



Late Item Agenda

Ordinary Meeting of Council

Wednesday 28 June 2023 6pm



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C2306-8 RESOURCE RECOVERY GROUP – REVIEW OF DELIVERY MODEL 2



11. Late items

In cases where information is received after the finalisation of an agenda, matters may be raised and decided by the meeting. A written report will be provided for late items.

C2306-8 RESOURCE RECOVERY GROUP – REVIEW OF DELIVERY MODEL

Meeting date: 28 June 2023
Responsible officer: Director Infrastructure
Decision making authority: Council
Attachments: Nil.
Confidential Attachment: 1. Financial Summary Table

SUMMARY

This report provides an overview in respect to the Resource Recovery Group and seeks support for a review of the current service delivery model and associated projects as a result of some of the current challenges faced by the remaining participants.

This report recommends that Council:

- 1. Acknowledge the positive outcomes the current Resource Recovery Group Regional Council have provided for Members in achieving the waste targets and compliance with the State Government’s Waste Avoidance and Resource Recovery Strategy (2030).**
- 2. Subject to the agreement of the City of Melville, work with the Participants to undertake a review of the future of the Resource Recovery Group and the associated projects following the notification and future uncertainty created by the Town of East Fremantle’s withdrawal from the Resource Recovery Group.**
- 3. Work with the Participants and the Resource Recovery Group to review the service delivery model, with the scope of the review to include, but not limited to:**
 - a. Consideration of options for a modified Resource Recovery Group or an alternative to the Resource Recovery Group, to ensure:**
 - i. Alignment with the Waste Hierarchy**
 - ii. The achievement of the waste strategy outcomes and maintaining the Food**



Organic Garden Organic (FOGO) service, the Materials Recovery Facility (MRF), the Green Waste Facility (GWF) and the transition to Waste to Energy (WtE) for residual waste.

- iii. A more cost effective and financially sustainable solution.**
 - b. Options to work cooperatively with the City of Canning to maintain the current Regional Resource Recovery Centre facility in Canning Vale as a strategic waste management precinct.**
 - c. The consideration of the implications of a restructure or changed service model, and how a transition to a new model might work.**
- 4. Meet with State Government representatives and departments and key stakeholders on options and support for maintaining the Canning Vale Regional Resource Recovery Centre as a strategic waste precinct of State significance.**

BACKGROUND

The City of Fremantle is a member of the Resource Recovery Group, formerly the Southern Metropolitan Regional Council.

The City of Canning, City of Cockburn, Town of East Fremantle, City of Fremantle, City of Kwinana, City of Melville, and the City of Rockingham initially formed a Regional Local Government in 1991 named the 'South West Metropolitan Regional Waste Management Council'.

The aim of the Council was to work collaboratively through a regional approach to waste management, with the aim of reducing waste to landfill and providing an environmentally sustainable waste management solution for the community and its member Councils.

An Establishment Agreement was subsequently developed between the participants and approved by the minister for Local Government in April 1998; under the Establishment Agreement the Regional Local Government was renamed the Southern Metropolitan Regional Council.

In 2021, the Southern Metropolitan Regional Council (SMRC) changed its name to the Resource Recovery Group (RRG) to reflect its diversifying business and expanding customer base.



The RRG's main operations are run from the 'Regional Resource Recovery Centre' (RRRC) at Canning Vale. This site is leased from the City of Canning. The lease was established in 2000, for a period of 30 years and includes two x10-year extension options; if the extensions are exercised the lease will expire in 2050.

The initial investment for the RRRC facility at Canning Vale was funded through a Project Loan; the loan repayments have continued to be made by the respective members (including those that have withdrawn). The loan balances will be fully repaid on 30 June 2023.

In 2004 the RRG purchased an office facility at 9 Aldous Place in Booragoon. The purchase value was \$1.8m, which was funded via an interest only loan. The remaining members have recently resolved to extend this loan provision, which is now based on a part principal and interest basis.

A fundamental aspect of the RRG's past success and waste avoidance performance levels, has been the provision of its Materials Recovery Facility (MRF) and the Waste Composting Facility (WCF).

As a result of the transition to Food Organics Garden Organics (FOGO) in 2019, the WCF was closed in November 2019.

The RRG currently provides the following services for its members:

- (FOGO)
 - *Licensed capacity of 109,200 tonnes pa.*
- (MRF)
 - *Licensed capacity of 120,000 tonnes pa.*
- Green Waste facility (GWF)
 - *Licensed capacity of 50,000 tonnes pa.*
- Waste Audit Facility
- Education Services

Since 1991 several of the original members of the RRG have withdrawn, through the formal withdrawal provision of the Establishment Agreement; the latest being the City of Cockburn in June 2019.

The remaining Council members include:

- Town of East Fremantle
- City of Fremantle
- City of Melville



The respective percentages of the remaining members (for 2022/23) is listed as follows:

Participants	Population	%
East Fremantle	7,893	5.51%
Fremantle	31,901	22.27%
Melville	103,459	72.22%
Total	145,253	100%

At a Council meeting on Tuesday 20 June 2023, the Town of East Fremantle resolved to withdraw from the RRG passing the following resolution:

Council Resolution

OFFICER RECOMMENDATION:

That Council

- (1) resolve to provide formal notice of withdrawal to the Resource Recovery Group (RRG - formerly SMRC) in accordance with section 11.1 of the Establish Agreement (1997) to end its membership (participation) within the regional local government.**
- (2) acknowledges that in accordance with clause 11.2 the withdrawal will become effective from 1 July 2024.**
- (3) instruct the Chief Executive Officer to secure full waste services or alternatively, should the Town's motion give effect to the orderly wind up of the RRG, to continue to work with the member Councils to seek waste services as an alliance.**

FINANCIAL IMPLICATIONS

No financial or budget impacts are anticipated as a result of decision to review the RRG service model.

A financial summary of current service fees and contributions paid by City of Fremantle to RRG are provided in the financial summary table (confidential attachment 1) for reference.

LEGAL IMPLICATIONS

The review will require legal advice in respect to options and to support the direction of any proposed change and / or delivery model change for the process going forward.



CONSULTATION

For the proposed review, engagement with the following stakeholders will be appropriate and necessary:

- Western Australia State government
- The RRG and its staff
- The RRG members and other potential prospective regional partners – these would include but are not limited to, the City of Melville, Town of East Fremantle, City of Canning, potential / other Local Government customers to the RRRC.

The City remains in active and constructive discussion with the RRG and both the City of Melville and the Town of East Fremantle. The City of Melville are aware of this report and the City of Fremantle's proposal to review RRG's service delivery model.

OFFICER COMMENT

The City of Fremantle's membership of the RRG has allowed the City to provide waste management and resource recovery services to the Community, that are aligned with best practice environmental management standards. The City of Fremantle's recycling rates have been consistently among the best in the state, and substantial improvement has been sustained with the introduction of the three-bin FOGO waste management system.

This membership is directly aligned with the Environmental Responsibility strategic focus area of the Community Strategic Plan 2015-2025, which represents the City's commitment to work with the community to develop environmentally sustainable solutions for the benefit of current and future generations.

The major outcome, as mentioned in the City of Fremantle's Community Strategic Plan 2015-2025, has entailed working with the community to reduce waste and reuse whenever possible. The infrastructure and services provided by the Resource Recovery Group have represented a substantial contribution to the delivery of this outcome and the overall objectives of the implementation of the City's waste management plan.

As mentioned above, from its 7 original members (City of Fremantle, City of Cockburn, City of Melville, City of Rockingham, Town of Kwinana, City of Canning, Town of East Fremantle), only 3 remain – City of Fremantle, Town of East Fremantle and City of Melville. This reduction has put pressure on the remaining 3 members and is resulting in increased shared costs and risks/liability.



On 20 June 2023 the Town of East Fremantle Council has decided to give notice of withdrawal from RRG, effective 1 July 2024; subsequently, under the current model, the only RRG remaining members after this date would be the City of Fremantle and the City of Melville. It is now becoming increasingly apparent that this has created an untenable situation with the current model from a cost effectiveness and financially sustainability point of view.

While it is acknowledged that RRG has provided valuable collective capacity for materials recycling and organic waste recovery and that it has played a pivotal role in the delivery of these services and meeting relevant strategic targets for the region and, indeed, the whole State, regarding resource recovery; the loss of capacity and volumes through members leaving the RRG means that remaining in this arrangement represents a substantial financial liability for the City of Fremantle going forward.

The following operations undertaken at RRG's Canning Vale Regional Resource Recovery Centre have been central to the City of Fremantle's and the regional objectives over the last few years:

- Material recovery facility (MRF) for processing of recyclables
- Composting facility and processing of FOGO materials and green waste

The City's remaining general waste and the refuse fraction from the operation of recycling and composting services, is currently disposed of at the Henderson landfill site (operated by City of Cockburn).

Other than the RRG, there are two other operators in the market that have waste management and resource recovery capabilities:

- Veolia operates a material recovery facility in Bibra Lake and a composting facility at their North Bannister site.
- Cleanaway operates a material recovery facility in South Guildford.

Options for review

Given the City's intention to maintain existing levels of service in the recycling and FOGO processing space, current options for review are considered as follows:

- Option 1: Remain with RRG and accept any liabilities resulting therefrom.
- Option 2: Withdraw from the RRG and go to market to secure recycling and FOGO processing capacity going forward.
- Option 3: Change the RRG with a view to create a new service model to maintain current capabilities by working with partner Councils to secure and maintain the operation of the Canning Vale



Regional Resource Recovery Centre site under an alternative delivery model, while reducing current costs and prospective future liabilities.

Option 1 has increasingly looked a less viable proposition and, given the proposed withdrawal of the Town of East Fremantle, now looks highly uncertain. There is an increased prospective liability with only two remaining members.

Therefore, Option 1 is thought to present an increased financial risk to the City of Fremantle.

Concerning Option 2, this would be a viable option in principle, due to the fact that City of Fremantle's waste outputs (tonnes of recyclables and FOGO materials) that will need to be processed, are not significant, comparing to other councils, and could be easily accommodated by existing private operators. No significant issues would be expected to arise if the City were to procure private capacity to deal with current and future tonnes, and no net cost increase would be expected from that option.

Option 3 would entail either a 'lightened' RRG model or an alternative RRG model that would serve as an efficient and effective vehicle to achieve the City's targets in line with the state's waste authority, whilst keeping the costs within reasonable limits, reducing liabilities and retaining the Canning Vale Facility as a regional waste management facility.

Risks / Consequences

It should be noted that any of the options that mean moving away from the current arrangement will introduce several potential risks that will need to be reviewed and considered; these may include:

- Loss of current site (Canning Vale Resource Recovery Centre)
- Inability to maintain FOGO and recycling processing capacity at current levels or to current standards
- Reduced recovery rates (increased reliance on landfill disposal)
- Becoming susceptible to market conditions (costs and capacity)
- Potential increased collection / transfer costs (FOGO / Recycling / Greens)
- Negative reputational damage for Councils and State Government if RRRC facility closes
- Reduced regional waste education outcomes
- Additional resources required by Participants to manage waste management contracts in-house



Summary

In assessing the current situation and noting the potential options and the risks, officers have concluded that a review of the service delivery model is timely and appropriate. It would be proposed to focus on the following:

- a) Maintaining current resource recovery levels (FOGO and MRF operations)
- b) Securing ongoing operation of the current Canning Vale Resource Recovery Centre site
- c) Provide for suitable collaboration with current participants and neighbouring councils, still acting as a collective in the pursuit of relevant community goals
- d) Transition to future waste to energy technology for general waste and refuse-derived materials.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

OFFICER'S RECOMMENDATION

That Council

- 1. Acknowledge the positive outcomes the current Resource Recovery Group Regional Council have provided for Members in achieving the waste targets and compliance with the State Government's Waste Avoidance and Resource Recovery Strategy (2030).**
- 2. Subject to the agreement of the City of Melville, work with the Participants to undertake a review of the future of the Resource Recovery Group and the associated projects following the notification and future uncertainty created by the Town of East Fremantle's withdrawal from the Resource Recovery Group.**
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- Facility (GWF) and the transition to Waste to Energy (WtE) for residual waste.**
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