

## **Full Council**

15 February 2024

### **Report for Agenda Item | Rīpoata moto e Rāraki take [3]**

**Department: Property & Infrastructure**

**Title | Taitara: Organics Investment - Food Scraps and Greenwaste Collection and Processing Services Business Case**

#### **Purpose of the Report | Te Take mō te Pūroko**

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The purpose of this report is to present the business case for QLDC to implement a kerbside organics collection service and processing solution.

The **attached business case** 'Organics Investment - Food Scraps and Greenwaste Collection and Processing Services' describes the options considered and a preferred service solution for Council consideration for inclusion in the Ten Year Plan.

#### **Executive Summary | Whakarāpopototaka Matua**

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QLDC made commitments in its Waste Minimisation and Management Plan 2018 (WMMP) to introduce an organic waste kerbside collection service and provide an organic waste processing facility.

Central Government strategy and policy direction issued in 2023 requires councils to implement a kerbside collection for food scraps to urban areas with populations greater than 1,000 no later than January 2030.

The business case followed a rigorous process to look at a wide range of organic collection service and processing facility options.

The preferred option in the business case proposes a weekly kerbside collection of combined food scraps and greenwaste (FOGO) in an 80 litre bin with the collected material carted to an organic waste processing facility being developed by Central Otago District Council (CODC) under a gate fee agreement.

The proposed new service would commence once the CODC regional facility is operational currently forecast for 2026/27.

The operating expenditure is proposed to be funded through a targeted rate on service eligible properties and is expected to be in the order of \$83 per household per annum (including GST).

Financial provision for implementing an organics kerbside collection service is included in the draft estimates for the 2024/34 Ten Year Plan.

Recommendation | Kā Tūtohuka

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That the Council:

1. **Note** the contents of this report;
2. **Approve** the preferred option in the business case to implement a weekly combined food scraps and greenwaste (FOGO) 80 litre kerbside collection service for urban and rural service entitled properties;
3. **Approve** that the new service commence in 2026/27;
4. **Agree** to enter into formal discussion with CODC for acceptance of organic material at CODC's planned organics facility under a gate fee agreement;
5. **Note** that provision for the estimated costs is included in the draft Ten Year Plan;
6. **Note** that a comprehensive communications campaign and detailed service information will be shared with the community prior to implementation.

**Prepared by:**



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**11 January 2024**

**Reviewed and Authorised by:**



**Name:** Tony Avery  
**Title:** GM of Property & Infrastructure  
**12 January 2024**

## Context | Horopaki

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1. In 2018, QLDC made commitments in its WMMP to introduce an organic waste kerbside collection service and provide an organic waste processing facility. This action was included to reduce waste, landfill emissions and disposal costs, and extend the capacity of the Victoria Flats landfill.
2. In 2021, a programme business case was developed with support from Morrison Low that looked at the extent of Council's investment in the management of all organic waste streams. As a follow on, the attached business case was completed to focus specifically on service options for food scraps and greenwaste.
3. Early in 2023, strategic guidance for Councils to manage organic waste streams through the Ministry for the Environment's (MfE) kerbside standardisation programme was published. Shortly after, Central Government released Te rautaki para Waste Strategy which sets direction and targets for diversion of household waste. On provision the standardisation will be gazetted by the new government, councils will be required to implement a kerbside collection for food scraps to urban areas with populations greater than 1,000 people no later than January 2030.
4. CODC, has decided to invest in developing an organics processing facility in their district. This is currently in the planning process and providing there are no consenting or construction delays is earmarked to be commissioned by 2026/27. The facility will provide a regional option for material from a future QLDC organic collection service.
5. Council have followed a rigorous process to complete the business case, looking at a wide range of collection services and processing facility options. Options have been assessed across a wide range of criteria by Morrison Low and QLDC staff using QLDC endorsed assessment approaches and following Council business case development guidelines. Detailed cost analysis has been undertaken on the options and tested for sensitivity to changes in service variables.
6. Internal engagement has been undertaken via a series of workshops with P&I Managers, ELT and Council on the key collection service and processing facility options at various stages of the business case development.

## Analysis and Advice | Tatāritaka me kā Tohutohu

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### The Business Case

7. QLDC's current kerbside collection services comprise a three bin refuse and recycling collection service, with a weekly refuse service and separate fortnightly glass and mixed recycling, collected on alternate weeks. There is no organics kerbside collection service currently in operation.
8. The purpose of the business case was to analyse, select and recommend:
  - a) a preferred method of collecting food scraps and greenwaste kerbside
  - b) a preferred option for the processing of the collected food scraps and greenwaste

9. Despite a focus on reducing organic waste through various behaviour change initiatives, there remains a significant portion of organic material disposed in kerbside refuse bins. Composition analysis indicated that 54.3% of material in QLDC kerbside refuse bins is organic. Of this, 3.85kg compostable food scraps (at 33.9% of the total) and 2.07kg compostable greenwaste (18.2%) were the two largest components.
10. The introduction of an organics collection service will be a core part of Council's response to reduce organic material in kerbside refuse collection. It will ensure Council meets its proposed mandatory service obligations and commitments to the community through the WMMP and Climate and Biodiversity Plan (CBP). Alongside a new kerbside collection service, Council will continue to support action further up the waste hierarchy including food waste reduction, food rescue and home or community composting.
11. The introduction of a kerbside organics collection service is expected to deliver the following benefits:
  - A reduction in household waste to landfill
  - A reduction in carbon emissions from the landfilling of organic waste
  - Increased customer satisfaction with expanded waste collection services
  - Improved soil quality through the application of compost applied to land
  - Avoided refuse disposal costs, waste levy and Emissions Trading Scheme (ETS) costs

### **Kerbside Collection - Option Assessment**

12. A long list of collection service options was developed by Morrison Low based on existing models in service through Aotearoa/New Zealand and workshopped with Council staff. The options are defined by:
  - Collected material: Food Organic (FO), Garden Organic (GO), Combined Food Organic and Garden Organic (FOGO).
  - Customers included: urban residential, rural residential, commercial customers.
13. In both cases, the service would be delivered to existing collection areas across both urban and rural townships but not extended to commercial customers.
14. From the options assessment, the two highest ranking options were a FOGO collection and a FO collection. The overall net costs of both FO and FOGO options are similar at approximately \$1.9M per annum or \$83-85 per household.
15. Under a FO service the driver is required to exit the truck to manually empty the FO bins, or an additional kerbside 'runner' is required to empty the bins while the driver remains in the truck. The cost of a kerbside runner under a FO collection would mean an increase in costs equivalent to \$25 per household (or 30%).
16. There is a risk that fewer food scraps are diverted from the kerbside refuse bin than with a FO service as residents are more likely to use a FOGO service for additional garden waste (i.e. material not just diverted from the refuse bin). Use of a smaller kerbside bin, a kitchen benchtop

food scraps caddy ongoing communication and engagement regarding food waste can help mitigate this.

17. On balance the FOGO service was selected as the preferred collection option for the following reasons:

- More organic material is collected kerbside with a FOGO service. Residents can use the convenience of a council service to divert both food scraps and garden waste. Councils that have FOGO collections have kerbside diversion rates in excess of 70%, which will achieve proposed mandatory diversion standards more easily.
- A FOGO service does not require manual collection and therefore has lower health and safety risks and lower driver retention issues.
- Drivers for FO collection are difficult to recruit due to the manual collections.
- To encourage greater diversion of food scraps via the kerbside service it is proposed that: Refuse collection be reduced to fortnightly, a new 80L FOGO bin be provided together with a food scrap benchtop caddy (and liners), and the service be supported with a high level of outreach via a comprehensive engagement programme.
- The proposed standard kerbside service for eligible properties:

Kerbside Service	Organic (FOGO)	Mixed Recycling	Glass Recycling	Refuse
Size (Litres)	80L	240L	140L	140L
Frequency	Weekly	Fortnightly	Fortnightly	Fortnightly



For illustration purposes: Recycling 240L, Refuse 140L, Glass 140L, FOGO 80L

- An option to upgrade to a larger bin at an additional cost could be provided to give residents the flexibility to choose an alternative bin size.

18. Service eligible properties include a variety of multi-unit developments (MUDs). A FOGO service has the drawback of being less convenient for residents in high-density housing areas (e.g. MUDs) as they are unlikely to have garden waste to manage. Under current council kerbside service arrangements, MUDs can receive a tailored solution to meet their needs. This approach will be adopted for the new proposed FOGO service.

19. Residents are likely to use the FOGO service for greenwaste in lieu of existing drop-off services (and private collections) potentially making the existing council services less efficient. However the existing services provide an important means for disposing of large volumes of greenwaste and will continue to be utilised. As such it is proposed they remain part of the suite of organic service options provided to the community.

### **Organic Material Processing Facility - Option Assessment**

20. For the processing facility, multiple delivery options were developed that took into consideration the potential location of the facility, the governance and management model employed to build and operate a facility and the processing technology to be used.
21. The shortlisted options included:
- In District Organic Processing Facility – Council Owned/Out-sourced Operation
  - Out of District Organic Processing Facility – Partnership/JV with another Council
  - Out of District Organic Processing Facility – contract with another Council
22. The preferred option for processing the collected material is to enter a contract with an out of district facility provider for the acceptance and processing of organic material. This option is preferred primarily because a suitable facility is being planned by CODC and the relative simplicity of establishing an access agreement with CODC. A gate rate contract with CODC to access this facility also preserves the flexibility for QLDC to consider other processing options and technologies in the future.
23. The benefits of a gate rate contract is that it does not have the commercial risk, complexity and long term commitment of QLDC developing its own facility or shared ownership and operation of an out of district facility. The gate rate contract option is estimated to be an affordable option noting that the out-of-district options are highly sensitive to third party revenue.
24. The kerbside collected FOGO material will likely require consolidation within QLDC prior to cartage to the CODC processing facility. Suitable consolidation methods and locations will be detailed as part of the management planning.

### **Service Implementation**

25. In 2023, the previous government proposed a mandate that councils provide a food scrap collection to households in urban areas prior to July 2030 and proposed minimum performance standards for diverting waste from landfill. There has been no indication that the current Government is planning to make changes to this policy direction.
26. The council waste diversion performance standard is proposed to increase over time:
- 30 per cent kerbside diversion by July 2026
  - 40 per cent kerbside diversion by July 2028
  - 50 per cent kerbside diversion by July 2030
27. QLDC kerbside diversion is currently measured at 27%. To meet the proposed mandate, performance standard and QLDC's commitments in the WMMP and CBP, the new service is recommended to commence in 2026/27 (year three of the Ten Year Plan).
28. Further work is required to determine the commercial, management and implementation aspects of the proposed new organics service.

## Options

29. This report and attached business case identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

### 30. Option 1

**Status Quo. Reject the preferred option in the business case and not proceed with implementation of a new kerbside service for organics.**

#### *Advantages:*

- There will be no increase in costs associated with implementation of a new service.

#### *Disadvantages:*

- Council will not fulfil its commitment in the WMMP and CBP.
- Costs associated with organic waste collected in the kerbside refuse bin and disposal to landfill will continue.
- Council will not reduce organic waste to landfill or the resulting emissions from organic waste decomposition in landfill.
- Council will not meet proposed new government performance standards for kerbside waste diversion and urban household service mandate.

### 31. Option 2

**Agree to the preferred option in the business case to implement a new kerbside organics collection in 2026/27.**

#### *Advantages:*

- Council will meet proposed government mandate for food scrap collection by 2030 and performance standards for kerbside waste diversion.
- Council will fulfil its commitments in the WMMP and CBP.
- The option is aligned with the strategic goals and objectives in QLDC's WMMP, Climate and Biodiversity Plan and Te rautaki para NZ Waste Strategy.
- The option will result in a reduction in emissions generated from organic waste decomposition in landfill.

#### *Disadvantages:*

- Additional bins will need to be managed by residents and will be placed on the footpaths.

- The storage of bins on small sections or sections with steep access, and mobility issues for some residents, are potential issues associated with an increased number of bins.
- Increased complexity of contracts for Council staff to manage.
- Increased costs for Council and the targeted rates for service eligible properties.

32. This report recommends **Option 2** for addressing the matter because:

- The new service will meet proposed government mandates for food scrap collection and kerbside performance standards.
- Implementation of the proposed service will fulfil commitments in the WMMP and CBP and is aligned with the strategic goals and objectives of Te rautaki para NZ Waste Strategy.
- The proposed service will increase the useable life of Victoria Flats landfill, result in a reduction of waste in kerbside refuse bins and reduce emissions generated from organic waste in landfill.
- There will be a likely increase in customer satisfaction with expanded collection services.
- The application of compost to land will see improved soil quality.
- The Council will reduce refuse disposal, waste levy and Emissions Trading Scheme (ETS) costs.

## Consultation Process | Hātepe Matapaki

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### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

33. The introduction of an additional kerbside collection service is of high importance to the district and is of significant community interest. This matter is considered of high significance, as determined by reference to the Council's Significance and Engagement Policy.
34. A kerbside organics collection service is a material change to the way QLDC delivers its waste minimisation services. The proposed level of service increase will bring significant benefits as described in the business case but residents and ratepayers in service eligible properties will be impacted by an increase in rates.
35. The persons who are affected by or interested in this matter include residents and ratepayers of the Queenstown Lakes district community, iwi, community groups, CODC and waste industry stakeholders in the region. The attached business case has more detail on the specific interest and impacts of these persons and the intended engagement approach.
36. The Council has previously engaged with the community on the need for an organics collection service and processing facility solution during special consultative procedure of its WMMP 2018.
37. Further engagement with the community on the recommended option will be included through the Ten Year Plan consultation process.

### Māori Consultation | Iwi Rūnaka

38. Aukaha and TAMI representatives were engaged at a high level during the early stages of the business case. Through the new QLDC Strategic Advisor Maori, Aukaha and TAMI will be kept informed of the progress on plans and decisions associated with the proposed new service and processing option.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

39. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10006 Ineffective planning for property and infrastructure within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.

40. The approval of the business case and recommended option will support the Council by allowing us to implement additional controls for this risk.

41. The option provides for the future needs of the community by delivering services that respond to the strategic objectives of Council and central government including waste minimisation and emissions reduction.

### Financial Implications | Kā Riteka ā-Pūtea

42. Provision for the operating cost of implementing an organics collection service is included in the draft estimates for the 2024/34 Ten Year Plan.

43. The summary of the estimated costs of the service are as set out in the table below. This does not include cost escalation, allowance for growth or provision for an organic material consolidation area.

Financial Year (TYP Year)	2024/25 (Y1) Procure	2025/26 (Y2) Mobilise	2026/27 (Y3) Start collection	2027/28 onwards
<i>Bin and kitchen caddy, supply and delivery</i>		\$1,430		
<b>TOTAL CAPEX (\$000s)</b>	<b>\$0</b>	<b>\$1,430</b>	<b>\$0</b>	<b>\$0</b>
<i>Council management</i>		\$150	\$150	\$150
<i>Implementation costs</i>	\$250	\$100	\$100	
<i>Collection costs</i>			\$1,480	\$1,480
<i>Processing costs</i>			\$860	\$860
<i>Avoided disposal costs</i>			-\$650	-\$650
<b>TOTAL OPEX (\$000s)</b>	<b>\$250</b>	<b>\$250</b>	<b>\$1,940</b>	<b>\$1,840</b>

44. There is potential to apply for a grant from MfE for the following items:

- The purchase of food and/or food and greenwaste bins (set amount per property)

- The design, and distribution costs for communications and promotional marketing/education materials and related collateral
- Coordination and project management costs for rollout (not ongoing costs)

45. An early application for funding is encouraged by MfE investment advisors before available funds are exhausted.

46. The financial implications for QLDC ratepayers is that operating expenditure for the collection service and processing costs would be funded through a targeted rate on all properties that receive the service, with no opt-out provision. Based on the analysis in the business case, the targeted rate is expected to be in the order of \$83-\$85 per household per annum (including GST).

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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47. The following Council policies, strategies and bylaws were considered:

- QLDC Vision Beyond 2050
- Waste Management and Minimisation Plan 2018
- Climate and Biodiversity Plan
- Revenue and Funding Policy
- Procurement Policy and Guidelines

48. The recommended options are consistent with the visions, goals, objectives and actions set out in the QLDC Vision Beyond 2050, WMMP and Climate and Biodiversity Plan.

49. The aspects of the business case covering potential funding of the kerbside collection service and processing and procurement are consistent with the principles of QLDC's Revenue and Funding and Procurement Policies.

50. This matter is included in the current estimates of the draft Ten Year Plan 2024/34.

### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

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51. The Waste Minimisation Act (WMA) requires territorial authorities to promote effective and efficient waste management and minimisation within their district. Council responds to this primarily through its Waste Minimisation and Management Plan.

52. Legal advice has not been sought on the matter. However, Central Government policy direction is currently for food scraps collection services and potentially diversion of food and greenwaste from landfill to become mandatory under future reforms to the WMA and regulation. With lead times for planning, procuring and implementing a new collection service and processing solution, there would be significant risk around Council delaying a decision to proceed in anticipation of regulatory changes under the new government.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

53. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
54. This decision promotes the environmental wellbeing of communities by ensuring waste and resources are responsibly managed.
55. The proposed solution will increase the QLDC communities' access to waste minimisation services and have a positive impact on the environment by reducing emissions, diverting food scraps and greenwaste from landfill and creating a re-usable product from waste. In this sense, the introduction of the service promotes community well-being into the future.
56. This new service requires operational and capital funding allocation in the Ten Year Plan 2024/34.
57. The recommended options
- Is consistent with the Council's plans and policies; and
  - Will increase the level of service provision for waste minimisation and management undertaken by or on behalf of the Council.
  - Will not transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Organics Investment - Food Scraps and Greenwaste Collection and Processing Services Business Case
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