

MINUTES

CHIEF EXECUTIVE OFFICERS' ADVISORY COMMITTEE MEETING

(CEOAC 03/2021)

Thursday 20 May 2021
Commencing at 2:00 pm

Town of Mosman Park
Memorial Park
Bay View Terrace
Mosman Park

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WMRC Member Councils

Town of Claremont | Town of Cottesloe | Town of Mosman Park | City of Subiaco | Shire of Peppermint Grove
with Town of Cambridge

1. DECLARATION OF OPENING

Welcome and opening of meeting by Chair Don Burnett, CEO of the Shire of Peppermint Grove at 2:09pm.

2. RECORD OF ATTENDANCE AND APOLOGIES

Member	Position	Council
Mr D Burnett	Chief Executive Officer	Shire of Peppermint Grove
Ms C Bywater	Chief Executive Officer	Town of Mosman Park
Mr M Scott	Chief Executive Officer	Town of Cottesloe
Mr C Frewing	Chief Executive Officer (Acting)	City of Subiaco
Visitors	Position	Council / Organisation
Mr S Frodsham	Chief Executive Officer	WMRC
Mr P Engel	Manager Operations	WMRC
Ms L Eustance	Manager Communications & Education	WMRC

Leave of Absence

Apologies

Ms A Bell	Manager Finance & Governance	WMRC
Ms L Ledger	Chief Executive Officer	Town of Claremont
Mr K Hincks	Director Infrastructure & Works	Town of Cambridge

3. CONFIRMATION OF PREVIOUS MINUTES

Draft minutes from the CEOAC meeting held on 18 March 2021 are at **Attachment 1**.

OFFICER'S RECOMMENDATION

3.1 The minutes of the CEOAC meeting held on 18 March 2021 be accepted as a true and proper record of that meeting.

Moved: Carissa Bywater Seconded: Cliff Frewing CARRIED 4/0

4. MATTERS FOR CONSIDERATION

4.1 CONFIDENTIAL REPORT – DICOM FACILITY

The WMRC Chief Executive Officer will speak to the immediately previous confidential reports, emails and minutes which have been circulated to CEOAC members. The protocol followed is that all confidential and other information provided to WMRC Councillors is copied to CEOAC members.

The confidential reports, emails and minutes referred to above are not reproduced as an attachment to this agenda, but members are reminded they are:

DiCOM Confidential Progress Report of 25 March 2021 dealt with at the WMRC Ordinary Meeting of 1 April 2021.

Members will be updated verbally on any new developments.

Answers to questions from members will be provided where possible.

OFFICER'S RECOMMENDATION

4.1.1 The verbal report of the WMRC CEO be noted.

Moved: Matthew Scott Seconded: Carissa Bywater CARRIED 4/0

4.2 CONFIDENTIAL REPORT – WASTE TO ENERGY TENDER

Confidential item 10-6A in the WMRC OCM of 1 April contains a summary of key terms in the agreement and the then current status of discussions. Since that date negotiations have progressed well with those outstanding items and commercial terms agreed. Agreement on some minor terms awaits completion of legal drafting. The WMRC CEO will give a verbal update at the meeting.

An invitation to information sessions on 20 May 2021 at the Town of Mosman Park for Member Council staff and Elected Members has been circulated. The draft contract will be made available at WMRC's offices for Member Council CEOs to view. We are working towards a Council decision at the 4 June OCM.

OFFICER'S RECOMMENDATION

4.2.1 The verbal report of the WMRC CEO be noted.

Moved: Carissa Bywater Seconded Cliff Frewing: CARRIED 4/0

4.3 WMRC FINANCIAL MODEL REVIEW

Attachments: 2A WMRC financial performance review, 2B WMRC Fixed Fee allocations

A review of WMC's allocation of its fixed costs amongst Member Councils was discussed at the most recent CEOAC meeting (18 March 2021).

Discussion during and following the meeting demonstrates that there is still a degree of confusion about fixed costs are allocated to WMRC services and how Member Councils costs might compare with the period leading up to the introduction of the mixed fee model on 1 January 2019.

The WMRC will present this information at the meeting for further discussion.

The old model

WMRC's original model met all operational costs including overheads through gate fees. The system incentivised WMRC to make conservative budget forecasts of waste receipts from Member Councils. Any deliveries of waste above forecast would provide windfall gains.

The old model made it almost impossible for the WMRC to win additional business to provide greater throughput and develop economies of scale. At one time WMRC employed a Business Development Manager but uncompetitive gate fees meant there was no interest from the market and no additional business was developed.

High gate fees encouraged Member Councils to take their waste elsewhere – for example in 2014 when the Town of Cottesloe introduced a 3rd bin, WMRC agreed to an exemption to allow the collected greenwaste to be taken elsewhere. The loss of this throughput reduced WMRC's economy of scale and resulted in a \$25 per tonne increase in the general waste gate fee for all Member Councils.

Gate fee increases – old model

Under the old model, gate fees *excluding the waste levy* grew at an average rate of 9% per annum over the eight years to 2018-19.

Waste	2010-11 gate per tonne	2018-19 gate per tonne	Average annual rate increase %
General and bulk waste	\$116.68	\$210.00	8.8
Waste levy	\$28.00	\$70.00	14.0
Total	\$144.68	\$280.00	9.9
Greenwaste	\$50.00	\$90.00	8.8

The mixed fee model

On 1 January 2019, the mixed fee model was introduced, following a recommendation from CEOAC and approval by Council. Under the mixed fee model, around 70% of WMRC overhead costs, including wages and salaries, are met by fixed fee contributions from Member Councils. This leaves member council marginal costs (waste haulage, treatment and disposal) to be covered by gate fees, allowing the general waste gate fee for member councils to be reduced to the current rate of \$145.45 per tonne.

The remaining 30% of overheads is recovered from non-member councils, commercial customers and residents by charging gate fees consistent with competition in the market. As this side of the business grows, the proportion of overheads met by member councils shrinks.

Mixed fee model benefits

Member Councils now contribute just the right amount of overheads. If MC generate more waste than forecast, they do not pay any extra overhead. If MC generate less waste, they save the marginal cost of disposal on every single tonne reduced. The mixed fee model provides great certainty in waste

management costs and revenue for both MC and WMRC. It greatly simplifies budgeting and reduces financial risk associated with forecasting waste generation and receivals.

WMRC recovers an increasing share of its overheads from fees and charges for non-members and commercials. These commercial rates are set at market competitive levels. The overheads recovered from these sources are used to shrink the annual overhead contribution of Member Councils. Year by year.

As WMRC fulfils its Strategic Community Plan and successive Corporate Business Plans by rolling out its services across its central west catchment area, more and more overheads are recovered from non-members and commercials. The additional throughput provides WMRC with economies of scale and our average costs decline.

There have been no increases in gate fees since the last ones made under the old model as part of the 2018-19 budget approval.

WMRC's new Business Model

This approach has allowed our new business model to steadily gain traction. The business model capitalises on the strategic location of the West Metro Recycling Centre and operates as follows:

1. Minimise risk by restricting WMRC operations to receipt and transfer of waste.
2. Avoid operating or investing in waste treatment and disposal facilities – instead, contract for these services.
3. Continuously improve quality of services.
4. Continuously identify and implement measures to improve efficiency and reduce costs.
5. Grow revenue and throughput and reduce average costs by extending services across west central catchment area.
6. Pass on savings to member councils by reducing fixed fee contributions.

We fully expect that WMRC will further reduce Member Council fixed cost contributions in the 2021-22 budget, and again make no increases to gate fees, particularly due to increasing levels of business from neighbouring non-member councils.

Year	MC Fixed Costs	Change	Note
2018-19	\$1,875k	n/a	Half recovered in gate fees to 30 Dec 2018
2019-20	\$1,875k	Nil	No increase
2020-21	\$1,825k	\$50k decrease	Offset by increasing commercial revenue
2021-22*	\$1,725k	\$100k decrease	Offset by increasing commercial revenue

* Pre-budget estimate

OFFICER'S RECOMMENDATION

4.3.1 The report and presentation be noted.

CEOAC RECOMMENDATION

4.3.1 The WMRC CEO and member(s) of the WMRC management team meet with interested CEOs prior to the next CEOAC meeting to discuss and clarify the allocation of overheads.

Moved: Carissa Bywater Seconded Cliff Frewing: CARRIED 4/0

5. INFORMATION ITEMS

5.1 WMRC COUNCIL MEETING OUTCOMES

WMRC held its most recent OCM on 1 April 2021. The Council at the meeting:

- Adopted the FOGO transition briefing paper.
- Agreed that Member Councils be invited to provide a representative for the FOGO Project Control Group.
- Tasked the FOGO Project Control Group to develop a detailed project plan for a coordinated transition to FOGO for submission to CEOAC by November 2021.
- Required WMRC to provide waste to energy briefings for Member Council Elected Members.
- Required WMRC to make the waste to energy Waste Supply Agreement available for viewing by Member Council CEOs.

OFFICER'S RECOMMENDATION

5.1.1 The report be noted.

Moved: Cliff Frewing Seconded Matthew Scott: CARRIED 4/0

5.2 FOGO TRANSITION PLAN

The first meeting of the FOGO Project Control Group was held on 13 May. This Group was formed as a result of a CEOAC-initiated OCM resolution as follows:

10.4.3 WMRC works in collaboration with Member Council staff to form a plan for a coordinated transition to FOGO in line with Waste Plans and reports back with an outline plan particularly noting the financial implications of FOGO introduction and ongoing costs.

Representatives were made aware of the complexities of the transition and factors influencing the costs of both the transition to and ongoing costs of a FOGO service. Research to date from the two councils who are transitioning from GO to FOGO indicates the need for dedicated staff support within the LG over at least a 6-12 month timeline prior to the introduction of the service. The initial work includes making sure that the existing bin and property data is accurate, and that staff and Elected Members are informed. The WMRC can present to staff and Elected Members as requested and recommends that it happen well before the transition project starts.

As WMRC has been awarded the City of Vincent's FOGO haulage and processing contract from October 2021, this gives us the volume necessary to work with one Member Council as a pilot to cost effectively introduce the service in their area ahead of others. The Town of Cottesloe has made us aware of a resolution to introduce FOGO as soon as possible.

The group agreed to meet in one month.

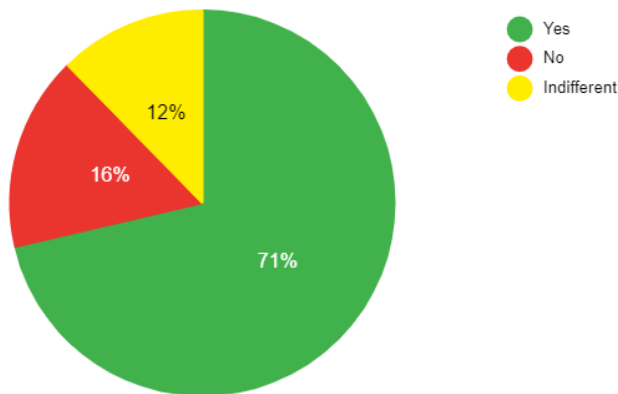
OFFICER'S RECOMMENDATION

5.2.1 The report be noted.

Moved: Matthew Scott Seconded Carissa Bywater: CARRIED 4/0

5.3 VERGE VALET™ UPDATE

Prefer Verge Valet - All Councils



The Shire of Peppermint Grove's Verge Valet introduction has been smooth, with all but 2 of the survey respondents preferring Verge Valet to the scheduled system. This is aligned with survey responses from Mosman Park and Cottesloe (82% and 76% preference respectively) and higher than those from the Town of Cambridge where user preference for the service is still running at over 50%. Overall, user preference is at 71% with 75% of users ranking the service overall at 5/5.

The service is attracting some media coverage, mostly arising from the City of Fremantle's consideration of the service.



VergeValet™

Our new logo trademark application has been accepted early and is now progressing to registration which we expect will occur later this calendar year.

This will assist greatly in protecting WMRC's intellectual property as we gradually move towards being able to offer customers a licensed version of the service.

OFFICER'S RECOMMENDATION

5.3.1 The report be noted.

Moved: Cliff Frewing Seconded Carissa Bywater: CARRIED 4/0

5.4 WASTE SERVICE PROCUREMENT

WALGA advises that local governments as best-practice should tender for waste collection services separately for waste processing and disposal services.

Tendering separately for collection and disposal promotes a more competitive market. It makes it difficult for large, vertically integrated operators to cross-subsidise collection and disposal.

Applying the best practice to recycling services would mean that Member Councils first procure the services of an MRF. In so doing, there would be no opportunity for large players to cross-subsidise MRF services with collection. With three competing MRFs, Member Councils can be assured of a competitive market.

With a MRF service procured, Member Councils can then specify a delivery point when tendering for collection services. In this way, procurement for collection will benefit from a more competitive market, especially from smaller operators who don't own and operate MRF.

There are likely significant advantages in economy of scale were the WMRC to procure a MRF service on behalf of its Member Councils. The WMRC could go to market for a schedule of rates for the processing of 5,500 tonnes (all five MC combined).

OFFICER'S RECOMMENDATION

5.4.1 The report be noted.

Moved: Cliff Frewing Seconded Carissa Bywater: CARRIED 4/0

5.5 WASTE PLANS PROGRESS

The WMRC has been progressing waste plan production with all five Member Councils. The current status is as shown below:

Council	Waste plan status as at early May 2021
Town of Claremont	Accepted by Council, with DWER for finalisation
Town of Cottesloe	Complete and approved by DWER
Town of Mosman Park	Complete and approved by DWER
Shire of Peppermint Grove	Complete and approved by DWER
City of Subiaco	Complete and approved by DWER
Western Metropolitan Regional Council	Complete and approved by DWER

All plans were submitted by the 31 March deadline. Once endorsed by DWER, the first reporting deadline is 31 October 2022 for the 2021/22 financial year.

The plans are being used as a structure for reporting progress to date and planning activities for 2021/22.

OFFICER'S RECOMMENDATION

5.5.1 The report be noted.

Moved: Matthew Scott Seconded Cliff Frewing: CARRIED 4/0

5.6 OPERATIONS REPORT

West Metro Recycling Centre throughput

Waste stream	March - tonnes	April - tonnes	1 Jul – 30 Apr tonnes
Residual waste to landfill	1,159	1,059	11,239
Greenwaste for processing	568	535	5,237
Bulk waste for recycling	208	201	1,995
C&D waste for recycling	52	54	456
Asbestos for disposal	3.5	3.2	39
Other waste	173	146	1,480
Recyclables to MRF	37	25	252
Cardboard for recycling	10	9	85
Scrap metal & fridges for recycling	8.5	11.4	68.4
E-Waste for recycling	7.3	7.5	48.2
HHW for processing	5.3	3.7	39.9
Mattresses for recycling	2.6	4.9	28.1
Tyres for recycling	0	0	3.7
Car batteries for recycling	0	1.8	12
Total	2,234	2,062	20,983

Infrastructure

- We have received the first two newly constructed waste silos, with another three to follow in the next two months. One refurbished silo will give us a total of six new silos.
- The new cardboard compactor from waste Initiative is now due to be delivered in July.

New Services

- Our new Paintback paint recycling service has commenced. The new service allows us to accept commercial quantities of paint up to 100 litres at a time.

Business development

- WMRC was successful in its proposal bid to receive FOGO collections from the City of Vincent commencing in October 2021. The City of Vincent estimates that it will collect 5,000 tonnes per

annum of FOGO waste. The FOGO material will increase the transfer station throughput by more than one-third; and increase total waste handled by the West Metro Recycling Centre by 20%.

- WMRC is in discussions with the City of Perth and the City of Wanneroo regarding use of the WMRC’s waste transfer services.
- The City of Vincent accepted WMRC’s proposal to provide Verge Valet services which are scheduled to commence across the City in January 2022.

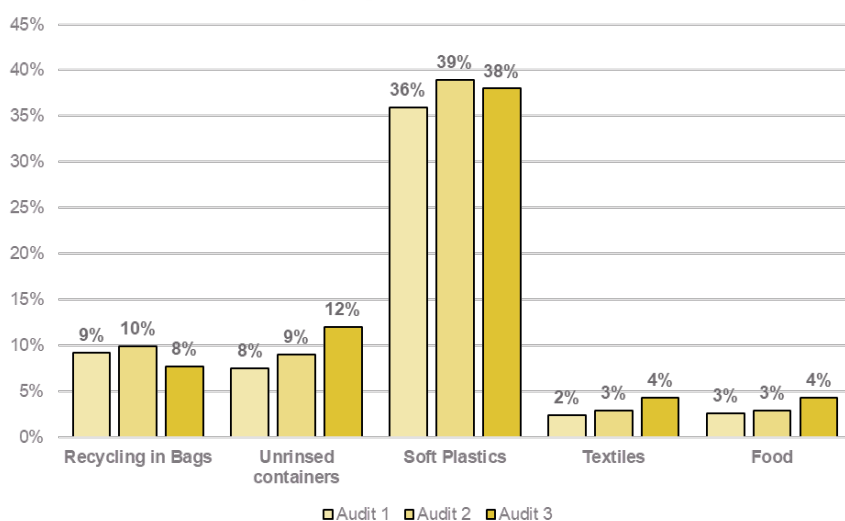
OFFICER’S RECOMMENDATION

5.6.1 The information be received.

Moved: Carissa Bywater Seconded Matthew Scott: CARRIED 4/0

5.7 COMMUNICATIONS AND EDUCATION REPORT

Recycling bin contamination



The bin-tagging program has been completed in Mosman Park and Claremont. This program is largely funded by DWER and administered through WALGA.

Results indicate that soft plastics in the recycling bin remain by far the most frequent contaminant being seen in nearly 40% of recycling bins. Our programs will increase focus on that issue.

Across the period, we saw contamination in only around 7% of GO bins. We are continuing our

“Clean Green Bins” program with collection contractors and Member Council representatives as keeping our GO bins contamination free is important to protect our low processing rate.

A full report on the program is available on request.

Other specific activities underway or progressed in this period are listed below:

- Ongoing assistance to residents on Verge Valet and other queries
- Advertising including monthly Post newspaper advertising half page and active social media
- Progress of coordinated waste calendars
- A tour of SMRCs RRRC combined with a Waste Watchers presentation
- A composting workshop

OFFICER’S RECOMMENDATION

5.7.1 The report be noted.

Moved: Cliff Frewing Seconded Carissa Bywater: CARRIED 4/0

5.8 FINANCIAL REPORT

The WMRC continues to perform well:

- For March 2021, the WMRC had an operating deficit of \$186,199 compared to a budgeted deficit of \$185,740 with a negative variance of \$459. See **Attachment 3a** for a Statement of Comprehensive Income and Statement of Financial Position as of 31 March 2021.
- The figures for April 2021 are not yet available.

OFFICER'S RECOMMENDATION

5.8.1 The report be noted.

Moved: Cliff Frewing Seconded Matthew Scott: CARRIED 4/0

5.9 PROGRESS ON CEOAC RECOMMENDATIONS

An updated table highlighting the status of all CEOAC recommendations through to 14 May 2021 is provided at **Attachment 4**. All recommendations have been actioned or in progress apart from one on hold pending the resolution of the legal dispute with DiCOM.

The table is presented at each CEOAC meeting with completed items being presented once.

OFFICER'S RECOMMENDATION

5.9.1 The report be noted.

Moved: Carissa Bywater Seconded Cliff Frewing: CARRIED 4/0

6. GENERAL BUSINESS

7. CLOSURE OF MEETING

The meeting closed at 3:21pm

Next Meeting

Thursday 15 July 2021, 14:00 hrs at the West Metro Recycling Centre (TBC)