

# Agenda

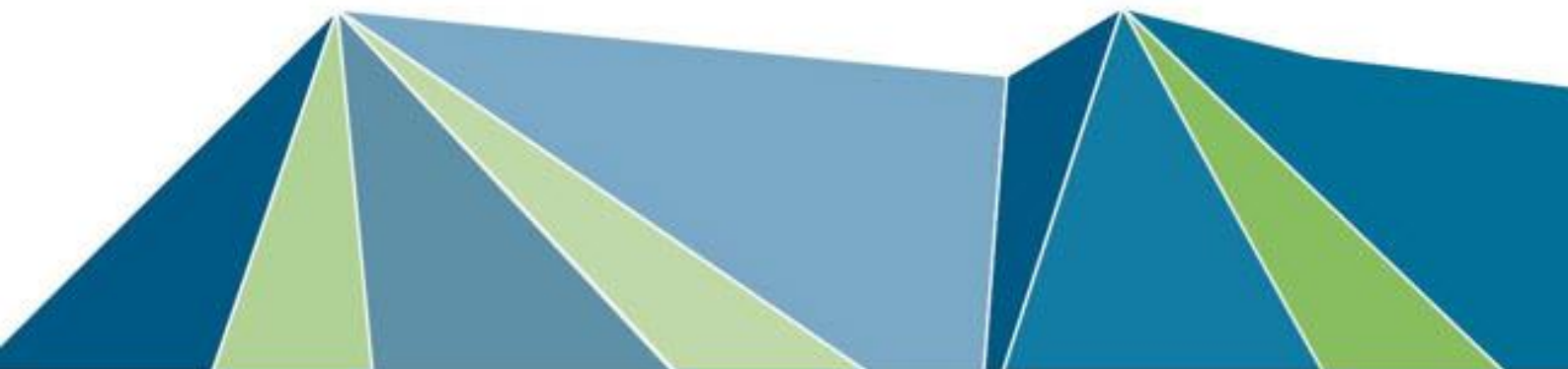
## ***Finance and Facilities Committee Meeting***

**15 February 2023**

A Finance and Facilities Committee Meeting` will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **15 February 2023 commencing at 4.00pm.**

1. Acknowledgement of Country
2. Apologies
2. Declarations of Interest
3. Deputations
4. Committee Reports

Paul Hickey  
**General Manager**



## **Ethical Decision Making and Conflicts of Interest**

### **A guide for Councillors, Council employees and community representatives**

#### Ethical decision making

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of interest?
- Do you stand to gain personally at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

#### **Conflict of Interest**

A conflict of interest is a clash between private interest and public duty. There are two types of conflict:

- **Pecuniary** – an interest that you have in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to yourself or another person or entity defined in part 4 of the Council's Code of Conduct, with whom you are associated.
- **Non-pecuniary** – a private or personal interest that you have that does not amount to a pecuniary interest as defined in the Council's Code of Conduct.

These commonly arise out of family or personal relationships, or out of involvement in sporting, social, religious or other cultural groups and associations, and may include an interest of a financial nature.

#### **The test for a conflict of interest**

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of "corruption" – using public office for private gain.
- It is important to consider public perceptions of whether you have a conflict of interest.

#### **Identifying problems**

- Do I have private interests affected by a matter I am officially involved in?
- Is my official role one of influence or perceived influence over the matter?
- Do my private interests' conflict with my official role?

#### **Disclosure and participation in meetings**

##### **Pecuniary Interests**

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned, and who is present at a meeting of the Council or Committee at which the matter is being considered, must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
  - a) at any time during which the matter is being considered or discussed by the Council or Committee, or
  - b) at any time during which the Council or Committee is voting on any question in relation to the matter.

**No Knowledge** - A person does not breach this clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

### **Non-pecuniary Interests**

Must be disclosed in meetings. There are a broad range of options available for managing non-pecuniary interests and the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary interests must be dealt with in one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as per the provisions in the Code of Conduct (particularly if you have a significant non pecuniary interest)

### **Deputations to Council – Guidelines**

- Deputations by members of the public may be made at Council meetings on matters included in the business paper.
- Deputations are limited to one speaker in the affirmative and one speaker in opposition.
- Deputations, per person, will be limited to a maximum of two items on the agenda.
- Requests to speak must be lodged in writing or by phone with the General Manager by noon on the day preceding the meeting.
- Deputations are given five minutes to address Council.
- Deputations on the same matter will be listed together with the opposition first and the speaker in affirmative second.
- Members of the public are advised that any documents tabled or given to Councillors during the meeting become Council documents and access may be given to members of the public in accordance with the requirements of the Government Information (Public Access) Act 2009.
- The use of powerpoint presentations and overhead projectors is permitted as part of the deputation, provided that the speaker has made prior arrangements with the General Manager's Office at the time of booking their deputation. The setup time for equipment is to be included in the total time of five minutes allocated for the deputation.
- To avoid conflicts of interest, real or perceived, deputations will not be accepted from:
  - a) Tenderers during a public tender or request for quotation
  - b) Persons or representatives from organisations seeking financial support from Council that involves an expression of interest
  - c) Consultants who are engaged by Council on the matter the subject of the deputation.

### **Recording and Livestreaming of Council Meetings**

- The meeting (with the exception of the confidential session) is being livestreamed and recorded for on-demand viewing via Council's website ([ballina.nsw.gov.au/agendas-and-minutes](http://ballina.nsw.gov.au/agendas-and-minutes)) and a person's image and/or voice may be broadcast.
- Attendance at the meeting is taken as consent by a person to their image and/or voice being webcast.
- All speakers should refrain from making any defamatory comments or releasing any personal information about another individual without their consent.
- Council accepts no liability for any damage that may result from defamatory comments made by persons attending meetings. All liability will rest with the individual who made the comments. This meeting must not be recorded by others without the prior written consent of the Council in accordance with Council's Code of Meeting Practice.

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1. Acknowledgement of Country
  2. Apologies
  3. Declarations of Interest
  4. Deputations
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**1. Acknowledgement of Country**

In opening the meeting the Mayor provided an Acknowledgement of Country.

**2. Apologies**

**3. Declarations of Interest**

**4. Deputations**

## 5.1 Alstonville Cultural Centre - Future Operation

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### 5. Committee Reports

#### 5.1 Alstonville Cultural Centre - Future Operation

<b>Section</b>	Communications
<b>Objective</b>	To clarify the future operation of the Alstonville Cultural Centre, pending its redevelopment.

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#### **Background**

The Alstonville Cultural Centre (ACC) was constructed in 1980 and has reached a point in its life cycle where it now requires a major refurbishment.

Due to the age and condition of the building, Council has approved designs for the redevelopment of the facility, with a development application currently being assessed.

With the limited usage of the facility, in 2019 Council supported Byron Studios in taking over the facility (with exception of the library) on a temporary basis, whilst Council proceeded with the required approvals and sourcing of potential funding sources, for the refurbishment.

Council at its 27 October 2022 Ordinary meeting was advised that Byron Studios were vacating the building in early December 2022 and that a further report would be presented to detail usage options pending the redevelopment.

This report examines the options available to Council including the key considerations should Council wish to reopen the facility to the community.

#### **Key Issues**

- Provide a functional and safe community centre
- Redevelopment timeframe for Alstonville Cultural Centre
- Funding and efficient use of public monies

#### **Discussion**

Prior to the use of the building by Byron Studios, there was limited use of the ACC, with staff needing to cancel bookings during wet weather to meet safety requirements, primarily due to the roof of the facility deteriorating to a point where it now requires continual and costly patching.

With the discontinuation of Byron Studios, together with uncertainty around when the redevelopment will take place, Council staff are now reviewing options on how the building could potentially be returned safely back to the community for use until the redevelopment works are funded.

Historical usage figures of the facility show that the age and condition of the building has created challenges to promote and market the facility due to water leaks, aged amenities, poor ventilation, and poor aesthetic appearance.

## 5.1 Alstonville Cultural Centre - Future Operation

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One of the key issues in Byron Studios determining not to proceed with using the facility was the condition of the building, as they faced the same issues Council had, with the need for continual patching of the roof to respond to water leaks, and the age and condition of the facilities impacting on marketability and usage.

Council has resolved to redevelop this facility recognising the need for the growing Alstonville, Wollongbar and broader Ballina Shire community to have a contemporary library space in Alstonville, together with cultural and meeting spaces, that can service the community now and into the future.

The redevelopment works include re-roofing, new ventilation and air-conditioning systems, energy efficient lighting, foyer and amenities upgrades. It will also bring the sports hall and library up to current standards and improve accessibility to the facility from the street frontage.

Although the library does not currently meet industry standards and is restricted in space, this section of the building is functional and can continue to be safely used until the redevelopment works are completed.

For the community to safely use the sports hall, multi-purpose hall and meeting rooms, essential maintenance works are required to meet community hire requirements.

The immediate repairs include:

- Roof replacement. This is due to the age and condition of the roof as the roof has reached a stage where continual patching is no longer viable, with the roof continuing to deteriorate creating more leak points, some of which are quite inaccessible resulting in high repair costs.
- Repair of water damaged ceiling in the foyer and other areas of the building.

Based on current construction and material costs, it is estimated that the roof replacement will cost \$800,000 and the immediate water damage repair works to internal areas of the building will cost \$30,000.

Should Council be able to identify potential funding sources for the roof replacement, Council would need to go to tender and appoint a suitably experienced contractor to complete these works. This process, subject to contractor availability, is estimated to take approximately six to nine months to complete.

Should Council wish to proceed with the roof replacement, a portion of the new roof will not be able to be reused during the redevelopment works, due to a change in design of the building.

In addition, although these works will enable this part of the building to be safely returned to use by the community, it will not address the aesthetics or lack of compliance with current accessibility and sporting runoff standards, impacting on the ability to promote and market the use of the facility.

For example the current sports court cannot currently be used for basketball or other sports that require a three metre runoff.

## 5.1 Alstonville Cultural Centre - Future Operation

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Due to the uncertain timeframe for potential grant funding to help fund the redevelopment, there are some benefits in proceeding with the immediate repair works, as it will protect the building against further water leak damage (pending redevelopment) and will provide the ability for Council to offer an alternative community space to hire for some sporting and cultural events.

Under current budget provisions, there are existing funds for insurance, security, lawn mowing, basic maintenance, and rates and charges as these apply regardless of whether the facility is open or closed. However, additional costs to reopen the facility will include staff, cleaning, electricity, mowing and general maintenance.

An estimated budget requirement to reopen ACC, if reinstated back to community hire, is as follows:

<b>Expense</b>	<b>Amount (\$)</b>
Electricity	10,000
Maintenance	15,000
Security (increased patrols)	6,000
Cleaning	25,000
Staff (including oncosts)	80,000
<b>Sub total</b>	<b>136,000</b>

Following the establishment of a licence agreement with Byron Studios at the ACC, together with the impact of hiring of Council's community facilities following COVID-19 and 2022 floods, wherever possible, Community Facilities Officer positions have not been replaced when they became vacant.

This has been beneficial in reducing the current operational expenses of these facilities. However, with the return of Richmond Room back to community use, together with the potential reinstatement of the ACC as a hireable community facility, it will be necessary to reinstate some of these positions.

There are currently 4.6 Full Time Equivalent (FTE) in the Community Facilities Team, with the Ballina Indoor Sports Centre (BISC) having extended operating hours throughout school terms, operating seven days a week.

Lennox Head Cultural Centre (LHCC) operates seven days a week, however only five days with staff members onsite.

The remaining facilities do not have staff onsite. Rather regular visits are required to undertake site inspections, clean, set up and pack down for events and for routine maintenance.

It is important that a staff member is onsite at the larger facilities, such as the ACC, to ensure the safety and security of the site and to provide the required level of customer service. The duration of staff attendance would be influenced by the type, size and numbers of bookings or events.

### **Community Consultation Policy**

Consultation with stakeholders for the redevelopment of ACC has been undertaken with the development application documents on public exhibition in late 2022.



## 5.1 Alstonville Cultural Centre - Future Operation

### Financial / Risk Considerations

Prior to COVID-19, the ACC was generating an average of \$38,000 per year income. This was offset by operating expenses such as cleaning, utilities, advertising and general administration costs.

The operating revenue and expenditure for Council's community facilities for the six month period July to December 2022 is as follows.

Facility	Income (\$)	Expenses (\$)
Alstonville Cultural Centre	(1) 22,000	33,000
Kentwell Community Centre	87,000	33,000
Lennox Head Cultural Centre	148,000	97,000
Ballina Indoor Sports Centre	139,000	57,000
Richmond Room	(2) 92,000	37,000
Ballina Surf Club	160,000	63,000
Administration	0	263,000
Maintenance	0	139,000
<b>Sub total</b>	<b>648,000</b>	<b>722,000</b>

- (1) Represents the lease income from Byron Studios  
(2) Far higher than normal due to a permanent booking by the Blood Bank, with historical figures closer to \$25,000

Should Council seek to fund the required repairs to the ACC, this will be at a capital cost of \$830,000. There are no current budget provisions to fund these works.

Once the interim repairs are made and the site is operational, based on historical figures and usage, the forecast income could be in the vicinity of approximately \$40,000 per annum. This is due to the difficulty in marketing and promoting the ACC due to its age and appearance.

Based on these figures the cost / benefit of spending \$830,000, on what are essentially interim works is questionable, recognising that there will also be a significant increase in operating costs through additional staffing.

The other financial risk is the longer term plan for the redevelopment of this building, including the library expansion, with the cost now estimated at \$13m.

There are no readily available funding sources for this work.

Options that would normally be canvassed include:

- Section 7.11 – The redevelopment of the ACC is included in the Open Spaces and Community Facilities Contributions Plan at an estimated cost of \$10.8m. The percentage able to be funded from contributions is 16%, representing a contribution of \$1.683m. This figure is relatively low as the project is primarily the redevelopment of an existing facility.
- Community Infrastructure Reserve – Priorities for the next few years include the SES Building and the Lennox Head Rural Fire Shed.

## 5.1 Alstonville Cultural Centre - Future Operation

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- Grants – With the focus on the library and cultural space, there should be opportunities to secure State Government grants, although large grants of this nature are difficult to secure. Council has been making representations to the Local Members and Ministers however no potential grant funding opportunities have been identified.
- Loan Funding – This would negatively impact on Council's recurrent budget as the estimated repayment for a loan of \$8m is \$642,000 per annum and for \$10m the figure is \$802,000.

The \$8m and \$10m figures provide nominal allowances for grant funds and Section 7.11 contributions to help fund the entire scope works.

It is expected that once the ACC is redeveloped, the income generated will be comparable with what we currently receive for the BISC and LHCC, however that will largely offset the increased operating costs, and allow little, if any, funds to be applied to the loan repayments.

These types of community facilities are not built and operated by the private sector as they typically operate at a financial loss, and the aim with any facility is to try and minimise that loss to lessen the financial burden on Council and the community.

- Apply for a Special Rate Variation (SRV) - This process would require extensive consultation with the community, with any rate increase not taking effect until 2024/25. The \$8m loan could be funded by approximately a 2.2% SRV and a \$10m loan by a 2.8% SRV.

As all ratepayers pay a special rate variation, if this was the preferred option, the recommendation would be to increase the percentage to generate additional funds for other essential works, such as roads and stormwater.

The reason behind this is that the ACC is more a niche facility, that is not used by all members of the community, whereas core infrastructure such as roads, allows Council to adopt a SRV works program that benefits all areas of the Shire.

A SRV that demonstrates benefits to all ratepayers is not as unpopular as an SRV that only benefits segments of the community, albeit that SRVs are never popular.

### Options

Based on the information available Council has the following options.

**Option 1** – Reopen the facility, in part or full, in its current condition.

This option would enable the community to be able to access the facility for some sporting activities, meetings and events.

Based on historical usage records the current condition of the facility, including its unreliability during wet weather situations, makes it difficult to promote and secure bookings.

## 5.1 Alstonville Cultural Centre - Future Operation

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To proceed with this option, Council would also need to implement measures to be able to cancel bookings at short notice during wet weather.

This option would require a continual patching of the roof, with this maintenance becoming more difficult due to the condition and location of some leak points.

Council would also need to increase current operational budgets to manage the ongoing maintenance and resourcing requirements to operate the facility.

At some point in time the roof will not be able to be repaired, meaning that the facility would need to be closed whilst the roof replacement works were being completed.

This would impact on the ability to promote ongoing or long term bookings at this facility.

**Option 2** – Fund the roof replacement and immediate repair works and reopen the facility

This would require redirecting existing budgets or loan funding the repair costs.

There will also be a requirement for Council to increase existing budgetary provisions to meet the operational expenses listed earlier.

Under this option the facility would remain closed (excluding library) pending the works being undertaken.

The difficulty with this option is that if Council does allocate the funds, it is essentially for a temporary period, as the roof will need to be replaced, in part, when the redevelopment takes place.

The facility will still remain dated and based on historical figures, usage will be limited, generating little in the way of income to help offset the increased operating costs.

Another potential risk is that if Council does have the facility operating, there may not be the same level of urgency, or impetus, to have the redevelopment completed and that may result in the timelines for the redevelopment being extended.

**Option 3** – Continue to close the facility (with exception of library) until funding sources have been confirmed and the redevelopment is underway.

The current estimate for the redevelopment is extremely high at \$13m.

It is hoped that recent escalations in construction costs will now plateau and not increase further over the next couple of years, whilst the planning for this project continues.

## 5.1 Alstonville Cultural Centre - Future Operation

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In looking at a possible funding mix for the redevelopment, one scenario could be:

- Section 7.11 – The Open Spaces and Community Facilities Contributions Plan could be amended to increase the estimated cost from the current figure in the plan of \$10.8m to \$13m. Based on the 16% apportionment to development, this would allow a contribution of approximately \$2m to the project.
- Grant Funds – With library, sports and cultural components to the development, Council should be able to secure some grant funds, and an estimate of \$3m is considered reasonable.
- Loan Funds and Dividends from the Community Infrastructure Reserve through Land Sales – For modelling purposes the balance of \$8m could be loan funded, as an interim measure, recognising that the loan debt by the time the project proceeds could be reduced through funds generated from land sales.

The agenda for the 15 February 2023 Commercial Services Committee meeting includes a report on the Wollongbar Urban Expansion Area – Stage 3 project, and that report contains information on potential sale proceeds from the next stages of the Russellton Industrial Estate subdivision and the Boeing Avenue, Southern Cross Industrial Estate subdivision.

Dependent on the timing of the development and sale of those subdivisions, there should be substantial surplus funds generated that can be applied, in part, to the ACC redevelopment.

On balance it is difficult to recommend option one due to the poor condition of the facility.

The difficulty with option two is that Council may be using public resources inefficiently, in that a significant capital cost of \$830,000 will be incurred to re-open the facility, as a result of the new roof, along with on-going operating costs and the actual usage of the facility based on historical records being relatively low when compared to other contemporary facilities.

A component of the works undertaken as part of the \$830,000 will also need to be replaced, if and when the redevelopment takes place, as the roof alignment changes with the redevelopment.

Option three means that there is some level of uncertainty over timing, but if Council is committed to the redevelopment, then every effort should be made to proceed with the works in a timely manner.

It will take at least another 12 months to finalise all the approvals for the project and have a confirmed building contractor in place, and in that period grant funds can continue to be actively pursued.

During this period Council will also have completed the Boeing Avenue Industrial Estate subdivision, with estimated sale proceeds of \$11m. The Russellton Industrial Estate, which may take two to three years to develop and sell, has an estimated net surplus of \$10m.

## **5.1 Alstonville Cultural Centre - Future Operation**

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Council also has lots at the WUEA – Stage 3 development, that could be sold and applied to this project, if needed.

Based on all of this information, even though it carries a level of financial risk, option three is the preferred approach, with the recommendation being that the preparation of the 2023/24 to 2026/27 Delivery Program and 2023/24 Operational Plan include funding for the redevelopment of the ACC during the 2023/24 and 2024/25 financial years.

This will demonstrate a high level of commitment to the project to the community and the reports to the scheduled March and April 2023 Finance and Facilities Committee meetings will allow Council to confirm the funding mix for the purposes of adopting the Long Term Financial Plan.

If as a result of those meetings, which includes a review of the entire Long Term Financial Plan, Council does feel that the level of risk is too high to proceed with the ACC in the short term, Council still has the option of replacing the roof and reopening the facility.

At this stage there is no identified funding source for the roof replacement and it may well need to be combination of loan funds and future land sales, if that is the preferred approach.

The recommendations that follow reflect the contents of this report.

### **RECOMMENDATIONS**

1. That Council notes the contents of this report that the estimate to re-open the Alstonville Cultural Centre is \$830,000 based on the need to replace the roof and repair other water damage related works.
2. That based on the historical low usage levels for the Alstonville Cultural Centre in its current condition, along with advice that the roof will need to be realigned when the Centre is redeveloped, Council's preference is to keep the Centre closed, excluding the library facilities, and proceed as a priority with the redevelopment of the Centre.
3. That the development of the 2023/24 to 2026/27 Delivery Program and 2023/24 Operational Plan include a funding strategy to undertake the redevelopment works, based on a mixture of Section 7.11 contributions, grant funds, loans, and land sale proceeds.
4. That Council make on-going representations to the State and Federal Governments to secure grant funds to assist with funding the redevelopment of the Alstonville Cultural Centre.

### **Attachment(s)**

Nil

## 5.2 Waste Collection - Service Delivery Review

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### 5.2 Waste Collection - Service Delivery Review

**Section** Resource Recovery

**Objective** To report the findings of a procurement review for our waste collection services.

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#### **Background**

At the April 2022 Finance and Facilities Committee meeting the following recommendation was supported, which was then endorsed by the Council at the April 2022 Ordinary meeting:

*That Council receive a briefing comparing the cost of Council staff providing the bin collection service compared to contractor provision of the service.*

This briefing was presented on 12 October 2022. Based on discussions at the briefing, the following report has been prepared comparing the options of providing the kerbside bin collection service internally (with Council employees) as compared to a contractor provider model for the service.

Although the historic delivery of this essential service has been successful, with high satisfaction ratings recorded and favourable cost benchmarking, a growing number of recent external influences associated with the labour market and other issues are creating sustained challenges and risks.

As such, this review of the service model options is timely to ensure the bin collection service will continue to be delivered effectively into the future.

This report provides an opportunity for Council to determine whether or not it is preferred to take further steps to assess these options.

#### **Key Issues**

- Managing service risk
- Maintaining an effective and efficient service into the future
- Comparing cost
- Assessing employee impacts

#### **Discussion**

Council has historically delivered its waste and recycling kerbside bin collection service through a direct employee resourcing model. This involves delivering the service through the operation of a fleet of Council owned and maintained collection vehicles using a team of permanent employees.

In 2011, Council commenced its food and garden organics (FOGO) kerbside bin collection service.

Council chose to deliver this specific service using a specialised waste collection contractor.

## 5.2 Waste Collection - Service Delivery Review

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Since that time, we have continued to deliver the operations of the three-bin (waste, recycling and FOGO) kerbside collection service via a hybrid model of using employees for waste and recycling and a contractor for the FOGO service.

This hybrid model of delivering the three-bin collection service is somewhat unique. The majority of councils in NSW (and Australia) contract out the entire service to specialist waste collection contractors.

While the FOGO material is collected by our contractor, the customer interface is managed directly by Council.

Whilst unique, this model has been successful and resulted in the continued delivery of an effective and efficient service for the Ballina community. This model has also provided a good opportunity to financially benchmark the services.

The waste collection service has consistently been rated with a high level of community satisfaction in the Council's community satisfaction surveys.

Furthermore, Council continues to benchmark favourably as having one of the lowest annual domestic waste management charges in the region.

However, as discussed in detail below, certain risks have been emerging recently and it is important that Council considers which delivery option will provide the best overall balance into the future, including the mitigation of risk.

The following analysis considers the financial cost, service delivery and organisation resource issues and opportunities.

### Financial Cost Implications

The operational costs associated with delivering Council's waste collection service are well understood given the maturity of delivering the service under the current hybrid model.

Broadly speaking, the overall cost of delivering the service consists of the following key components:

- Employee costs
- Vehicle maintenance
- Fuel
- Fleet depreciation / renewal

Under the alternate option of an outsourced service delivery model, Council would issue a tender to the market for the provision of the bin collection service and award the contract to the company who submits the best value for money option.

This essentially shifts responsibility for all operational costs to the contractor and Council would pay the tendered price for this service via monthly invoice for the term of the contract.

Due to the capital investment required to fund collection vehicles, the term for waste collection contracts generally span seven to ten years.

## 5.2 Waste Collection - Service Delivery Review

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Without conducting the tender process, it is not possible to provide an exact estimate of cost to contract out the collection service.

As such there is some level of inherent risk that a tender process may not result in a cost that is consistent with the estimates used in the analysis presented below.

However, we do have a good understanding of the market value for the provision of bin collection services.

This stems from knowing the precise cost of the FOGO bin collection service currently outsourced to a collection contractor.

Council has also held discussions with our FOGO collection contractor to ascertain non-binding estimates of what it would cost Council for them to also provide the expanded waste and recycling bin collection service.

This knowledge, coupled with information and previous experience within our team managing waste collection contractors in neighbouring councils, has enabled Council to make an informed estimation of the cost to outsource the full service to a contractor.

To further mitigate risk associated with potential incorrect estimates of future tendered pricing, conservatively high pricing cost estimates have been used in the comparative business case cost analysis.

To compare the cost implications of the two service delivery models, the cost of both options has been incorporated into a 10 year forward LTFP model for the Domestic Waste Management (DWM) operational budget.

Attachment 1 shows the results of this modelling exercise.

The attachment shows that across the 10 year LTFP comparative model, there is a potential average operational saving of \$156,000 per annum to the DWM operational budget by outsourcing the collection service to a contractor.

This equates to approximately 2.35% or a \$10 per annum reduction in the average annual domestic waste management charge paid by residents.

There are a number of reasons why a waste collection contractor can perform a bin collection service in a more cost effective manner than a Council operated service.

Waste collection contractors are large commercial companies that specialise in the delivery of kerbside bin collection operations.

They have a critical mass in resource and extensive historic experience which results in the delivery of a highly efficient service.

In particular, the size of their waste collection vehicle fleet creates operational efficiencies through specialised maintenance programs and fleet management opportunities that are not available to an operation at Council's size.



## 5.2 Waste Collection - Service Delivery Review

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Increased levels of fleet management reduces downtime due to breakdowns and enables the vehicles to remain in operation for longer life spans.

The replacement period for Council operated collection vehicles is typically six or seven years whereas the collection contractors will generally seek to retain their fleet for the full 10 year contract term.

This factor is the major component of the estimated \$156,000 per annum operational savings under the fully outsourced service delivery model.

Some information is provided below to explain the difference in economies of scale.

Information from one company noted the following in respect of their fleet management resources.

- The size of the national fleet is 450-500 trucks.
- A dedicated division of 30-40 staff undertake the fleet management function.
- This fleet section has the capacity to monitor and model data for each vehicle in the fleet. Therefore, there is precise knowledge of how much maintenance is costing per hour for that specific vehicle and when the item reaches a viability threshold they look to refurbish, adjust maintenance scheduling and/or swap out with vehicles others that may become available as various contracts around the country expire or change.
- Dedicated staff for the procurement of parts.
- Dedicated workshop staff with access to specialist engineering resources.
- Within this region, this operator has three full time workshop staff, plus the capacity to draw on resources from specialist teams in the division for work on the 10-12 trucks in the region.

Our workshop (with similar number of mechanics) is trying to support a maintenance program for the six collection vehicles as well as all of the other activities they undertake. In particular, it is noted our workshop are called upon to maintain the mowing fleet and the ferry.

The ferry work is specialised and is usually regular programmed work that has to be done at the set intervals. The mowing fleet, by nature of its operation, requires significant ongoing maintenance. Other fleet items, such as heavy plant and machinery for construction work, often require urgent attention to maintain delivery.

Conversely, contractors are able to apply dedicated resources to manage their fleet whereas Council is not in this same position given the diverse scope of functions undertaken.

Overall, Council does not have an equivalent buying power for trucks and parts, or the capacity to maintain and optimise management to the same level, or the ability to swap out trucks within a replacement strategy.

## **5.2 Waste Collection - Service Delivery Review**

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### *Service Level Implications*

The current hybrid model using a combination of employee and contractor resource to conduct our bin collection has typically ranked very high in terms of overall satisfaction.

A concern with outsourcing the entire collection service to a waste collection contractor is a potential decline in the level of control Council has over the service level given we no longer directly deliver the service.

Whilst this is a potential risk, waste collection contractors are well established with a long operational history and provide waste collection services to multiple councils throughout NSW and Australia.

It is a highly competitive industry and maintaining a reputation as a quality service provider is critical for these companies to ensure their sustainability into the future.

The required high level of service can also be achieved via effective contract development and establishment of critical service level related key performance indicators.

Coupled with ongoing effective contract management the risks associated with lower levels of direct service control can be mitigated to ensure the current high community satisfaction level for Council's waste collection service is maintained.

Another method to ensure accountability of collection contractor is to maintain internal control of the customer service function associated with the bin collection service.

This can include a contractual requirement for the contractor to provide Council with access to their in-vehicle data management and GPS systems so Council has a full visual interface with the contractor's collection operations as we do with our internal fleet.

This model ensures that any complaints or concerns from the community regarding contractor performance will be directed to Council and can be managed through appropriate contract terms and actions.

Our experience managing the FOGO collection by contract, with Council maintaining the customer service interface has been successful and from the perspective of management we do not find any material difference within the hybrid model across the direct and contract services in terms of the number of complaints, the quality of the service or our ability to address issues as they arise.

### *Organisational Resourcing and Industrial Implications*

The organisational resourcing and industrial implications are one of the most important considerations associated with this review of Council's bin collection service.

## **5.2 Waste Collection - Service Delivery Review**

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As discussed earlier in the report, the hybrid service delivery model has served Council well to date. A decision to continue with this model avoids impact on current employees as Council would continue to deliver the landfill waste and recycling bin collection service with current employees whilst outsourcing the FOGO service.

An important part of this review is considering the impact to our existing employees if the contract model is preferred.

A consultation process has been ongoing with staff. However it is important to note this consultation has been preliminary, reflecting this investigation is at the pre-proposal phase. If Council resolves to progress investigations to outsource the full service, we would then need to undertake a full formal consultation process in accordance with provisions in the Award prior to any final decision.

To reduce the impact on directly affected employees, Council is able to make a change in service delivery model without any forced redundancies as each affected employee will have the opportunity to retain a job with Council should they wish to do so.

This can be achieved given the substantial growth in operations and customer numbers at the waste management centre which has seen the income generated by the waste centre increase from \$5.1 million in 2018/19 to a record \$10.8 million in 2021/22.

This has led to a demand for increased employee resources. Therefore, through the expected turnover of existing positions and the need for additional roles in waste management centre, there is an opportunity to efficiently enable the current employees to be redeployed within the Resource Recovery operational team.

Furthermore, there will be availability for redeployment to other sections of Council, should this be preferred by any individual.

A further option available for directly impacted employees is voluntary redundancy, including redeployment to work for the successful waste collection contractor, if they wish to do so.

The number of directly impacted staff is six.

As part of this review, the directly impacted collection driving employees have been informally consulted to ascertain their preference on the two future service delivery options. Other waste management staff including those who fill in driving the waste collection trucks at times have also been informally consulted. This was done through meetings and the opportunity to respond to a confidential survey.

The results from the survey indicated the majority of existing employees prefer to continue the service delivery via the status quo hybrid model. This is not surprising as many of the employees have provided a long service to Council in these roles. There is however also an understanding that Council has the capacity to manage a change sensitively and provide meaningful work with similar terms and conditions going forward.

## **5.2 Waste Collection - Service Delivery Review**

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Some employees have indicated their support to the proposed change to contract out the entire service and either continue to work at the waste management centre or take a redundancy payment.

For the employees indicating their support, the feedback is that the delivery of the collection service by Council internally is frustrating due to the difficulties retaining and recruiting skilled employees.

This feedback also noted there is an increasing number of hazards and challenges associated with busier roads, smaller streets and increases in housing and population densities leading to increasing volumes of waste and recycling material to collect on each run.

This is making the workday more stressful and difficult, especially when considered in the context of the issues associated with ensuring the fleet is maintained and working at full capacity.

The predominant second preference in the survey feedback is to contract out the service and staff continue to work as an operator at the Resource Recovery Centre.

Critical to the resourcing discussion are the previously mentioned challenges caused by current pressures in the labour supply market.

This pressure is making it increasingly difficult to retain and recruit employees in the key sections of the organisation directly responsible for delivery of the collection service.

These roles are not suited to a high turnover. Due to the required knowledge of the collection runs, new recruits need time and training to develop corporate knowledge and the need for existing employees to assist in this development creates a demand on their time when they are needing to complete the collection on time.

Advertising for our vacancies in this team has not always provided a sufficient and suitably experienced number of candidates. For our last two vacancies, we were able to appoint two new staff. Both of these staff hold the required heavy rigid vehicle licence, however neither of these recruits (at the time of application) had any experience operating a waste collection vehicle and it takes some time to develop the full proficiency and competency to operate these vehicles.

Within a crew of six operating these set collection routes, any vacancy, unplanned leave or extended leave is a significant impact. The week this report was being prepared, at short notice we have had to ask a contractor to deliver a part of the service as an emergency replacement as there was insufficient internal resources available.

We are currently experiencing unprecedented turnover rates in many sections of Council due to the current labour market conditions. In our Engineering Works Section there is currently 22 vacancies. As replacement is not possible for many of these positions, we are examining a range of strategies to ensure we can continue to implement the works program as scheduled.

Based on our recent experience, if sudden vacancies were to occur in our waste collection team, it is highly unlikely we could recruit experienced replacements.

## **5.2 Waste Collection - Service Delivery Review**

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This means we would be reliant on establishing emergency support from contractors or this essential service would not be delivered as planned.

It is also the case some of our waste collection staff are expected to progress to retirement in the near future. With the sustained growth of the waste business unit, which parallels the development and population growth in the Ballina Shire, we will need to recruit replacements for retirees and recruitments to respond to the growth.

This pressure is not limited to bin collection drivers as it also includes Council's workshop where there are challenges to effectively resource a full team of mechanics that have the capacity and specialised knowledge to maintain the fleet of collection vehicles.

These pressures stem from a combination of record low unemployment figures, cost of living pressures in the Northern Rivers region (particularly housing costs) and the attraction of higher salaries in the construction, mining and resource industry sectors for employees with the same or similar skill sets to those traditionally employed as Council waste collection drivers and/or workshop mechanics.

As per the above, there is very little redundancy or contingency available in our human resources meaning if a few employees resigned at the same time, or were unavailable due to health or other reasons, our capacity to deliver the collection service can be severely impacted. As this is a daily service, the consequences from this risk are significant.

Contracting the full collection service outsources the risk of retaining and recruiting skilled, experienced employees in a growing business, whilst also reducing the demand on Council's workshop to maintain the fleet.

The risk is then reallocated to a large, specialist business who is in a better position to manage this risk.

These companies have national resourcing plans and strategies with the ability to transfer human resource to areas as required.

They also operate under more flexible industrial arrangements which facilitates more options to respond to issues and challenges in the labour force market supply.

In addition, this change would assist to reduce the demand for resourcing in other sections of the organisation such as work health and safety and fleet procurement/management. This proposal also increases the time available for resource recovery activities and strategy development by the leadership team in the Resource Recovery Section.

### **Community Consultation Policy**

As noted above preliminary consultation has been undertaken with the employees potentially affected by a change in service method.

Preliminary discussions have also been undertaken with the United Services Union (the Union) who have confirmed they do not support outsourcing this service.

## 5.2 Waste Collection - Service Delivery Review

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The Union were invited to provide a letter to be included in this report. A copy of the Union's letter is contained in Attachment 2.

As requested in their correspondence, a copy of this report is being provided to the Union at the same time it is published for Council and the Union will be invited to provide a deputation at the meeting.

A brief assessment of the Union's feedback is provided below.

### *Savings*

Comment – The savings of \$156,000 are a once off saving.

Response - The Union has been advised that the anticipated savings are \$156,000 per annum.

### *Future Pricing*

Comment - The Union suggests the cost of future contracts will offset initial savings.

Response – The contract model is well established in a competitive market and therefore it is reasonable to expect value for money tenders will continue to be available

### *Fleet Management*

Comment – The Union suggests Council's management have allegedly deliberately allowed the fleet to run down and deteriorate.

Response – Council has a well established plant management and replacement program with five new trucks purchased in 2020.

### *Service Level*

Comment – The Union is concerned the community will lose control over the quality of the service.

Response – As per the information in this report, it is agreed internal staff have provided a highly regarded service for many years and they contributed to the Council response to natural disasters and other issues. The contract models available have the capacity to manage the quality of service and a key point that needs to be considered is the risk to service delivery in the future as the demand for the service continues to grow. This growth is at the same time as Council is experiencing significant difficulties in recruiting and retaining suitably experienced staff.

### *Inadequate Consultation*

Comment – The Union suggests the Council has not complied with its obligations to consult.

## **5.2 Waste Collection - Service Delivery Review**

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Response – As per the information in this report, we have consulted with staff and the Union, noting we are in the pre proposal phase only. If the Council proceeds, we will commence a formal consultation process before a final decision is made.

### **Financial / Risk Considerations**

This review has identified potential cost savings and risk mitigation benefits can be achieved from the alternate service delivery proposal.

### **Options**

#### **Option 1 – Maintain Status Quo**

Under this option Council will continue to deliver the three-bin waste, recycling and FOGO kerbside collection service via a hybrid model using internal resources for waste and recycling and a contractor for the FOGO service.

#### **Advantages**

- No change maintains certainty
- Avoids potential impacts on employees
- Maintains Council capacity to deliver a service without needing to rely on favourable external market conditions in the long term

#### **Disadvantages**

- Higher operational costs
- Increased risk from being able to retain and recruit sufficient skilled and experienced collection drivers and workshop mechanics to effectively deliver Council's collection service into the future.

#### **Option 2– Move to Full Contract Service**

Under this option Council will commence the formal consultation required with the existing employees and develop tender documentation to enable the outsourcing of the delivery Council's three-bin waste, recycling and FOGO kerbside collection service to a collection contractor.

This process will involve an additional two subsequent decision points being to consider:

1. Feedback following a formal employee and union consultation process.
2. The results of a public tender process for the provision of the full collection service.

#### **Advantages**

- Better risk profile
- Cost savings
- Allows Council to focus on resource recovery strategy and activities and the operation of the waste management centre
- Reduces the work demand on the workshop and other sections of Council

## 5.2 Waste Collection - Service Delivery Review

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### Disadvantages

- Some uncertainty in future pricing (although the current market has a sufficient number of operators and most councils operate through contracted services)
- Impacts on existing employees
- It would be difficult, but not impossible, for Council to return to internal services should it decide to do so in the future.

On balance Option 2 is recommended for the following reasons;

- There are significant concerns about our capacity to recruit and retain into the future a sufficient number of drivers and mechanics to ensure our service delivery is maintained at the same level as it is today
- Potential cost savings of approximately \$156,000 per annum can be realised
- There is sufficient planned growth in our Resource Recovery function to redeploy all affected employees if they elect for redeployment
- Enables resources to be diverted to waste minimisation and resource recovery activities
- Risk is allocated to an organisation in a better position to manage risk
- Service delivery outcomes will not change through Council retaining the customer interface and operating a contract containing appropriate terms, conditions and performance indicators, to ensure the same service is provided
- This model is working successfully at a majority of councils.

### RECOMMENDATION

That in response to the procurement review of the waste collection service, Council progresses the implementation of a fully outsourced waste collection service model subject to:

1. A further assessment following the completion of the formal consultation with affected employees in accordance with Clause 41 - Workplace Change of the NSW Local Government State Award and the outcomes of a tender process for the service.
2. That following the Award process and the outcomes of the tender process that the matter be reported back to Council for further consideration.

### Attachment(s)

1. Long Term Financial Plan - Waste [↓](#)
2. Letter from United Services Union [↓](#)



Long Term Financial Plan - Waste

		ESTIMATED								
OPTION		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Internal Model "Status quo"	Total Operating Revenues	\$9,065,000	\$9,168,000	\$9,487,000	\$9,534,000	\$9,822,000	\$9,936,000	\$10,231,000	\$10,349,000	\$10,683,000
	Total Operating Expenses	\$8,748,000	\$8,956,000	\$9,253,333	\$9,472,333	\$9,705,000	\$9,934,000	\$10,189,000	\$10,429,000	\$10,699,000
	Operating Result - Surplus / (Deficit)	\$317,000	\$212,000	\$233,667	\$61,667	\$117,000	\$2,000	\$42,000	(\$80,000)	(\$16,000)
Contract Model	Total Operating Revenues	\$7,987,000	\$8,141,000	\$8,320,000	\$8,455,000	\$8,640,000	\$8,802,000	\$8,993,000	\$9,158,000	\$9,342,000
	Total Operating Expenses	\$7,481,746	\$7,693,183	\$7,912,192	\$8,136,902	\$8,369,447	\$8,608,969	\$8,854,618	\$9,108,549	\$9,370,926
	Operating Result - Surplus / (Deficit)	\$505,254	\$447,817	\$407,808	\$318,098	\$270,553	\$193,031	\$138,382	\$49,451	(\$28,926)
DIFFERENCE	Operating Result - Surplus / (Deficit)	\$188,254	\$235,817	\$174,141	\$256,431	\$153,553	\$191,031	\$96,382	\$129,451	(\$12,926)



