

Chairperson and Subcommittee Members
GRANT ALLOCATION SUB-COMMITTEE

24 MARCH 2015

Meeting Status: **Public**

Purpose of Report: For Decision

WASTE LEVY ALLOCATION 2014/15 : CATEGORY 4

PURPOSE OF REPORT

- 1 This report seeks approval for the proposed allocation of Waste Levy funding under Category 4 of the Council's Waste Levy Allocation Policy: New Technologies and Seed funding and under Category 2 of the Policy: Contractor Incentives.

DELEGATION

- 2 Under the Governance Structure and Delegations framework for the 2013-2016 triennium, the Grants Allocation Sub-Committee has the following delegated authority:

DELEGATED AUTHORITY:

"7 .The Subcommittee will have the authority to assess all applications and allocate funds for the following grant programmes:

Waste Levy Fund grants

7.5 The objective of this programme is to assess applications and allocate Waste Levy grants for projects which achieve a high level of community involvement in practical on-the-ground waste minimisation projects which encourage community participation and long term action"

BACKGROUND

- 3 In August 2014, Expressions of Interest (EOIs) were called for from businesses seeking funding under Category 4 of the Waste Levy Allocation Policy. Applicants had the opportunity to bid for up to \$50,000.
- 4 Two EOIs were received. One from Biobagga Ltd (\$50,000) and one from Laybys New Zealand Ltd (\$40,000). The EOIs were assessed and summarised in report IS-14-1362 which was presented with recommendations to the Grants Allocation Subcommittee on 20 November 2014.

Both applicants were invited to develop their EOI's into full proposals as per the recommendation in report IS-14-1362:

"MOVED (Bell/Holborow)

44. That the Grants Allocation Subcommittee invites Biobagga Ltd to develop its Expression of Interest into a full proposal for funding under Category 4B.

45. That the Grants Allocation Subcommittee invites Laybys New Zealand Ltd to develop its Expression of Interest into a full proposal for funding under Category 4B”.

Policy considerations

- 5 The Council’s Waste Levy Allocation Policy sets out the process for allocation of funding for New Technologies (Category 4A) and Seed Funding for businesses using proven technology (Category 4B). The Policy is attached to this report as Appendix 1.
- 6 Both applications are for biosolids composting trials using existing and proven technologies. Trials are proposed because the make-up of biosolids differs and Kāpiti biosolids are dry as opposed to wet. The end product of the proposed composting methodologies will deliver outcomes that are unique to Kāpiti.
- 7 The Policy conditions assume that when existing and known technologies are used, businesses will be able to develop a business case providing information such as projected revenue, operating costs and end-use markets. Usually the applicant would be able to provide this information or at least make reasonable and logical assumptions based on existing knowledge.
- 8 Both applicants have applied under the 4B Category and were asked to develop a business case as required by the Policy. However, because these are written to support trials and not the set-up of new businesses, these documents cannot provide detail on business development at this moment in time. The outcome of the trials is unknown and economic projections are based on the assumption that the trial will provide the desired outcomes and using information from comparable uses of these technologies elsewhere in New Zealand.
- 9 The applications represent a mix of both funding categories, innovation as well as the use of existing technologies, as both proposals provide a testing programme and a programme for further business development of the end product/results of the trial (as required under Category 4A Innovation).
- 10 Both proposals support the overall objectives of the Policy which are to ‘ensure optimal and transparent allocation of the national waste levy funding to waste minimisation projects’ and ‘to increase the range, scale and number of waste minimisation activities on the Kāpiti Coast through effective use of the waste levy fund’.

CONSIDERATIONS

- 11 **Biobagga Ltd (Director: Andrew Walker)** has applied for \$50,000 to conduct a biosolids composting trial on the Composting New Zealand (CNZ) site at Otaihangā Landfill. CNZ would be subcontracted as the trial operator.
- 12 Biobagga applied to this fund to conduct a similar trial in 2012/13, but withdrew its application following the indication from Greater Wellington Regional Council (GWRC) that a separate consent process was required for the trial. The Biobagga proposal has again been discussed with GWRC staff taking into consideration the new Draft Regional Plan that allows the application of biosolids to land under certain conditions. GWRC has confirmed that the trial can be carried out at Otaihangā Landfill within the existing landfill consents. For the storage and disposal of biosolids during the trial, approval from the GWRC Manager needs to be sought as required in the consent conditions. A letter

seeking this approval has been submitted to the Manager by Council as the holder of the consent.

- 13 The business case and application form from Biobagga describe the trial in detail, including access to the waste stream, revenue projections and the budget required. Both are attached to this report as Appendix 2 and 2A. Further information and photos can also be viewed on the Biobagga website www.biobagga.co.nz.
- 14 The Biobagga trial will utilise four 60-metre agricultural bags with controlled aeration through air injection to compost the biosolids. The technology is widely used internationally and has also been used in New Zealand by Buller District Council for the treatment of wet biosolids. In bag composting using 80% dry biosolids has not been done in New Zealand or elsewhere to the knowledge of the applicant.
- 15 The objectives of the trial are to :
 - prove that in-vessel composting of dry and wet biosolids can be done at Otaihangā Landfill within existing consent conditions;
 - analyse the results of using different mixing agents/quantities;
 - determine cost efficiency of the Biobagga system (\$ per m³ of biosolids);
 - quantify guidelines to achieve quality assurance;
 - obtain a conclusive trial output that will guide strategic decision making;
 - utilise the output compost material as an Aa certified material under the Guidelines for application to land (New Zealand Water & Wastes Association)
- 16 Biobagga has purchased the Biobagga composting system and aeration blowers required for the trial. The system is new and currently stored locally. The total trial budget as presented in the business case is \$59,000. As \$50,000 funding is available, the applicant has applied for \$50,000. The costs have been broken down into analysis and reporting costs, material/equipment costs and operational costs for site preparation and the execution of the trial. The proposed budget has been discussed with relevant Council staff and is deemed reasonable taking into account the capital investment, the duration of the trial and the set up and daily monitoring requirements.
- 17 **Laybys New Zealand Limited (Director: Barry Lucinsky)** has – in cooperation with Dr Jacqui Horsewell PhD, programme leader of the Centre for Integrated Biowaste Research - applied for \$40,000 to conduct a biosolids vermicomposting (worm-composting) trial at the Council-owned land leased by Silaca Glass Crushers in Ōtaki, located next to the Ōtaki Resource Recovery Centre.
- 18 GWRC has been contacted by Council staff as well as by the applicant to determine if the trial at the proposed site in Ōtaki will require resource consent. Contradictory to what is stated in the business case, GWRC has now confirmed that a discharge to air resource consent would be required for the trial at this site. A consent would have conditions around management of possible odour.
- 19 The business case submitted by Laybys describes the process of vermicomposting, describes the trial in detail including the budgets and provides information/assumptions about end-use markets, projected revenue and economic benefits for the District. The business case and the application form are attached to this report as Appendix 3 and Appendix 3A.

- 20 Vermicomposting of municipal biosolids is a commonly used waste management strategy both in New Zealand and overseas. During the process organic matter is decomposed by earthworms and microorganisms, converting nutrients from a raw form into a stable form. Laybys proposes to use waste GIB board as a bulking agent which presents a further opportunity for waste minimisation in Kāpiti. Confirmation that the GIB board is available from a local producer has been provided.

Laybys indicates that although vermicomposting is a known technology, a trial is required because (to the best of their knowledge)

- vermicomposting of dried biosolids has not been undertaken in New Zealand, thus parameters for effective vermicomposting must be determined;
 - co-vermicomposting of biosolids and construction plaster board has not been undertaken in New Zealand;
 - vermicomposting is commonly undertaken in windrows or concrete bays and vermicomposting in plastic containers reduces discharges to the environment and provides more optimal conditions for composting and
 - the trial is required to determine the parameters for effective composting.
- 21 Laybys has applied for \$40,000 of funding and has provided a trial budget with a breakdown into site preparation cost, materials required, analytical costs, operational staff time, travel cost and estimated cost for a resource consent process. They would use up to 12 bins for the trial and the trial is estimated to take approximately three months. The proposed budget has been discussed with Council staff. Taking into account the timeframe of the trial, the proposed site set up and manual labour involved in the trial as well as monthly testing, the overall proposed budget is deemed reasonable.
- 22 With regard to the estimated resource consent costs the estimated \$7000 seems to be on the high side, in comparison with the cost of the recent consent renewal for discharge to air for the Ōtaki Resource Recovery Facility. It is proposed that only the actual consent process costs will be funded if funding is approved.
- 23 The current land lease agreement between the Council and Silaca Glass Crushers stipulates as a purpose 'the operation of a glass crushing facility'. Approval of funding of the trial and approval of resource consent for the trial by GWRC would lead to an amendment of the lease agreement to enable the use of part of the leased land for the trial.

24 Funding considerations:

During the Long Term Plan workshops it was discussed that Otaihangā Landfill will no longer be accepting the biosolids for disposal per 1 July 2015. Both proposed trials present the Council with an opportunity to investigate the viability of a local biosolids composting as an alternative to transporting biosolids out of the District to another landfill. The timing of the trials assists the Council in the process it is embarking upon towards developing alternatives for the landfilling of biosolids. Successful development of alternative methods would lead to reduction of waste to landfill, significant cost savings as well as assisting the Council to meet its carbon emission reduction targets set under the Council's Carbon and Energy Management Plan.

- 25 Taking into account these potential outcomes, the fact that the trials meet the objective of the Policy and that the applicants can be required to provide further information when the trials meet the proposed objectives, it is recommended to fund both trials.
- 26 This report recommends spending a significant amount of Levy money on two trials. It is acknowledged that it is inherent to conducting a trial that it may not result in the desired outcome, which is to prove that composting and reuse of biosolids can be an alternative to landfilling. Should funding be approved and only one or neither trial provides the desired outcomes, this would not alter the fact that the Council would have approved funding in accordance with its Levy Allocation Policy using a contestable process for allocation of this funding.

When the Council was audited by the Ministry for the Environment in November 2013, the report concluded that '*Council can demonstrate for the purposes of tracking and reporting on levy expenditure that there is a clear audit trail through the financial tracking and reporting processes*'. The Council reports its Levy spending to the Ministry annually which includes information and outcomes of the projects that were funded.

- 27 Funding both trials can be achieved by allocating the \$50,000 available in this funding round to Biobagga, and funding the Laybys vermicomposting trial with levy money that would have been made available in the 15/16 funding round. It is proposed to not advertise a Category 4 contestable funding round during the 15/16 year.

The Policy does not require the Council to make funding available through the contestable process each year for both categories and neither does it prescribe how much funding should be made available.

- 28 As discussed under paragraph 10, the objective of the Policy is to 'ensure transparent allocation of the levy funding'. Proposing to fund both trials meets this objective as both applications for funding have been subject to an open and transparent process that started with the Expressions of Interest put forward by both applicants in October 2014.
- 29 It is recommended to approve the \$50,000 available this 14/15 funding round for the Biobagga trial on the condition that the approval of the Manager of the Greater Wellington Regional Council is obtained as required under Condition 33 of Resource Consent WGN930177 [32320].
- 30 It is recommended to approve *up to* \$40,000 funding for the Laybys vermicomposting trial, depending upon the actual cost of the resource consent process and conditional upon
- the applicant obtaining resource consent for the trial and
 - the Levy Money becoming available to Council in the 15/16 financial year
- 31 The condition with regard to the Levy Money becoming available is proposed to ensure funding is available to Council. Even though part of the funding is available in the current budget, the full amount will become available after the first levy payment of the 15/16 financial year. There is no reason to assume that Council will not receive the expected July 2015 payment.
- 32 **Update funding round innovation/businesses 13/14 year.**

- 33 In the 13/14 year, \$30,000 was available for funding under Category 4 of the Policy. Funding of \$27,255 was approved and paid to Detyre NZ (also trading as Entyre NZ) to contribute to the development and construction of a mobile tyre cutter. The mobile tyre cutter would form an important first step in the tyre recycling process in the new to be established recycling facility in Ōtaki.
- 34 The approved funding did contribute to the development and construction of the mobile tyre cutter but delivery of the cutter to Detyre became subject to mediation.
- 35 The Council allocated the funding using the contestable funding process in accordance with its Policy. The mediation process following construction was unfortunate, but beyond the Council's control. This was reported to the Ministry for the Environment in September 2014 and initial feedback received confirms the above and acknowledged that funding business development may always be subject to risks that are inherent to conducting business.
- 36 The director, owner and sole shareholder of Detyre/Entyre passed away very suddenly in December 2014, leaving the building and development process of the recycling facility in Ōtaki unchanged since then. Council staff have been in touch with one of the Entyre investors and there is optimism amongst the creditors/investors who want to see the recycling facility be established in Ōtaki, but the estate probate process will take up to 12 months. Detyre/Entyre going into receivership may be part of that process but it was indicated this may positively impact the completion process.

Legal considerations

- 37 There are no legal considerations for the Council.

Financial considerations

- 38 Council receives quarterly payments of Waste Levy Money from the Ministry for the Environment to a total of currently around \$163,000 per year. Payments to Territorial Authorities can change depending on the total of Levy income received by the Ministry from landfill operators.
- 39 The Council is required to spend Levy funding in accordance with its action list in the Wellington Region Waste Management and Minimisation Plan (WMMP). Distribution of funding through the Category 4 contestable grants process is action KC3 of the Kāpiti Action List in the Wellington Region WMMP. 2012.

A total of \$50,000 was available under Category 4 in 2014/15. This report's recommendations would result in a full allocation of the available funds and would also allocate funding that will become available in the 15/16 year. That is discussed in paragraph 35 of this report.

Tāngata whenua considerations

- 40 The Solid Waste and Wastewater teams are working together in the process towards developing alternatives for landfilling of biosolids. The Water and Wastewater Asset Manager has presented the challenges facing the Council and discussed some of the options available for consideration for the end use of Kāpiti's biosolids at the latest Te Whakaminenga o Kāpiti meeting. Following that, a delegation visited the Wastewater Treatment Plant and a paper will be put

forward by Te Whakaminenga o Kāpiti considering its views on the subject of alternative use of biosolids.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

41 This matter has a low level of significance under Council policy.

Consultation already undertaken

42 Please refer to paragraph 40 for consultation so far.

Engagement planning

43 An engagement plan is not needed to implement this decision. If the trials are successful and lead to further decision making, an engagement plan would be developed.

Publicity

44 It is proposed that a media release be prepared if funding approval is provided.

RECOMMENDATIONS

45 That the Grant Allocation Sub-Committee approves \$50,000 (excl GST) Waste Levy funding for the Biobagga composting trial as described in paragraphs 11-16 and Appendices 2 and 2A of report IS-15-1492, *on the condition* that the approval of the Manager of the Greater Wellington Regional Council is obtained by Council as the consent holder as required under Condition 33 of Resource Consent WGN930177 [32320].

46 That the Grant Allocation Sub-Committee approves up to \$40,000 (excl. gst) Waste Levy funding for the Laybys vermicomposting trial as described in paragraphs 17-23 and Appendices 3 and 3A of report IS-15-1492 on the condition that Laybys obtains resource consent (if required) for the trial and the full sum of funding has become available to Council in the 15/16 financial year.

If the actual cost of the resource consent application process is less than the \$7000 applied for, only that cost will be funded.

Report prepared by	Approved for submission	Approved for submission
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ATTACHMENTS

- Appendix 1 Waste Levy Allocation Policy
- Appendix 2 Biobagga business case – December 2014
- Appendix 2B Biobagga application form
- Appendix 3 Laybys business case
- Appendix 3B Laybys application form