
AMENDMENT TO THE REDWASTE ANNUAL PERFORMANCE PLAN AND CHANGES TO RECYCLEWORLD OPERATION

Datworks Filename: WM Operations - RecycleWorld

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PURPOSE

The purpose of this report is to seek Council approval to amend the 2014/15 RedWaste annual budget and RedWaste Annual Performance Plan (APP) following proposed changes to the operation of RecycleWorld.

BACKGROUND

The operation of Council's "tip shop" has historically been undertaken by an external contractor. The previous two contracts have been problematic and have required considerable management resources to address contract compliance and health and safety issues. Most importantly however the proposed changes will provide the opportunity for Council to assess the true revenue opportunities and operational costs associated with RecycleWorld to assess future operational models.

Proposed changes to the operation of the RecycleWorld 'tip-shop' will result in changes to RedWaste's scope of operation and financial key performance indicators (KPI's) and as such the annual budget and APP must be amended.

ISSUES

Changes to RecycleWorld operations

The operation of Redland City Council's recycle market facility (RecycleWorld), currently under contract to Bayside Treasures (BT) expired on 3 August 2014. RedWaste has sought ELG approval to transfer the operations to RedWaste commencing Monday, 4 August 2014 for an initial two (2) year trial period.

RedWaste's operation of the facility will enable Council to understand the true financial opportunities and make an informed decision prior to investigating alternative operating models of RecycleWorld such as social enterprise.

Proposed changes are designed to enhance the overall waste transfer station and tip shop facility's safety, operations and efficiency. Delivery of improvements would be achieved by jointly coordinating all site staff and contractors with a common goal of resource recovery, waste diversion and maximising revenue streams.

Other important changes include reduced trading hours of Thursday and Saturday only, between 9am – 2pm and trading will not occur on public holidays reducing exposure to high staff penalty rates. Opening days and hours will be reviewed following implementation and may be tailored to accommodate demand and peak periods.

Council is actively reducing demand on the Redland Bay waste transfer station infrastructure by eliminating Sunday trading hours. This is expected to reduce traffic volumes by an average of 220 vehicles on Sunday's further improving the sites life cycle efficiency and safety outcomes. It is not unreasonable to expect that budget allocated for minor upgrades to the Redland Bay waste transfer station may be reduced following a review of the changed RecycleWorld operations. This can be accurately identified after a trial period with the proposed opening hours.

The lease with Bayside Treasures expired on 3 August 2014 and RedWaste are undertaking a two week closure period to enact the changeover of systems and setup time. The expected re-opening would be Thursday, 21 August 2014.

2014/15 RedWaste Annual Budget

By no longer contracting the operation of RecycleWorld to external contractors, Council will cease to receive the \$30,000 annual salvage fees and rental. However, a conservative estimate on increased scrap metal recovery is estimated to result in an additional \$70,000 in waste management sales revenue, due to a consolidated staffing approach to the site and salvage of precious metals.

Changes to the operation of RecycleWorld will result in increased expenditure and increased revenue for the RedWaste Business Unit and Council. Year 1 operating expenses are expected to increase by \$395,216 and revenue is expected to increase by an additional \$276,000 for the 2014/15 financial year. In the second year of operation (2015/16), expenses are budgeted at \$431,987, with conservative revenues budgeted at \$312,000. The shortfall of \$119,216 in revenue is partially offset by the increased scrap metal revenue and the balance will be absorbed through RedWaste continuing to identify operational efficiencies and revenue opportunities. There is also a minor adjustment to Commercial Fees and Charges for reduced carbon tax impact on Commercial & Industrial waste charges of \$8,646. The amended operational and capital financial statements are attached.

The RedWaste capital budget will increase by \$38,317 which includes the purchase of a basic utility vehicle, till and upgraded CCTV.

2014/15 RedWaste Annual Performance Plan

The 2014/15 RedWaste Annual Performance Plan must be amended to reflect changes to the financial position of the RedWaste Business Unit and the changes to RecycleWorld operations.

Inclusions to the RedWaste Annual Performance Plan are:

- 8 – RedWaste's Strategies for achieving objectives
 - 8.3 – Other Strategies

- *Operation and management of Council's recycle market (RecycleWorld) for a two year trial period*

9 – RedWaste Services

- *Operation of Council's recycle market and 'tip shop' RecycleWorld*

13 - Revenue

13.2 – Collection of fees, charges and miscellaneous incomes

- *sale of recoverable materials through Council's recycle market, RecycleWorld*

STRATEGIC IMPLICATIONS

Legislative Requirements

There are no legislative implications with the proposed changes to RecycleWorld operations.

Risk Management

Changes to RecycleWorld operations include reduced trading hours of Thursday and Sunday only. There could be a perceived risk of reduced public amenity and service however the overall improvements to site safety and active demand management must be considered.

Financial

Financial modelling has identified a decrease in return to Council of \$52,245 for the 2014/15 financial year. RedWaste will be exposed to increased operational expenditure, offset by increased revenue from the sale of goods and the recovery of additional scrap metal.

Financial data presented in this report identifies a reduction in current revenue's received of \$30,000 (salvage fee paid by contractor), increased staff and internal costs. The operational shortfall of \$119,216 is partially offset by the increased scrap metal revenue and the balance will be absorbed through RedWaste continuing to identify operational efficiencies and revenue opportunities. Sales figures and estimated increase to scrap metal recovery are conservative.

Audited accounts provided by the contractor verify the information provided by the contractor, however do not account for the suggested unreported sales of goods and unauthorised removal of valuable scrap metal from the site. As such, all revenue figures modelled are conservative.

It is expected that changes to RecycleWorld will result in improved life cycle efficiency of the Redland Bay waste transfer station operations. RedWaste will continue to improve operational efficiency. It not unreasonable to expect that budget allocated for minor upgrades to the Redland Bay waste transfer station may be reduced following review the changed RecycleWorld operations.

People

The proposed changes to RecycleWorld operations will result in additional staff expenses, as detailed in the financial summary attachment.

Environmental

There are no identified environmental impacts in transferring RecycleWorld operation to RedWaste.

Social

This report proposes reduced trading hours of Thursday and Saturday only. The facility will continue to operate and deliver quality saleable goods to the Redlands and wider Community.

Alignment with Council's Policy and Plans

The proposed changes support Council's strategic priorities by:

- Continuously monitoring, evaluating and improving waste services;
- Implementing Council's waste management strategy by applying best practice principles in resource recovery; and
- Providing employment opportunities for local residents.

CONSULTATION

Consultation on the proposed changes to RecycleWorld Operations includes:

- Executive Leadership Group
- Group Manager Water and Waste Operations
- Financial Services Group
- Fleet Services
- RedWaste
- Logan City Council recycle market

OPTIONS

1. That Council resolves to note the above report and to support RedWaste in undertaking a two (2) year trial for the operation and management of RecycleWorld, including resolution of the following:
 - a. adopt the amended 2014/15 RedWaste Annual Performance Plan as detailed above.
 - b. approve amendments to the 2014/15 RedWaste Annual Budget (both operating and capital) as a result of the changes to the management and operation of RecycleWorld, as detailed above.
 - c. request a progress report on the trial to be presented to Council no later than 1 April 2015
2. Not adopt the proposed changes to RecycleWorld operations, and:

- a. direct RedWaste to seek quotations for a suitably qualified contractor for a period of three (3) months during which time a new tender will be released to the market.
- b. provide further direction to officers, as to the preferred operating model for RecycleWorld should this be the outcome.

OFFICER'S RECOMMENDATION

That Council resolves to note the above report and to support RedWaste in undertaking a two (2) year trial for the operation and management of RecycleWorld, including resolution of the following:

1. Adopt the amended 2014/15 RedWaste Annual Performance Plan as attached;
2. Approve amendments to the 2014/15 RedWaste Annual Budget (both operating and capital) as a result of the changes to the management and operation of RecycleWorld, as detailed above; and
3. Request a progress report on the trial to be presented to Council no later than 1 April 2015.

COUNCIL RESOLUTION

Moved by: Cr P Bishop
Seconded by: Cr P Gleeson

That Council resolves to note the report and resolve to support RedWaste in undertaking a two (2) year trial for the operation and management of RecycleWorld, including resolution of the following:

1. Adopt proposed changes to operating hours to Thursday and Saturday only;
2. Adopt the amended 2014/15 RedWaste Annual Performance Plan;
3. Approve amendments to the 2014/15 RedWaste Annual Budget (both operating and capital) as a result of the changes to the management and operation of RecycleWorld, as detailed above; and
4. Request a progress report on the trial to be presented to Council no later than 1 April 2015

CARRIED 9/2

Crs Talty and Hewlett voted against the motion.