

14 July 2011



WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE

A Joint Committee of the Porirua and Wellington City Councils

Notice is hereby given that, commencing at 3.30pm on MONDAY 25 JULY 2011, a meeting of the WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE will be held in the PORIRUA CITY COUNCIL CHAMBER, ADMINISTRATION BUILDING, HAGLEY STREET, PORIRUA CITY, to conduct the business set out as under.

TERMS OF REFERENCE

To provide governance for the joint services entered into by the Porirua and Wellington City Councils through the joint venture agreements for the Wastewater Treatment Plant and the Spicer Valley Landfill.

MEMBERSHIP

Porirua City Council:

Cr T M Sheppard (Chairperson)

Cr S M Dow

Cr B E Kropp

Wellington City Council:

Cr N Best (Deputy Chairperson)



Gary Simpson
CHIEF EXECUTIVE

SCOPE OF ACTIVITY

To consider and make recommendations to both Councils regarding:

- *overview, input and policy formulation in the areas of management of the Spicer Valley joint landfill operation, and the Wastewater Treatment Plant, as set out in the joint venture agreements, entered into by both Councils, including development of Trade Waste Bylaws.*
- *proposals for infrastructural development relating to the joint ventures*
- *new initiatives relating to the joint ventures*
- *the Spicer Forest partnership agreement between Greater Wellington Regional Council, Wellington City Council and Porirua City Council on land surrounding the Spicer Valley Landfill*
- *the budget for operation of the joint ventures for inclusion in the Councils' Annual Plans / Long Term Council Community Plans*
- *receipt of the Annual Report of the joint ventures for inclusion in the Councils' Annual Reports*
- *any proposed service changes*

POWER TO ACT

The powers of the Joint Standing Committee as described in the Deed Relating to Joint Works dated 22 December 1986 and the powers of the Joint Committee as described in the Agreement Relating to Joint Refuse Disposal Works dated 2 May 1983

Setting of fees and charges related to the operation of the Spicer Valley Landfill and recommending the basis for charging for trade wastes at the Wastewater Treatment Plant

Decisions on acceptance of wastes into the Spicer Valley Landfill and Wastewater Treatment Plant

ORDER OF BUSINESS

PAGE

1. APOLOGIES

2. CONFIRMATION OF MINUTES

Meeting held 21 March 2011

CHAIRPERSON'S RECOMMENDATION

1

That the minutes be adopted as a true and correct record.

3. ITEMS FOR DECISION

3.1. JOINT MANAGEMENT OF WASTE SERVICES BY WELLINGTON CITY COUNCIL AND PORIRUA CITY COUNCIL 5

Joint Report #687514 of the General Manager Asset Management and Operations, Porirua City Council and the Director, Infrastructure Wellington City Council dated 24 June 2011

CHAIRPERSON'S RECOMMENDATION

That the Wastewater Treatment Plant and Landfill Joint Committee:

- 1. Receive the information.*
 - 2. Note that the joint management and harmonisation of Wellington City and Porirua City Councils' waste-related services, policies and regulations could optimise environmental outcomes, and drive financial and operational efficiencies.*
 - 3. Agree to recommend to Wellington City Council and Porirua City Council (the Councils) that a Joint Waste Management Project, structured as in appendix one of this report, be initiated to investigate the potential benefits, costs and risks of Porirua City Council (PCC) and Wellington City Council (WCC) jointly managing waste services under a Council Controlled Trading Organisation (CCTO).*
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4. *Agree that the first stage of the investigation be focused on a high-level comparison of the status quo with a jointly owned CCTO by weighing the benefits and costs, and evaluating the risks associated with a CCTO, and, dependent upon the outcome of the first stage and subject to the agreement of the project governance group, proceed to the second stage of the investigation, which would:*
- *propose an operating structure for the entity that will provide ongoing joint waste management services;*
 - *make recommendations on the areas of activity that should or should not be managed and/or provided by the entity;*
 - *propose a statement of intent for the entity;*
 - *propose the assets to be held by the entity and the Councils' shareholding in the entity, as appropriate;*
 - *propose a constitution, trust order, memorandum of understanding or other such document as may be relevant, for the entity, that includes such matters as governance arrangements, financial contributions, and distribution of surpluses, if any;*
 - *make recommendations on the transition path to establish the entity, including timeframes, resource requirements, and operational implications; and*
 - *make any other recommendations considered necessary to implement joint waste management.*
5. *Agree that the following waste-related activities be considered for joint management (noting that some of these services may be contracted to third parties for delivery):*
- *landfill operations, including emissions management*
 - *transfer stations*
 - *waste recovery operations (for example retailing, scrap metal recovery, energy recovery, composting, electronics recycling, etc)*
 - *management of hazardous materials*
 - *after care of closed waste facilities*
 - *collection of refuse*
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- *collection and processing of recycling*
 - *street cleaning*
 - *litter bin collection*
 - *graffiti removal*
 - *environmental monitoring and resource consenting*
 - *waste minimisation education and related information services*
 - *waste related regulation development and enforcement*
 - *advice, in consultation with related council business units, on operational policy and financial matters, including proposed fees for services and opportunities for cost savings and efficiency gains.*
 - *strategic policy advice and advocacy*
6. *Note that strategic policy advice and advocacy could remain the responsibility of each Council, in cooperation with any joint waste management entity, and that recommendations on this and other activities to be jointly managed will be part of the work of the project.*
 7. *Note that proposals and recommendations made by the Joint Waste Management Project would be referred to both Councils for decision and/or to initiate any public consultation on such proposals.*
 8. *Note that any proposal to form a CCTO would need to be the subject of consultation using the special consultative procedure, and that, if so, the most appropriate process would be to include any such proposal in the 2012-2022 long-term plan process.*
 9. *Agree that recommendations from the Joint Waste Management Project must be made to the Councils in time for any proposals to be included in the 2012-2022 long-term plan.*
 10. *Agree to recommend to the Councils that that the draft Terms of Reference for the Joint Waste Management Project (attached as appendix two), which reflect the recommendations made above, will govern the work of the Project.*
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4. PUBLIC EXCLUDED BUSINESS

COUNCIL TO RESOLVE

That the public be excluded from the following parts of the proceedings of this meeting namely:

a) *Confirmation of Minutes*

That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1986 for the passing of this resolution are as follows:

<i>General subject of each matter to be considered</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Grounds under Section 48(1) for the passing of this resolution</i>
a) <i>Confirmation of Minutes 21 March 2011 re: Contract No. 1467 – Tangare Drive Wastewater Pump Station Upgrade Tender Report</i>	<i>Section 7(2)(h)- Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities and Section</i>	<i>The public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.</i>

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

WASTEWATER TREATMENT PLANT AND LANDFILL JOINT COMMITTEE

Minutes of an Extraordinary Wastewater Treatment Plant and Landfill Joint Committee meeting held in the Council Chambers, Administration Building, Hagley Street, Porirua on Monday 21 March 2011 at 3.36pm.

PRESENT

Porirua City Council: Cr T M Sheppard (Chairperson)
Cr S M Dow
Cr B E Kropp
Wellington City Council: Cr N Best

OFFICERS

Porirua City Council: P Bailey General Manager Asset Management and Operations
P Keller Solid Waste Manager
G Marshall Manager Technical Services
P Nordberg Manager Water and Drainage Assets
K Stillwell Manager Leisure Assets and Services
S Mika Committee Advisor

Wellington City Council: M Lewis Assistant Manager CitiOperations
M Oates Manager, Open Space and Recreation Planning
N Brown Director City Services

8/11 CONFIRMATION OF MINUTES

Meeting held 9 February 2011

RESOLVED (Sheppard / Dow)

That the minutes be adopted as a true and correct record.

CARRIED

Councillor Kropp joined the meeting at 3.40pm.

9/11 SPICER LANDFILL – DISPOSAL CHARGES REVIEW

Report #652662 of the General Manager Asset Management and Operations dated 18 February 2011

RECOMMENDED (Sheppard / Best)

That Porirua City Council agree to increase landfill charges at Spicer Landfill by 9% from 1 July 2011.

That Wellington City Council agree that Porirua City Council increase landfill charges at Spicer Landfill by 9% from 1 July 2011.

CARRIED

10/11

SPICER FOREST – OPTIONS FOR FUTURE USE AND MANAGEMENT

Report #654701 of the General Manager Asset Management and Operations dated 28 February 2011

RECOMMENDED (Sheppard / Dow)

1. That a delegation be given to Porirua City Council officers to continue discussions with Wellington City Council officers for a new joint management agreement for forestry and recreational opportunities for Spicer Forest; and to negotiate the exit of Greater Wellington Regional Council from the existing arrangement for the management of Spicer Forest; and to report back to the Wastewater Treatment Plant and Landfill Joint Committee on any potential settlement issues with Greater Wellington Regional Council.

2. That a delegation be given to Wellington City Council officers to continue discussions with Porirua City Council officers for a new joint management agreement for forestry and recreational opportunities for Spicer Forest; and to negotiate the exit of Greater Wellington Regional Council from the existing arrangement for the management of Spicer Forest; and to report back to Wastewater Treatment Plant and Landfill Joint Committee on any potential settlement issues with Greater Wellington Regional Council.

CARRIED

11/11

PUBLIC EXCLUDED BUSINESS

RESOLVED (Sheppard / Dow)

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Confirmation of Minutes

- b) Contract No 1470: Porirua Wastewater Treatment Plant – New Clarifier – Tender Report

That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
a) Confirmation of Minutes: 9 February 2011 re: Contract 1470 Porirua Wastewater Treatment Plant New Clarifier Tender Report	Section 7(2)(h)—Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; and Section 7(2)(i)—Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial or industrial negotiations)	The public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.
b) Contract No. 1467 Tangare Drive Wastewater Pump Station Upgrade – Tender Report	Section 7(2)(h)—Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	The public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

CARRIED

For items 12/11 and 13/11 refer to public excluded minutes.

The meeting closed at 4.04pm.

Approved and adopted as a true and correct record:

.....
CHAIRPERSON

.....
DATE

JOINT MANAGEMENT OF WASTE SERVICES BY WELLINGTON CITY COUNCIL AND PORIRUA CITY COUNCIL

PURPOSE

The Joint Committee is asked to recommend to Wellington City Council and Porirua City Council (the Councils) that a project be established to investigate the potential benefits, costs and risks of Porirua City Council (PCC) and Wellington City Council (WCC) jointly managing waste services under a Council Controlled Trading Organisation (CCTO) and, dependent upon the initial outcome of the investigation and if agreed to by the project governance group, develop recommendations on the form and function of the joint entity, financial and governance matters and a transition path.

SIGNIFICANCE OF DECISION

Porirua City Council's Significance Policy is not triggered by the matters considered in this report.

RECOMMENDATIONS

That the Wastewater Treatment Plant and Landfill Joint Committee:

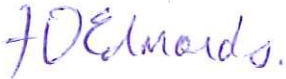
1. *Receive the information.*
2. *Note that the joint management and harmonisation of Wellington City and Porirua City Councils' waste-related services, policies and regulations could optimise environmental outcomes, and drive financial and operational efficiencies.*
3. *Agree to recommend to Wellington City Council and Porirua City Council (the Councils) that a Joint Waste Management Project, structured as in **appendix one** of this report, be initiated to investigate the potential benefits, costs and risks of Porirua City Council (PCC) and Wellington City Council (WCC) jointly managing waste services under a Council Controlled Trading Organisation (CCTO).*
4. *Agree that the first stage of the investigation be focused on a high-level comparison of the status quo with a jointly owned CCTO by weighing the benefits and costs, and evaluating the risks associated with a CCTO, and, dependent upon the outcome of the first stage and subject to the agreement of the project governance group, proceed to the second stage of the investigation, which would:*
 - *propose an operating structure for the entity that will provide ongoing joint waste management services;*

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 - *waste related regulation development and enforcement*
 - *advice, in consultation with related council business units, on operational policy and financial matters, including proposed fees for services and opportunities for cost savings and efficiency gains.*
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6. *Note that strategic policy advice and advocacy could remain the responsibility of each Council, in cooperation with any joint waste management entity, and that recommendations on this and other activities to be jointly managed will be part of the work of the project.*

7. *Note that proposals and recommendations made by the Joint Waste Management Project would be referred to both Councils for decision and/or to initiate any public consultation on such proposals.*
8. *Note that any proposal to form a CCTO would need to be the subject of consultation using the special consultative procedure, and that, if so, the most appropriate process would be to include any such proposal in the 2012-2022 long-term plan process.*
9. *Agree that recommendations from the Joint Waste Management Project must be made to the Councils in time for any proposals to be included in the 2012-2022 long-term plan.*
10. *Agree to recommend to the Councils that that the draft Terms of Reference for the Joint Waste Management Project (attached as **appendix two**), which reflect the recommendations made above, will govern the work of the Project.*

Report prepared by:


Bryan Smith
PRINCIPAL ADVISOR, POLICY, WCC

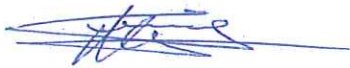

David Edmonds
CONSULTANT, PCC

Report reviewed by:


Peter Keller
**SOLID WASTE MANAGER,
PORIRUA CITY COUNCIL**

Approved for submission by:


Peter Bailey
**GENERAL MANAGER ASSET MANAGEMENT & OPERATIONS
PORIRUA CITY COUNCIL**


Stavros Michael
**DIRECTOR, INFRASTRUCTURE
WELLINGTON CITY COUNCIL**

1 EXECUTIVE SUMMARY

- 1.1 Wellington City Council and Porirua City Council work collaboratively on waste-related issues. That work - as well as other work on the regional Waste Management and Minimisation Plan - indicates that a structural approach to joint management of waste activities has the potential to capture benefits beyond what is possible through cooperation alone. Such benefits could include environmental gains, efficiencies in operations, benefits for users of waste services, and the Councils demonstrating leadership.
- 1.2 Following direction from both WCC's and PCC's Chief Executives, the focus will be on investigating joint management of waste services under a CCTO. It is proposed that a project be initiated for an independent consultant to explore and develop a business case for joint waste management. The project will consider the costs, risks and benefits of joint management before working up a detailed business case. Developing transition arrangements and considering revenue and financing policy options would also be part of the project.
- 1.3 While the investigation would be focussed on combining solid waste services as a CCTO, if better options emerge for some or all of the services, these options would be highlighted.
- 1.4 A project steering group and governance group would be established to consider the results of the project. The governance group would be made up of the JV Committee together with other co-opted political representatives. Final recommendations would be made to both Councils for consideration.
- 1.5 If the Councils ultimately agree to the formation of a CCTO, a proposal will need to be the subject of consultation using the special consultative procedure. If so, the most appropriate process would be to include any such proposal in the 2012-2022 long-term plan process.

2 CONTRIBUTION TO COUNCIL'S STRATEGIES

Relationship to Council's Strategic Focus Areas

Investing in infrastructure for the future	Protecting our landscapes and harbour	A vibrant city centre for residents, business and visitors	Active and connected communities
✓	✓		

3 ASSOCIATED PORTFOLIOS

Relationship to Council's Portfolios of Responsibility

Sport, Leisure and Recreation	Community and Social Development	Infrastructure and Environment	Economy and Arts	Planning and Regulatory	Finance and Audit
		✓			

Relationship to Project Portfolios

Emergency Management	Sister Cities	Village Planning	Harbour	City Centre	Community Empowerment

4 BACKGROUND

4.1 Wellington City and Porirua City Councils carry out a similar range of waste-related activities, have similar landfill assets and similar approaches to policy, education and enforcement.

4.2 In light of these similarities and the existing joint ownership structure of Spicer landfill, the Joint Venture Committee resolved in late 2009 that officers should:

“...report after investigating the options for operating all solid waste assets of the two Councils as if they were to be included in one joint venture vehicle”.

4.3 After high-level analysis, officers concluded that it was likely that the Councils' approach to the management of landfills as well as other waste management activities would be quite different if they were managed under a single entity.

4.4 Before undertaking further detailed work, officers sought feedback at a political level as to whether councillors were prepared to:

- *consider the concept of mothballing one or other of the two landfills if this were proven to be in the best economic interests of both Councils.*
- *support more detail work on the establishment of a waste management vehicle, such as a Council Controlled Trading Organisation (CCTO), for the management of waste assets and services.*

4.5 A workshop of councillors in May 2010 asked officers to address the question “what would waste services look like if they were managed by a single entity”. A summary of the findings of this work is provided in the following section.

4.6 More recently the CEOs of both councils have requested officers to specifically look at the potential benefits associated with combining their solid waste activities under a CCTO. The aim is to have a firm proposal signed off by each Council so that it can be included in their respective 2012 - 2022 draft long term plans, and thereby be the subject of public consultation before any final decision is made to proceed (or not to proceed) with amalgamation of services in this way.

Summary of Findings from Joint Waste Management Work Initiated in May 2010

4.7 To answer the question “what would waste services look like if they were managed by a single entity” the work was broken down into three areas:

- policy, regulation and education
- rubbish and recycling collection operations

- landfills and transfer stations assets and operations
- 4.8 The work found that there were synergies and benefits to be gained from close cooperation in a number of areas such as: alignment of bylaws; joint development of submissions; joint education, and joint enforcement programmes. The two councils also advocated for a regional waste management and minimisation plan; something that has now been formally proposed and is the subject of consultation.
- 4.9 The work identified a number of options for cooperation on rubbish and recycling collection, though with the information available officers did not feel confident in recommending a particular option.
- 4.10 In respect of landfill and transfer station operations, analysis concluded that, at this time and based on the information available, there is not a business case for mothballing or closing one of the two landfills operated by the councils. However, a number of areas where synergies and efficiency gains could be made were identified.

5 DISCUSSION

Why Consider Joint Management of Waste Activities?

- 5.1 The Councils undertake similar waste-related activities, which may lead to unnecessary duplication, capital not being optimised, and opportunities for greater effectiveness lost. Looking to the future, there are some key challenges that will face the waste sector, including:
- managing greenhouse gases and meeting liabilities for them
 - increasing standards for environmental performance and monitoring
 - increased focus on health and safety
 - increased costs associated with meeting the environmental standards of responsible disposal, creating strong financial incentives for illegal dumping
 - increasing energy costs
 - changing technologies
 - a likely trend of decreasing volumes of waste to landfill while demand for services like recycling and composting increase.
- 5.2 These challenges will drive a number of responses from the industry and councils, including:
- greater levels of expertise and specialisation needed to manage waste activities effectively
 - more oversight and enforcement of private sector waste activities, including potential licensing of waste operators and cleanfills
 - consolidation of waste operations both in the private sector and in council operations
 - strong incentives to drive efficiencies across all operations.
- 5.3 An amalgamation of the waste related activities of both councils may help the Councils respond to these challenges. For example, if licensing is pursued, then it will be most

efficient if there is a single licensing regime across both districts (and indeed across the whole region if this were possible). Similarly, enforcement, environmental monitoring, engineering design, health and safety programmes, and greenhouse gas management may all be more efficiently carried out by a single specialised entity rather than replicating these technically complex functions in both Councils.

5.4 Joint management of waste related activities could achieve the following objectives:

- achieving efficiencies for Councils and users through harmonising policies & regulations
- optimising environmental and community outcomes
- optimising financial and operational efficiencies
- providing regional leadership in waste services

Activities for joint management

5.5 Officers have identified the following activities where joint management could provide more efficient and effective outcomes:

- landfill operations, including emissions management
- transfer stations
- waste recovery operations (for example retailing, scrap metal recovery, energy recovery, composting, electronics recycling, etc)
- management of hazardous materials
- after care of closed waste facilities
- collection of refuse
- collection and processing of recycling
- street cleaning
- litter bin collection
- graffiti removal
- environmental monitoring and resource consenting
- waste minimisation education and information services
- waste-related regulation and enforcement
- advice, in consultation with council business units, on operational policy and financial matters, including proposed fees for services and opportunities for cost savings and efficiency gains
- strategic policy advice and advocacy.

5.6 It should be noted that, while a joint management entity may manage many of these activities, delivery of services may be contracted to the private sector.

5.7 It may be that, at least initially, strategic policy and advocacy should remain the responsibility of each council, and be developed collaboratively between the two councils in cooperation with the management entity.

Establishing a joint waste management entity

- 5.8 There are many options for the form, capital structure, governance, funding and activities that may be undertaken by a joint management entity. Following direction from both Council's CEs an investigation of a Council Controlled Trading Organisation (CCTO) will be investigated. A CCTO is potentially a good fit because:
- a number of waste-related activities are commercial in nature and a company allows a governance structure with independent commercial expertise and statutory protection for shareholders
 - company shareholding can readily be adjusted should other councils wish to participate as equity participants.
 - assets can be readily transferred to a company (should the councils wish) and shareholding and dividend arrangements put in place based on the councils' equity contribution
 - contracting with the company for the delivery of services is straightforward, and allows the discipline of a contestable process for some service delivery if desirable.
- 5.9 Various other options will have advantages and disadvantages which should be explored further before final recommendations are made.
- 5.10 A structure for the joint waste management project is provided in appendix one. It comprises a governance group of elected members from the Joint Venture committee and senior officers from both councils that would form a steering group. The project would be run by an independent consultant with input from staff from both Councils. The key functions and outcomes from the project are described in the draft terms of reference attached as **appendix two**.
- 5.11 Recommendations made by the project would be referred to Councils for consideration. Councils would also decide whether or not to initiate public consultation on proposals.

6 FINANCIAL IMPLICATIONS

- 6.1 If the investigation proceeds to Stage 2 it is estimated to cost \$200k in external consultant's costs. The time of council officers involved in the investigation will be in addition to this. Funding the proposed establishment project would be met from existing budgets. In future there may be financial implications of a joint management approach, particularly to revenue and funding policies.

7 STATUTORY REQUIREMENTS

- 7.1 There are no significant legal implications associated with this decision.

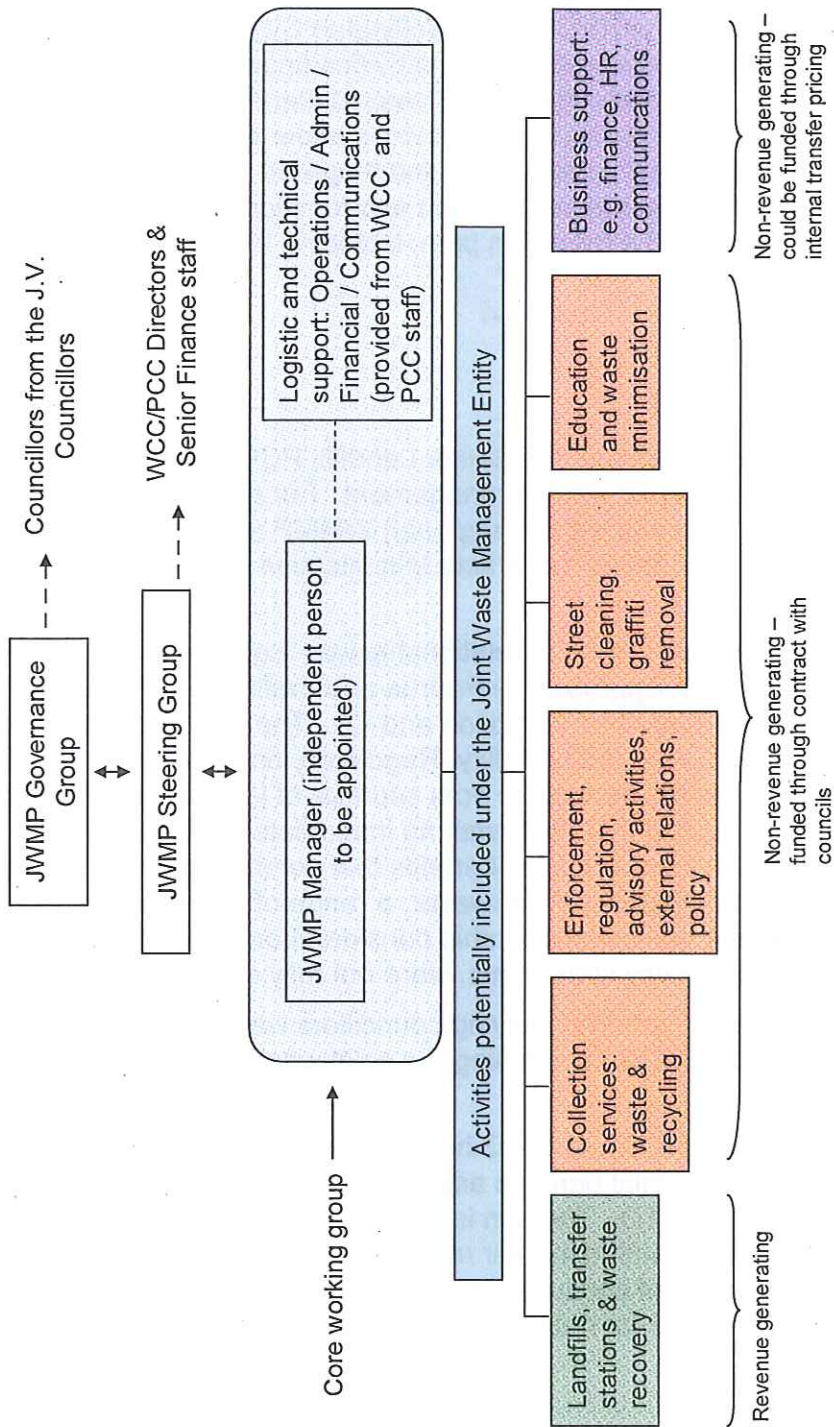
8 CONSULTATION

- 8.1 If the Councils ultimately agree to pursue joint management of waste activities, a proposal may need to be the subject of consultation using the special consultative procedure. If so, the most appropriate process would be to include any such proposal in the 2012-2022 long-term plan process.

9 CONCLUSION

- 9.1 Wellington City and Porirua City Councils have similar approaches to waste management and the services they provide. Over a number of years officers have pursued cooperation and synergies between the two Councils' operations. A structural approach to joint management of waste-related activities could capture benefits beyond what is possible through cooperation. This paper recommends that the committee supports a project to explore and develop such an approach.

Joint Waste Management Project (JWMP)



TERMS OF REFERENCE – INVESTIGATION OF THE BENEFITS OF JOINTLY MANAGING WCC'S AND PCC'S SOLID WASTE SERVICES

Summary

The primary purpose of the investigation is to establish whether or not there are net benefits in Porirua City Council (PCC) and Wellington City Council (WCC) combining the management of their respective solid waste activities under a Council Controlled Trading Organisation (CCTO). The investigation will seek to identify the benefits, costs and risks of PCC and WCC jointly managing waste services under a (CCTO) and, dependent upon the outcome of the initial investigation and if agreed to by the project governance group, develop recommendations on the form and function of the joint entity, financial and governance matters and a transition path, including timeframes and resource requirements.

Introduction

As a result of shared ownership of the Spicer Landfill, PCC and WCC have a working relationship in the area of solid waste management. For example, both were closely involved in the compilation of the draft (regional) WMMP (waste management and minimisation plan) as required by the Waste Minimisation Act 2008, which is currently out for consultation.

An investigation into a closer working relationship was explored in the 2010/11 year and reported on in "A Common Approach by Porirua and Wellington City Councils to Solid Waste Management" prepared by Stimpson and Co. The Stimpson report identified benefits from a joint approach in the Policy, Regulatory and Education areas. However, it also concluded that overall benefits to both councils of joint refuse and recycling collection were not clear and that there was no immediate business case to move to a single landfill site, despite the apparent benefits that combining the activities at Spicer and Southern landfill would provide. However, a range of intangible benefits, such as the regional governance context, leadership considerations, community expectations and central government policy statements, were not fully explored or articulated.

A workshop on the Spicer Landfill involving councillors was held in May 2010. Amongst other things the idea of a CCTO combining the solid waste activities of the two councils was floated.

More recently the CEs of PCC and WCC have requested officers of both councils to specifically look at the potential benefits associated with combining their respective solid waste activities under a CCTO. The aim is to have a firm proposal signed off by each Council so that it can be included in their respective 2012 to 2022 draft long term plans, and thereby be the subject of consultation with residents and ratepayers before any final decision is made to proceed (or not to proceed) with amalgamation of services in this way.

Services that could be Included in a CCTO

The council activities in the solid waste area are listed below:

- Southern and Spicer landfills
- refuse drop-off area for residents at landfill
- waste recovery operations associated with landfill, including:
 - sale of reusable items at a retail shop
 - scrap metal recovery
 - energy recovery*
 - composting
 - recycling of plastics/ paper/ cardboard/ cans
 - remanufacturing of waste expanded polystyrene foam into building insulation*
- management of hazardous materials
- after-care of closed landfill facilities*
- environmental monitoring and resource consenting associated with solid waste activities
- kerbside collection of refuse and recycling materials
- street cleaning
- litter bin collection
- graffiti removal
- education and related information services
- waste related regulation development and enforcement
- development and implementation of operational policy, including proposed fees for services and opportunities for cost savings and efficiency gains
- strategic policy development in the solid waste management area

* Activities marked with an asterisk are not pursued by both councils.

The appropriateness (including overall cost effectiveness for the Councils) of including any or all of the activities list above within the CCTO is to be looked at in detail as part of the investigation, and recommendations made. Other activities for inclusion may also be considered.

Currently landfilling operations produce a net revenue, refuse collection is break even (revenue from bag sales approximately equal to the cost of providing the service) while other activities will need to be funded in some way. Both councils have different approaches to funding waste-related activities. Options for aligned revenue and financing policies will need to be considered as part of the work.

Development of a Business Case

There are a number of reasons which, on the face of it, suggest there are advantages and benefits to the two councils in combining solid waste activities. For example services could be harmonised, any duplication removed and by combining resources the councils can increase the influence beyond what could be achievable on their own. This should lead to increased efficiency and cost effectiveness in the provision of services. It is also expected that the financial systems put in place for a CCTO would be focussed

on the specific needs of the users, resulting in the ready tracking of project progress and costs and enabling more rigorous overview, thereby also reducing costs.

While the investigation is to be focussed on the combining of solid waste services as a CCTO, if better options emerge for some or all of the services, these options should be highlighted.

The business case is to be developed in two stages comparing the status quo with a jointly owned CCTO:

Stage 1. Carry out a high level assessment weighing the benefits and costs, and evaluating the risks of a combined CCTO, giving due consideration to:

- Governance/ independence (make up of board; level of autonomy; whether there would be some contestability for services provided)
- Financial issues (transfer of assets; funding sources; shareholding and dividend payment arrangements; council overhead costs (if any) to be borne by CCTO; ways in which other councils in the Wellington region could buy-in to the CCTO at a later date)
- How the various components of each council's solid waste activities will be shaped to provide a harmonised service serving the residents and ratepayers of both cities
- Employee issues (internal organisational structure; pooling of staff resources; potential staff redundancies; centralised and local operating hubs)
- Impact upon the wider region, including social and environmental impact of the change from the status quo.

An interim report is to be prepared on the Stage 1 investigation. The report should comment of whether or not the analysis leads to the conclusion that a CCTO can deliver the anticipated benefits, the risks to the success of the CCTO and ways in which these risks could be mitigated.

The outcome of Stage 1 will determine the next step in the process. Proceeding to Stage 2 will occur if, after considering the report referred to above, the governance group considers this to be warranted. If not, the investigation will not proceed immediately to the next stage, and the terms of reference may be modified, for example to consider other structural forms.

Stage 2. Depending upon the outcome of Stage 1, develop a robust business case and business model for the move to a CCTO. This stage of the work will include development of a work programme and target timetable for the implementation of the CCTO so that the transition path from the status quo will be clear to those involved. It will also include the development of detailed proposals for governance arrangements, constitution, shareholding, funding arrangements, organisational structure, and outline job descriptions for the staff of the CCTO. Any other recommendations considered necessary to successfully implement a CCTO should also be provided.

Capacity is an existing CCTO operating waters services on behalf of the Wellington and Hutt City Councils. Comment is sought on the advantages/ disadvantages of including a solid waste CCTO as part of Capacity or operating as a separate entity.

The consultant leading the investigation will work with a **core working group** comprised of officers from both PCC and WCC who will provide technical, financial, HR and policy inputs. The core working group will report on progress to a **steering group** comprised of a WCC Director, a PCC General Manager and senior finance staff from both councils.

The steering group will report to a **governance group** comprised of the JV Committee (councillors overseeing joint venture activities of PCC and WCC) and co-opted political representatives.

Independence and Technical Capability of the Consultant

The Consultant is required to critically review data provided thereby ensuring that the analysis carried out compares "apples with apples".

To do this the consultant may need to involve the services of both financial and engineering practitioners.

Outputs

An interim report to the Governance Group to conclude stage 1 followed by, as appropriate, four hard copies of the final report as well as electronic versions (Word and Excel files) of the draft and final reports.

Timeframe and Timeliness

The report on Stage 1 is to be completed by mid September and if the investigation proceeds to Stage 2 the draft final report is to be completed by the end of November 2011. The final report is to be finalised within two weeks of receiving comments from the reviewers.

The consultant is to place particular emphasis on timeliness and will be required to develop a programme timetable, provide a weekly report on progress, including a report back on any delays in information being provided by council officers (the latter will be referred to the Steering Group for immediate follow up).

Conditions of Engagement

The Conditions of Engagement shall be the ACENZ/IPENZ Short Form Agreement for Consultant Engagement, March 2010.

Confidentiality

All information and correspondence related to this project will remain confidential and is not to be released outside of PCC, WCC and the consultant's organisation.

Fees

The fee basis will be time writing plus disbursements (at cost plus 10%) to a cost ceiling provided by the consultant. The CVs and hourly rates for the people proposed to work on the investigation and separate cost estimates for Stage 1 and Stage 2 of the investigation are to be provided.