they are paying, for what service.</p>
--	--	---

With services as they currently are, it makes little sense to change the current funding arrangement.

Should Council decide to take a greater role in the provision of waste services, then funding by the Council would be the best, with Council recovering costs from service users through a combination of rates and user charges.

Delivery

Section 17A requires that a review of the method of delivery must consider the relative advantages of delivery by:

- In-house
- Council CCO
- Multi-party CCO
- Another local authority
- Another person or agency.

The existing services, and what alternative types of service could be preferable for the Western Bay, have been described in detail in supporting service review work carried out for Council by Eunomia Research & Consulting².

This section considers the method by which the services would be delivered, rather than what the services would actually be. All service provision options assume that the same service packages are being considered.

The alternative service provision scenarios were developed in consultation with staff and elected members.

There are two dimensions to cost in respect of kerbside waste and recycling services: the cost of Council service provision, and the cost to the householder. These are different because households can sign up to private rubbish and recycling services (as they currently do in Western Bay of Plenty) in addition to whatever services Council provides. Even where Council provides rubbish services, some households may choose to subscribe to a private service (for example if it provides more capacity, is more frequent, offers on-property collection etc.).

² See Eunomia (2018) Kerbside Waste and Recycling Services – Background Information; Solid Waste Services Options – Modelling Report; and Solid Waste Services Options – Detailed Investigations Report. Prepared for Western Bay of Plenty District Council.

Delivery Options	Advantages	Disadvantages
<p>Private delivery of kerbside services (status quo)</p>	<p>Customers currently have a range of choices, both for the type of service provided and the service provider itself. This is the case to a greater extent for the more urban households.</p>	<p>Can change or cancel a service offering at any stage. Not all areas able to access services. May not address peak periods (eg. summer holiday). Consistent district wide education is difficult. Limited availability of data. Implementing national initiatives (such as consistent container colours) is difficult. The total community cost of the service, is higher than a standard council-provided service package would be expected to cost.</p>
<p>Another person or agency (Council contracted)</p>	<p>The outcomes of the investigations and modelling exercise carried out by Eunomia show that a Council-provided service of some kind (as opposed to a private sector-provided service) would achieve better waste management and minimisation outcomes, while also resulting in lower overall cost for householders.</p>	<p>The level of choice available to householders may reduce. It is likely that Council would require specialist advice and support in the short term to carry out an effective procurement process.</p>

<p>In-house (by Council)</p>	<p>The main advantage of an in-house service delivery is that the service can be more responsive to changes, as decisions can be made within Council and implemented without requiring any contract negotiations or re-tendering.</p>	<p>Prevents shared procurement process (and any potential cost-savings that might have arisen).</p> <p>Extensive recruitment and ongoing staff management required and increased staffing risk.</p> <p>It would not necessarily be incentivised to find efficiencies or innovate or easily learn from other areas.</p> <p>Increased risks sit solely with Council (such as commodity price variation and health and safety management).</p>
<p>Council CCO</p>	<p>The advantages of a CCO are similar to that of an in-house service; in that the service can be more responsive to changes, as decisions can be made within Council or within the CCO (without the need to go to Council) and implemented with reduced need for contract negotiations or re-tendering.</p> <p>Other potential advantages include a level of insulation for Council from financial variables (such as commodity prices).</p> <p>CCOs operate at arms' length from the political arena, and so are less vulnerable to political decisions that may not take operational considerations fully into account.</p>	<p>May prevent any shared procurement process (and any potential cost-savings that might have arisen).</p> <p>Extensive initial recruitment required including appointment of directors, and significant start-up costs establishing the organisation.</p> <p>Ongoing management and governance required for monitoring and to ensure accountability and quality service provision.</p> <p>Possible tensions between the objectives of delivering a quality service, while also maintaining commercial viability (this also applies to a contractor relationship).</p> <p>Reduced ability to manage risk.</p>

<p>Multi-party CCO</p>	<p>As per above.</p>	<p>As per above, however there would be increased complications due to the multi-party nature which may require two Council's to agree to decisions.</p>
<p>Another local authority</p>	<p>It may be very feasible for this local authority to manage the delivery of services across a joint area, with an appropriate fee being levied on Western Bay. However this option is not considered currently feasible; given that there are no local authorities nearby that provide waste services currently that may be able to extend this service provision to Western Bay. Such an arrangement could limit the ability for Council to ensure the services provided are fit for the district.</p>	

Delivery of any new kerbside services are best done through another person or agency through a Council contract. This is preferable to the status quo of private provision as it allows an increased level of service to be provided at a more favourable household cost. Contracting out the service also allows suitable expertise and experience to oversee the service delivery, without increasing Council risk substantially.

Summary

Analysis and research provided in previous reports shows that a Council-provided service should achieve better waste management and minimisation outcomes, while also reducing total cost to the community of services. The question here though is how Council should deliver any new services that are introduced.

Given the lack of extensive experience and resources within Council with respect to solid waste services, and in operating alternative service provision models such as in-house services or a CCO, it seems unlikely that these approaches would be worth pursuing in preference to a more traditional procurement and contracting approach.

This option also has the significant advantage of opening up the possibility of joint procurement with Tauranga City Council, should service specifications and timeframes align. This also opens up a wider range of options for both governance and funding of the service.