

**Reference Number: 2023/934**

24 February 2023

[REDACTED]

Email: [REDACTED]

Dear [REDACTED]

**Response - Official Information Request**

I refer to your request for information received on 3 February 2023. Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA) and I provide the following information.

**Copy of the Morrison Low report**

Please find enclosed a copy of the Morrison Low report. In response of the material enclosed, it is necessary to withhold some information for the following reasons:

- section 7(2)(b)(ii) of the LGOIMA, that it would be likely unreasonably to prejudice the commercial position of the person who supplied the information
- section 7(2)(i) to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

It is noted that we currently have Alice from Morrison Low supporting us on consultation for Future of Levin Landfill. This is not connected to, or part of the previous work undertaken by the author of this report.

You are entitled to seek an investigation and review by the Office of the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or free phone 0800 802 602.

Horowhenua District Council publishes responses to Local Government Official Information and Meetings Act 1987 (LGOIMA) requests that we consider to be of wider public interest, or which relate to a subject that has been widely requested. To protect your privacy, we will not generally publish personal information about you, or information that identifies you. We will publish the LGOIMA response along with a summary of the request on our website. Requests and responses may be paraphrased.

If you have any queries regarding this information, please contact the LGOIMA Officer on [LGOIMAOfficer@horowhenua.govt.nz](mailto:LGOIMAOfficer@horowhenua.govt.nz)

Yours sincerely



Steve McTaylor-Biggs  
**Executive Sponsor**

# Landfill Review – Stage 2

**Horowhenua District Council**

June 2016



## Prepared for:

Ref	Date	Version	Approving Director
2173	20/06/2016	2 (final)	Ewen Skinner

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# BACKGROUND

# Background

- Morrison Low undertook a high level review of the Levin Landfill, future ownership and governance options and potential partners
- The conclusions from this assessment were:
  - The landfill is not recovering the full cost of its operation and ongoing development because repayments of the loan principal are not included. There is a need to investigate an increase in revenue or a decrease in costs to address this imbalance.
  - With competition from other landfills in the lower North Island and Horowhenua District Council (HDC) only controlling 5% of the waste disposed at the landfill, HDC is reliant on its landfill contractor to supply the remaining waste to make the landfill viable.
  - Based on current filling rates and the consented landfill capacity, the landfill will be full in 12 years (2028). This timeframe is not ideal for attracting a private party to partner with council, however there may be an opportunity to extend the landfill if community support and workable consent conditions are obtained.
  - The current landfill operations contract heavily favours the contractor with the high risk aspects of landfill development and operation remaining with HDC. HDC do not have the in-house capability to effectively manage these high risks.



# Background

- HDC's requirements for future landfill operations need to consider HDC's in-house capability and maximise income to HDC. The more realistic options for HDC for a future partnering agreement would be either:
  - In-house management with more outsourced operations (enhanced status quo)
  - CCTO with a private partner (Mid West Disposals Ltd (MWDL) or private parties that are not part of MWDL)
  - Contract out waste disposal and enter into an airspace lease with a private partner
- Whilst the future options were determined at a high level there was a need to undertake further assessment to understand the financials associated with the landfill and the potential for the landfill to be extended.
- At the same time there is a need to commence negotiations with MWDL to significantly improve councils' position in the current contract. This could involve offering MWDL the option of a contract extension in exchange for a better return for council. However, MWDL will not be interested in considering a reduction in their returns if they believe they are HDC's only option. For this reason HDC will also need to pursue workable alternatives to the status quo.



# Background

- This Stage 2 study looks in more detail at several aspects prior to negotiation with potential partners:
  - The possibility of extending the landfill
  - The development of a whole-of-life financial model for the landfill facility
  - Existing contractual arrangements and service levels, identification of specific issues for negotiation
  - An implementation plan for negotiating with MWDL and other potential partners

# LANDFILL EXTENSION

# Overview

- The potential for a landfill extension has been assessed at a high level following consideration of the proposed finished contours, the Landfill Management Plan and the landfill consents (noting the points below)
  - MWH were contacted (through HDC) during this assessment. MWH indicated that they had previously been asked to assess opportunities for a landfill extension and while there is potential to extend, no detailed assessment has been undertaken.
  - This assessment was a desktop exercise based upon high level information. While this assessment indicated the potential for an extension, if the option of an extension is to be pursued, then a full engineering and planning assessment will be required to ensure there are no significant issues.
- Based on current filling rates and the finished landfill contours currently proposed, the landfill will be full in 2028, 12 years from now and eight years before the landfill consents expire (2037)

# Extension by increasing height

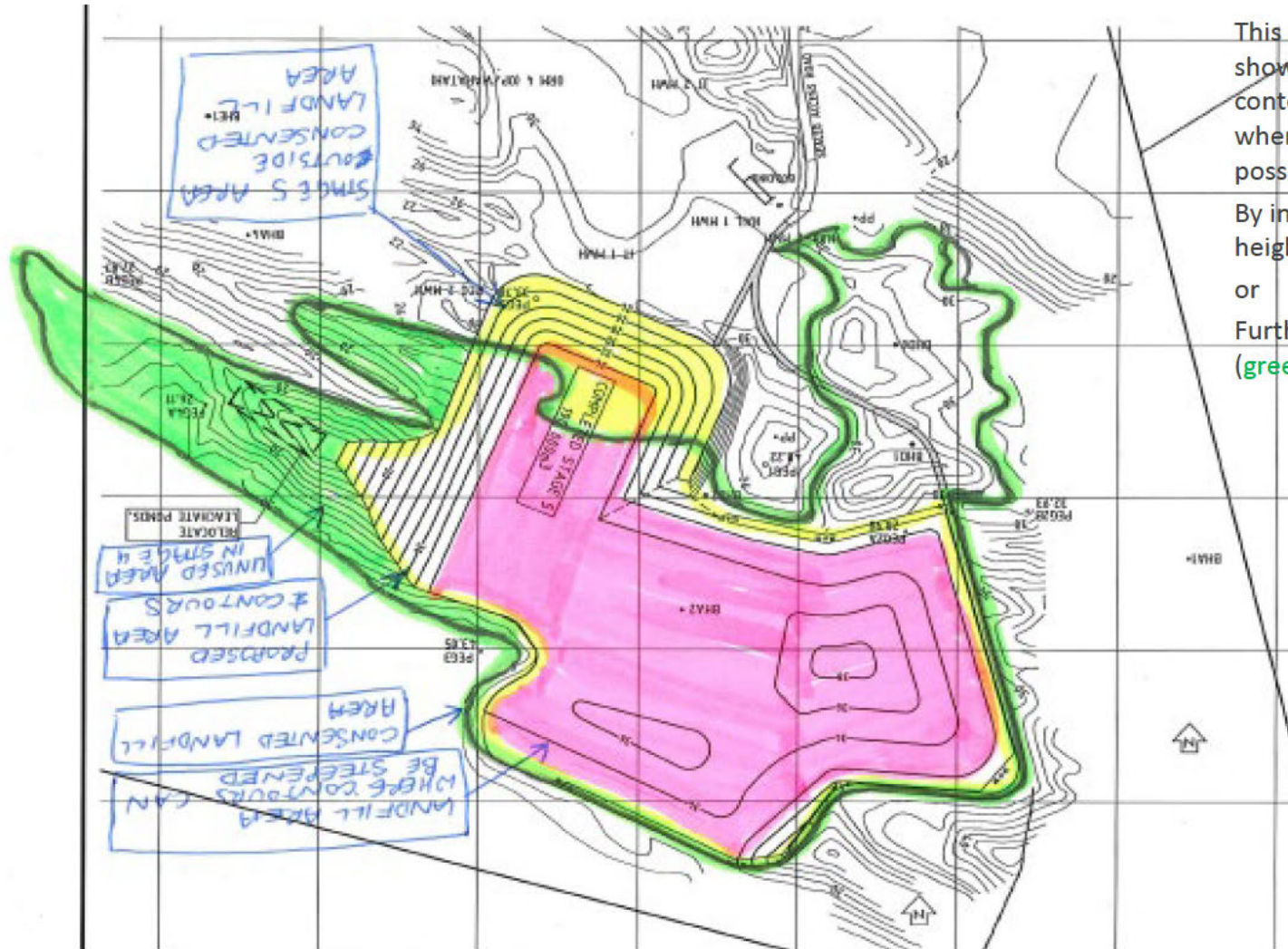
- A landfill extension **by increasing height** can be justified on the following grounds:
  - The finished landfill contours, as currently proposed, are not steep enough to prevent ponding and infiltration of stormwater into the landfill long term and need to be modified to address this
  - An extension would maximise the volume of waste placed above the constructed landfill liner system, maximising Council's investment from both a resource efficiency and financial perspective. If this lined landfill is not maximised, then it brings forward the need to invest in landfill disposal space at a new site.
  - There are no finished height restrictions or maximum disposal volumes in the consent that would preclude an extension. Changes to the finished contours would potentially require only Managers Approval from Horizons Regional Council to a change to the Landfill Management Plan but not a consent variation.

# Extension into Stage 4

- A landfill extension **further into Stage 4** can be justified on the following grounds:
  - The proposed finished landfill contours do not maximise the landfill footprint approved in the consent. There are consented areas in Stage 4 that are not proposed to be filled.
  - The proposed footprint in Stage 5 is outside the consented landfill footprint. This technical non-compliance has always been indicated in the approved Landfill Management Plan, but a consent variation will be required to address this prior to developing Stage 5.
  - Given the need to seek a consent variation to address the technical non-compliance for Stage 5, it would be appropriate at the same time to maximise the use of the consented filling area and increase the landfill slopes and height to address future stormwater ponding issues.



# Landfill contour plan



This diagram indicatively shows the landfill contours and areas where the landfill could possibly be extended:

By increasing the landfill height (**purple area**)  
or  
Further into Stage 4 (**green area**).

# Modelled landfill extension

- To enable the modelling of the cost implications of an extension, the following estimates were made:
  - Approximate volume from steepening slopes 180,000m<sup>3</sup>
  - Approximate volume extending landfill in Stage 4 100,000m<sup>3</sup>
  - Total additional volume 280,000m<sup>3</sup> or 7 years filling (to 2036)
    - Based upon an assumed filling rate, 35,000 t/yr (from current annual tonnage) and landfill density, 0.9 t/m<sup>3</sup> (from Levin Landfill survey data)
- A 7-year landfill extension has a significant impact on the financial viability of the landfill (refer financial modelling section) and offers a potential future contract term of at least 17 years (2021 to 2036)
- This high-level assessment has determined that a landfill extension of at least seven years (to 2036) is possible. A more detailed engineering assessment may reveal that an extension to the consent expiry date in 2037 is also a possibility and / or that other areas outside of the existing landfill footprint can be extended into (ie beyond the purple and green areas shown in the diagram).



# LANDFILL FINANCIAL MODEL

# Modelling basis

- Fully costed operating model to Net Profit After Tax (NPAT) level
- Whole-of-life costs for existing (12-year) and extended (19-year) landfill
- Cumulative NPAT used for comparison
- Operating costs and capital costs from the MWH cashflow model reviewed and used as basis for modelling
- Application of typical landfill-specific depreciation and loan repayment methodologies
  - Landfill capital costs amortised and averaged over remaining landfill life
  - Landfill loan principal repaid over remaining landfill life
  - HDC loan terms are typically 25 years and HDC assets are amortised over different timeframes depended on asset class
- For the landfill extension, additional capital expenditure has been included and final cover has been deferred from Year 12 to Year 19
- Only costs related to the Levin landfill site included (ie wider waste services costs excluded)

# Existing landfill vs extension

Scenario	Existing landfill	Extended landfill
Cumulative NPAT - 12 years	-\$2,196,066	\$578,809
Cumulative NPAT - whole of life	-\$2,196,066 (12 years)	\$2,838,940 (19 years)
Break even MWDL gate fee s7(2)(b)(ii)	s7(2)(b)(ii)	-
Annual cost reduction (or revenue increase) to break even	s7(2)(b)(i)	-

- A landfill extension has a net benefit of \$2.8 million over the existing landfill over 12 years or \$5.0 million over the landfill life

- s7(2)(b)(ii)
- s7(2)(b)(ii)

# CONTRACTUAL ARRANGEMENTS

# Overview

- Landfill operations and development can be split into the categories shown in the diagram below
- The landfill is managed through the Waste Services Agreement with MWDL. Under the Agreement, MWDL are responsible for daily operations, while HDC are responsible for the three remaining categories.

## Daily operations: MWDL

- Waste placement and daily cover

## Other landfill operations: HDC

- Leachate and gas management
- Intermediate cover
- Monitoring and consent reporting

## Landfill development: HDC

- Cell construction
- Final cover
- Other infrastructure (access roads, stormwater, gas, leachate)
- Design, consenting

## Other landfill costs: HDC

- Loan interest
- Amortisation of existing assets
- Aftercare old and existing landfill

# Overview

- A review of the existing contractual arrangements for the landfill has been completed.
- The following issues have been identified with the current contractual arrangements and are relevant to negotiating a revised landfill agreement:
  - Level of service and risks
  - Contract scope and costs
  - Governance models



# Level of service and risks

- MWDL are responsible for daily operations, which are the least complex, lowest-risk aspects of landfill operation and development
- HDC are responsible for the remaining aspects of landfill operation and development, which are the complex, high-risk aspects. For example:
  - There are onerous consent conditions associated with the Levin Landfill, including 5-yearly consent review, that create ongoing operational uncertainty and additional cost
  - There is opposition from the community to the landfill remaining open due to odour discharges from the current landfill operations and leachate discharges from the closed landfill. Investigating complaints and liaising with the Neighbourhood Liaison Group that opposes the operation is time consuming for council staff.
  - With multiple contractors accessing the site to undertake different parts of the operations and no clear control of access, HDC risk being liable if an incident were to occur
- HDC have limited in-house capability to manage these risks, whilst MWDL is a waste management company with specialists in these complex, high-risk operations



# Contract scope and costs

## Daily operations: MWDL

- Waste placement and daily cover

## Other landfill operations: HDC

- Leachate and gas management
- Intermediate cover
- Monitoring and consent reporting

## Landfill development: HDC

- Cell construction
- Final cover
- Other infrastructure (access roads, stormwater, gas, leachate)
- Design, consenting

## Other landfill costs: HDC

- Loan interest
- Amortisation of existing assets
- Aftercare old and existing landfill

s7(2)(b)(ii)

=

Other landfill ops  
\$7/tonne

+

Landfill dev.  
\$17/tonne

+

Other landfill costs  
\$20/tonne

- MWDL receive a discounted gate fee in exchange for undertaking daily operations. The discounted gate fee is meant to cover the remaining aspects of landfill operations and development, managed by HDC. s7(2)(b)(ii)

# Contract scope and costs

- Extending the scope of the Waste Services Agreement to include other landfill operations and landfill development would leave a residual gate fee of \$20/tonne to be charged to cover the contractor's ongoing use of HDC's investment to date in the landfill
- MWDL are likely to be able to deliver landfill operations and development more cost-effectively than HDC because of their industry expertise, therefore it is not unreasonable to expect they would absorb HDC's cost recovery short-fall as part of a new contract

# Governance models

- Governance arrangements have an impact on how financial and operational risks are shared
- During Stage 1 of the landfill review, the three following governance models were identified as the most suitable for a landfill partnering agreement with HDC:
  - Status quo, but with increased contractor responsibility
  - CCTO
  - Landfill airspace lease
- Changing the governance model for the Levin Landfill offers the opportunity to assign management of more operational and financial risks to MWDL (or an alternative partner), who have the expertise to manage these risks most effectively
- The choice of governance model is impacted by the term of the agreement and has an impact on how the service is funded

# Governance models

- All three governance models remain an option for discussion with MWDL or an alternative partner however, given consents expire in 2037, it is our view that this does not give sufficient time to warrant a CCTO. A CCTO is more applicable to new sites or sites with at least 20 years' remaining life. This option is therefore less attractive than the other two options.
- If MWDL are interested in taking full control of the operations and development of the landfill, then an airspace lease may be more suitable to recognise their increased site control

# OTHER NEGOTIATION POINTS



# Contract period

- A longer contract period will be more attractive to potential landfill partners and therefore offers the opportunity for HDC to reduce costs and risks
- MWDL's current contract expires in five years, in 2021. A new contract will need to be in place to cover the remaining life of the landfill; seven years with the existing landfill (to 2028) or 16 years for an extended landfill (to 2037)
- A landfill extension offers the opportunity for both HDC and their partner to benefit from increased revenue and cost spreading
- Contract options with MWDL:
  - Extend remaining contract term from 5 years to 12 years (to 2028)
  - Explore landfill extension and extend contract from 5 years to 17 years (to 2037)
- Contract options with an alternative partner:
  - New contract for 7 yrs (from 2021 to 2028)
  - Explore landfill extension within new contract for 16 years (from 2021 to 2037)

# Transport costs

Transport journey	Return distance (km)	Transport cost per tonne (\$/tonne)
Transport cost (\$/km/tonne)		\$0.15*
Kapiti to Bonny Glen landfill	210	\$31.50
Kapiti to Levin landfill	70	\$10.50
Kapiti to Spicers landfill (Porirua)	76	\$11.40
Horowhenua to Levin landfill	5	**
Horowhenua to Bonny Glen landfill	140	\$21.00
Horowhenua to Spicers landfill (Porirua)	146	\$21.90

\* Based on typical waste industry rates

\*\* Short travel distance and low tonnage, therefore transport costs not calculated using this method

Note: Transport costs are high-level and indicative and have been provided only to enable comparisons for negotiation with MWDL. At low tonnages and over short distances the cost per km per tonne is sensitive to fixed costs.

- Transport of waste from Kapiti Coast to Levin saves MWDL \$21.50/tonne relative to the cost of transporting to Bonny Glen
- An alternative disposal option is available at Spicers landfill in Porirua, which is approximately the same distance from Kapiti as Levin.
- Envirowaste have the operating contract for Spicers landfill and may be able to negotiate (on behalf of MWDL) a discounted disposal rate for this site, however, it is not known what terms and conditions they might be able to negotiate



# Tonnage control

- The location of Levin landfill offers an alternative disposal option for a commercial partner to dispose of waste they control in the greater Wellington region. Although they may negotiate a disposal rate with one of the three Wellington landfills (Silverstream, Southern or Spicers), a landfill at which they have greater control of gate fees, a modest distance north of Wellington is a potential advantage that could be explored either with MWDL or an alternative landfill partner.
- Landfill-owning councils in the greater Wellington region (Hutt, Upper Hutt, Wellington and Porirua) may be interested in considering joint management arrangements that include HDC to protect their landfills from lost revenue if a commercial partner were to exploit this opportunity with HDC
- HDC only control 5% of the waste in their district with this percentage decreasing over time and consequently decreasing the cost-efficiency of service delivery. HDC could consider exiting the waste collections market and negotiating with MWDL to take over service provision for this waste stream.

Pages 29-35 s7(2)(i)

[REDACTED]

Consideration	Details		Outcome sought
Level of service and risk	[REDACTED]		[REDACTED]
Contract scope and costs	[REDACTED]		[REDACTED]
Revenue and gate fees	[REDACTED]		[REDACTED]
Governance	[REDACTED]		[REDACTED]
Contract period	[REDACTED]	[REDACTED]	[REDACTED]
Investigating landfill extension	[REDACTED]		[REDACTED]
Transport costs	[REDACTED]		[REDACTED]
Tonnage control	[REDACTED]		[REDACTED]

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Activity	When
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## OTHER RELATED ISSUES

# Other related issues

- During the Stage 1, Morrison Low also completed a high-level strategic review of HDC's waste services
- There are a number of waste service activities to be completed in the next 2-3 years, including review and renewal of refuse and recycling contracts expiring in 2016, Section 17A service delivery reviews and the Waste Assessment and WMMP review due by 2018
- These activities are interrelated and have some impact on landfill negotiations, particularly as aspects of service delivery are provided by MWDL and Envirowaste
- Based on the high-level strategic review of waste services, actions and an associated programme have been suggested (refer table on following page)

# Indicative waste services timeline

Activity	When
Vary existing refuse and recycling collection contracts to expire February 2018 (may have already been completed)	Jun-16
Complete detailed options assessment for provision of refuse and recyclables collection services, including Section 17A review and contacting neighbouring councils regarding regional collaboration	Jul-16 to Oct-16
Review WA, WMMP and Bylaw and amend in relation to proposed changes	Nov-16 to Feb-17
Consult with community and industry	Feb-17 to Mar-17
Finalise WA, WMMP and Bylaw	Apr-17
Prepare documents for procurement of new services	May-17 to Jul-17
Conduct tender	Aug-17 to Sep-17
Evaluate responses and seek approval for award	Oct-17
Award contract(s) and mobilise new contract (November 2017 to February 2018)	Nov-17 to Feb-18