

Business Case

High Complexity

Organics Processing and Collection –Addendum

**Enterprise PPM (Sentient) ID 31714, 19203, 15084,
15067, 31790**

Business Case Lead: Terry Coe

1 Document control

1.1 Document history

Version	Date	Updated by	Update details
V1	3/12/2021	Alice Grace	Draft addendum to the 2013 Indicative Business Case
V2	22/12/2021	Alice Grace	Updated draft addendum, additional financial information
V3	4/02/2022	Alice Grace	Final addendum, adjusted financials and commentary
V4	3/03/2022	Alice Grace	Updated, BCR and additional commentary on resources

1.2 Associated documents

Version	Date	Document name and storage location
V1.4	July 2013	Organic processing and collection Indicative Business Case

1.3 Distribution

Title	Name
GM, Waste Solutions	Parul Sood
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1.4 Document review

Role	Name and signature	Date
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2 Project information

Project information	
Project name	Organics processing and collection
Project type	Strategic priority + Customer experience
Enterprise PPM (Sentient) ID#	19203: Organics: Collection & Implementation 31790: Organics: Liner procurement 15084: Organics: Bin procurement 15067: Organics: Processing 13654: Organics: Pilot trial extension and evaluation (closed)
Programme name	Food Scrap Procurement and Implementation
Programme Sentient ID #	Programme Layer 3 PRG Food Scrap Procurement & Implementation (ID #31714)
Project complexity rating (PCAT)	High complexity
Author and date	Terry Coe, March 2022
Executive Investment Summary (EIS)	n/a
Project budget requested	<p>Increase in LTP funding for project Opex of \$5,886,000 for FY2021/22, FY2022/23 and FY2023/24. Funding sourced from Council's accumulated Waste Levy funds, with no impact on rates.</p> <p>The funding increase includes contingency funding of \$1,039,000 (and also includes inflation for FY2022/23 and FY2023/24 of \$491,000).</p> <p>s7(2)(i) Prejudice to negotiations [REDACTED]</p> <p>Note: total project funding is \$24,323,000, including \$12,200,000 Capex, \$12,123,000 Opex.</p> <p>Note: financials will be further refined in April 2022 as part of the Project Execution Plan update, where detailed workstream plans will be presented.</p>
Financial year requested from	2021-22
Estimated start and finish date	January 2022 to December 2023

3 Executive summary

As committed to in our 2018 WMMP, Auckland Council has a target to reduce residential waste to landfill from 160kg/cap/annum to 110kg/cap/annum. With food scraps making up 45% by weight of this waste, the introduction of a food scraps collection service has been identified and endorsed as a core initiative to meet this target. Without the roll-out of the food scraps collection service, Council will not meet this target

At a high level, the roll out of a region-wide food scraps collection service is anticipated to deliver the following benefits:

- Meeting the WMMP target for reduction in residential waste to landfill (from 160 kg/cap/annum to 110 kg/cap/annum)
- Diversion of 39,000 tonnes of organic material from landfill per annum increasing to 75,000 tonnes over the 20-year project period.
- Reduction in carbon emissions from waste by 125,000 tonnes CO₂-e per annum increasing to 250,000 tonnes over the 20-year project period.
- Recovery of energy and returning organic matter to soil through processing food scraps.
- Refuse collection and disposal cost savings
- Savings in Waste Disposal Levy and Emissions Trading Scheme costs

Note that there have been significant increases in the Waste Disposal Levy and ETS costs since 2013 (\$20/tonne to \$114/tonne) increasing financial benefits. These charges are applied to the tonnes of refuse disposed on top of landfill disposal charges.

The region-wide roll out of the food scraps collection service will be the largest waste services roll-out undertaken in the Southern Hemisphere. To manage the scale of change, with every urban resident impacted by the service introduction, Council will phase in the change over eight months and support residents with extensive communication and engagement leading up to the change and during the transition period. It is important that the roll out is well resourced to make this project a success, with long term participation and support needed for the service.

Additional resources are required across multiple workstreams to deliver the following activities:

- Design, construction and commissioning of food scraps processing and consolidation facilities
- Mobilisation of collection contractors across all 7 collection areas, including truck orders, conversions and fit out, and driver recruitment and training
- Design, manufacture, supply and distribution of food scraps bins, caddies and liners
- Planning, design and delivery of customer engagement programme to prepare residents for the service change and then additional customer services and engagement support during roll out
- Mobilisation and delivery of contract monitoring and enforcement and bin asset management activities to support roll out and provide ongoing services support.

The purpose of this Business Case Addendum is to provide an update to the 2013 Indicative Business Case for Organics Processing and Collection and seek funding approval for the upfront capital and operating costs for the region-wide roll out of the food scraps collection service. The roll out is scheduled to commence in March 2023 and conclude by November 2023. The following schematic shows the high-level roll out programme for the food scraps collection service.

FY2021/22		FY2023/24				FY2023/24	
Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023
Processing and consolidation facility construction		Commission		Trial period			
Planning and design for customer engagement for service change		Comms start Areas 1-3	Comms start Areas 5-7	Comms start Area 4	Ongoing roll out engagement		
Bin and liner design, manufacture, supply			Distribution Areas 1-3	Distribution Areas 5-7	Distribution Area 4	Ongoing distribution	
Collection truck orders, conversions & fit out, and driver recruitment & training				Services start Areas 1-3	Services start Areas 5-7	Services start Area 4	

The following figure shows the ramp up in resources (total FTEs) over the project period, peaking May to November 2023 period when all three roll out phases will be underway. Once the region-wide roll out is complete, these resources will no longer be required, with ongoing customer and contract management activities able to be managed within existing Waste Solutions staffing levels.

The cost of the food scraps collection service is approximately \$180 million over the next ten years, including \$24.3 million upfront project costs (Opex and Capex), \$18.2 million advanced grant (Opex) and \$19.2 million per annum in ongoing costs (predominantly Opex). These costs are lower than presented in the 2013 IBC due to significant savings to Council obtained through procurement of collections, processing and bin procurement.

This 2022 Business Case Addendum seeks formal approval for an increase in Opex funding for the project of \$5,886,000, from \$5,543,000 approved in the 2021 LTP to \$11,429,000. The LTP increase requested includes the project contingency of \$1,039,000. Funding for this project will be from Council's accumulated Waste Levy funds, with no impact on rates.

The phasing of the requested LTP budget increases is shown in the following table. This table also presents future project costs in three categories: staff, bin liners and other project costs. Other project costs include marketing material, digital set up and external engagement providers.

Cost Component	Cost to date	FY 2021/22	FY 2022/23	FY 2023/24	Total cost
Fixed Term Staff Costs	\$0	s7(2)(f) Prejudice to negot			
Temporary Staff Costs	\$0	\$0	s7(2)(f) Prejudice to negot		0,000
Bin Liner Costs	\$0	\$0	s7(2)(f) Prejudice to negot		
Other Project Costs	s7(2)(f) Prejudice to negot				
Total Project Costs	\$694,000	\$673,000	\$4,571,000	\$5,146,000	\$11,084,000
Contingency	n/a	\$67,000	\$457,000	\$514,000	\$1,039,000
Project costs including contingency	\$694,000	\$740,000	\$5,028,000	\$5,661,000	\$12,123,000
LTP Budget (N.007631.03.10 – Food Scraps rollout Project Mgmt)	n/a	s7(2)(f) Prejudice to negot			00
Additional budget required (from accumulated Waste Levy funds)	n/a	s7(2)(f) Prejudice to negot			

The following is noted in relation to the annual budgets:

- The current FY2021/22 budget includes the project management staff as well as the customer workstream resources that commence from April 2022.
- At the start of FY2022/23 the remaining workstream leads need to be brought onboard. Services roll out to the northern contract areas towards the end of FY2022/23 (from March 2023), with other project costs commencing ahead of roll-out for communications, marketing, digital services, community engagement. Temporary staff for the call centre, customer request response, community engagement, bin auditing and enforcement are brought on in the second half of FY2022/23.
- The remainder of the roll-out is completed in the first half of FY2023/24 (finishing November 2023), with all fixed-term and temporary staff finishing at the end of 2023.

It is noted that the financials presented in this 2022 Business Case Addendum will be further refined in April 2022 as part of the Project Execution Plan update, where detailed workstream plans will be presented.

The 2022 Business Case Addendum seeks additional funding for the roll out, which results from lessons learnt by Waste Solutions in other roll-out projects, including the North Shore trial and Papakura pilot and the roll-out of new contracts and bins for other collection services.

The additional funding request is attributed to the following scope changes that were made after the 2021 LTP was approved.

Scope change	Details	Additional cost
Supply of bin liners	The decision to supply bin liners as part of the initial roll out was made after the 2021 LTP was approved. Liners have been shown to increase participation and customer satisfaction.	\$3.1 million
Condensed roll out	The roll out of the food scraps collection service has been delayed due to Covid-19 disruption. The original two-stage roll out has been condensed into a ten-month progressive rollout, which results in a far more intensive communications and customer service requirement.	\$0.9 million
Addition of MUDs	MUDs were not originally included in the food scraps collection service. All MUDs now need to be visited and consulted with on their service option. The overall number of MUDs is increasing and it is important to get the servicing right. A resource has been added to support this activity.	\$0.2 million
Extension of the collection area	An increased number of households need to be accounted for within the collection service due to an expanded urban boundary (an additional 40,000 households). A dedicated data coordinator has been added to the project team to focus on accurate customer data for the roll out.	\$0.2 million
Additional resources: fixed term staff / contractors	<p>Project management resources were already accounted for, but the project now needs to account for five dedicated workstream leads for detailed project planning and execution.</p> <p>These staff are generally seconded from within Council so that the knowledge gained from a significant services change can be retained in house. Backfilled resources can be fixed term employees or contractors.</p>	\$1.0 million
Additional resources: temporary staff	These temporary staff will provide additional customer facing support during the rollout period. These staff are all outsourced temporary staff provided through temping agencies or our community partners.	\$0.5 million

4 Strategic Case

The **purpose** of this Business Case Addendum is to provide an update to the 2013 Indicative Business Case for Organics Processing and Collection and seek funding approval for the upfront capital and operating costs for the region-wide roll out of the food scraps collection service.

The roll out is scheduled to commence in March 2023 and conclude by November 2023. The cost of the food scraps collection service is approximately \$180 million over the next ten years, including \$24.3 million upfront project costs (Opex and Capex), \$18.2 million advanced grant (Opex) and \$19.2 million per annum in ongoing costs (predominantly Opex).

Approval is sought for an increase in project funding of \$5,886,000 relative to the 2021 LTP.

The region-wide roll out of the food scraps collection service will be the largest waste services roll-out undertaken in the Southern Hemisphere and is crucial to Council meeting its waste minimisation targets in its 2018 Waste Management and Minimisation Plan (2018 WMMP). To manage the scale of change, with every urban resident impacted by the service introduction, Council will progressively phase in the change over eight months and support residents with extensive communication and engagement leading up to the change and during the transition period.

Additional resources are required across multiple workstreams to deliver the following activities:

- Design, construction and commissioning of food scraps processing and consolidation facilities
- Mobilisation of collection contractors across all 7 collection areas, including truck orders, conversions and fit out, and driver recruitment and training
- Design, manufacture, supply and distribution of food scraps bins, caddies and liners
- Planning, design and delivery of customer engagement programme to prepare residents for the service change and then additional customer services and engagement support during roll out
- Mobilisation and delivery of contract monitoring and enforcement and bin asset management activities to support roll out and provide ongoing services support.

4.1 Background

A region-wide organics processing and collection service was first approved in 2012 as part of Council's first Waste Management Minimisation Plan (the 2012 WMMP), which followed the amalgamation of the legacy territorial local authorities in Auckland.

This service change impacts every Auckland household, significantly increasing customer interactions that our staff are required to plan for and manage. A service change of this scale impacts customer and digital services, customer response, contract managers, contractors, as well as our community engagement, communication and marketing teams. Dedicated resources are needed to focus on the project and so that BAU activities do not suffer and staff do not burn out.

The 2012 WMMP proposed the organics collection services as part of a suite of initiatives to reduce kerbside residential waste in Auckland from 160 kg/cap/yr to 110kg/cap/yr and provide regionally-consistent services (noting that there were seven different collection systems in legacy areas when amalgamation occurred). As indicated in both the 2012 WMMP and 2018 WMMP, food scraps make up 45% of residential kerbside refuse collection services by weight, the largest component of this waste stream (refer 2018 WMMP). If separated, the resources from food scraps can be recovered by using them to generate electricity and return organic matter to soils. Without the roll-out of the food scraps collection service, Council will not meet this target.

In 2013, an Indicative Business Case was prepared for the organics processing and collection service (the 2013 IBC) to meet the objectives and actions proposed in the 2012 WMMP. The IBC was approved in December 2013 by the Project Control Group.

Following the 2013 IBC, costs for the new food scraps collection service for urban residents were approved in the 2015-2025 Long Term Plan (LTP) and the introduction of the service endorsed by the Environment and Community Committee in May 2016. In the 2015-2025 LTP the average cost for residential services were estimated to be approximately \$260 per year, an increase of \$25 per year per household for current costs. Services were to be introduced in Papakura first.

Also during this time, Auckland Council engaged the Auckland University of Technology to undertake research into an ergonomic and safe collection vehicle and bin design, using a semi-automated approach (manual loading of food scraps into a hopper with automated lift on the side of the truck). Council also undertook a trial with 2,000 households on the North Shore to provide actual Auckland data on participation rates and volume of food scraps collected. The North Shore trial commenced in April 2014.

Following the May 2016 endorsement, Council completed an internal commercial review of the food scraps collection service and engaged external consultants, SLR Consulting, to provide an independent third-party assessment. The internal review was completed in April 2016 and the external review, which followed, was completed in May 2017. These reviews confirmed that the service could be delivered within the approved LTP budget (\$260 per household per year) and that the anticipated diversion was achievable.

Following these reviews, the Waste Political Advisory Group (in February 2017) and then the Environment and Community Committee (in May 2017) endorsed progression of the food scraps collection service (Resolution STR/2017/46). A Project Execution Plan was developed following this endorsement, in June 2017 (the 2017 PEP), and funding was approved for the project at that time (refer Financial Case section for further details).

Procurement also got underway for the food scraps processing solution and, soon after, the integrated three-bin collection contracts including region-wide food scraps collection in urban areas. Procurement decisions were presented to the Strategic Procurement Committee from that time onward due to the high value of the contracts being procured. Updates were also presented to the Strategic Procurement Committee (Resolutions STR/2019/16 and STR/2019/70).

In 2018, Auckland Council adopted its second Waste Minimisation and Management Plan – Te Mahere Whakahaere me te Whakaiti Tukunga Para I Tāmaki Makaurau (2018 WMMP) which committed to a weekly collection of household food scraps from urban areas (Resolution ENV/2018/70). The 2018-2028 LTP provided for the roll-out of this food scraps collection service, with no provision for opt-outs (Resolution GB/2018/91).

The Papakura food scraps collection service commenced in March 2018. Waste Solutions is now preparing for the service to be rolled out to the remainder of the region from March 2023 to November 2023.

The Strategic Procurement Committee approved the supplier recommendations for the integrated waste collections contracts in 2019 (Resolution STR/2019/80) and for the food scraps processing contract in 2019 (Resolution STR/2019/77).

In 2020, the Government approved changes to the Waste Disposal Levy (gradually increasing the Levy from \$10/tonne to \$60/tonne by July 2024) and increasing the cost of Emissions Units (eUs) in the New Zealand Emissions Trading Scheme (increasing the ceiling price and introducing a cap on eUs, the ETS). Combined, these initiatives are expected to increase the cost of waste disposal by around \$70/tonne by July 2024.

In November 2021, the Government released consultation documents for a new National Waste Strategy and changes to waste legislation in New Zealand. It also released consultation documents for the Government's Emissions Reduction Plan. Both documents provide a strong signal to local government and industry to reduce waste to landfill, in particular food scraps, further supporting Auckland Council's decision to introduce food scraps collection in Auckland.

This Addendum to the 2013 IBC provides an update to the original business case and seeks approval for project funding for the region-wide roll out.

4.2 Opportunity/Problem

As committed to in our 2018 WMMP, Auckland Council has a target to reduce residential waste to landfill from 160kg/cap/annum to 110kg/cap/annum. With food scraps making up 45% by weight of this waste, the introduction of a food scraps collection service has been identified and endorsed as a core initiative to meet this target. Without the roll-out of the food scraps collection service, Council will not meet this target.

Landfilling of organic waste, including food scraps, contributes to methane emissions, a significant greenhouse gas. By diverting food scraps from landfill, there is an opportunity to reduce the carbon impact of residential waste collection services in Auckland.

Food scraps material diverted from landfill is a resource. There is an opportunity to recover energy from food scraps processing (both heat and electricity) and also return organic matter to soil, when processing products (compost or digestate) are applied back onto land.

With the Waste Disposal Levy and ETS costs increasing, the cost of waste disposal is set to increase significantly in the next few years. Diversion of food scraps from landfill will off-set the financial impact of these cost increases for residents.

Council's experience from the roll out of new services, including the North Shore trial and Papakura pilot food scraps collections, shows that maintaining high participation and low contamination levels comes from effective engagement with the community leading up to the new service introduction and then ongoing. Significant additional resource is required to ensure information for the community and customer service requests meets customer requirements.

Food scraps collection services require the collection of small (23 litre) bins from kerbside. A fully automated collection system is not possible, however research has identified a semi-automated system that can significantly reduce the health and safety risks associated with the manual components of the collection. Ensuring this can be successfully implemented by Council's collection contractors has been an important consideration when engaging suppliers to undertake the service.

4.3 Objectives

The 2013 IBC identified the following objectives for the investment in organics processing and collection:

- Reduce waste to landfill
- Provide a consistent level of service across Auckland for waste collection
- Promote resource recovery from organic material

Additional objectives identified since 2013 IBC:

- Reduce carbon emissions from waste
- Avoid cost increases associated with Waste Disposal Levy and ETS cost increases
- Maintain high participation and low contamination rates in food scraps collection services

4.4 High level benefits

At a high level, the roll out of a region-wide food scraps collection service is anticipated to deliver the following benefits:

- Meeting the WMMP target for reduction in residential waste to landfill (from 160 kg/cap/annum to 110 kg/cap/annum)
- Diversion of 39,000 tonnes of organic material from landfill per annum increasing to 75,000 tonnes over the 20-year project period.
- Reduction in carbon emissions from waste by 125,000 tonnes CO₂-e per annum increasing to 250,000 tonnes over the 20-year project period.
- Recovery of energy and returning organic matter to soil through the processing of diverted food scraps.
- Refuse collection and disposal cost savings
- Savings in Waste Disposal Levy and Emissions Trading Scheme costs

Note that there have been significant increases in the Waste Disposal Levy and ETS costs since 2013 (\$20/tonne to \$114/tonne) increasing financial benefits. These charges are applied to the tonnes of refuse disposed on top of landfill disposal charges.

Further details on measurable benefits can be found in Section 5.3 Benefits tables.

4.5 Alignment to strategy

Tick all that apply. ✓			
Auckland Plan Outcomes		Our Strategy Goals	
Belonging and participation	<input type="checkbox"/>	Focus on communities that need us most	<input checked="" type="checkbox"/>
Māori identity and well-being	<input type="checkbox"/>	Change how we serve our customers	<input checked="" type="checkbox"/>
Homes and places	<input type="checkbox"/>	Be a smaller and more adaptable organisation	<input type="checkbox"/>
Transport and access	<input type="checkbox"/>	Deliver within our means	<input checked="" type="checkbox"/>
Environment and cultural heritage	<input checked="" type="checkbox"/>	Māori Outcomes	
Opportunity and prosperity	<input type="checkbox"/>	Marae development	<input type="checkbox"/>
Climate Priorities		Te reo Māori	<input type="checkbox"/>
Natural Environment	<input checked="" type="checkbox"/>	Māori business, tourism and employment	<input type="checkbox"/>
Built Environment	<input type="checkbox"/>	Kaitiakitanga	<input checked="" type="checkbox"/>
Transport	<input type="checkbox"/>	Papakāinga and Māori housing	<input type="checkbox"/>
Economy	<input type="checkbox"/>	Māori identity and culture	<input type="checkbox"/>
Community and coast	<input type="checkbox"/>	Realising rangatahi potential	<input type="checkbox"/>
Food	<input checked="" type="checkbox"/>	Whānau and tamariki wellbeing	<input type="checkbox"/>
Te Puāwaitanga o te Tātai	<input type="checkbox"/>	Effective Māori participation	<input type="checkbox"/>
Energy and industry	<input type="checkbox"/>	An empowered organisation	<input type="checkbox"/>

4.6 Alignment to programmes of work

There are other programmes that relate to the organics processing and collection project. These are:

- The review of refuse collection standardisation across Auckland.**
 This review will confirm the methodology and funding approach for refuse collection services and the associated timing of service changes for residents, including when fortnightly collections will commence (delivering greater diversion of waste from landfill).
- The review and digitisation of the Waste Solutions Request For Service (RFS) process.**
 This project will automate the RFS process, significantly reducing processing times and resourcing for customer requests. The timing of any change to the RFS process will need to be considered alongside the roll out dates for the food scraps collection service, ideally being implemented ahead of the March 2023 roll out commencement.
- Enhancements to the Auckland Council property search**
 This project will enhance the management and availability of addresses available on digital platforms. This project will enhance the benefits derived from any digitisation of the Request For Service processes related to waste, and even if this project does not go ahead this will improve the traditional management of Requests for Service. The timing of any change to the property search will need to be considered alongside the communications for the food scraps collection service, as this will inform several customer service features for the project including the collection day search.
- Contractor change over for recycling in Areas 1-3.**
 Northern Environmental takes over the recycling collection service in Areas 1-3 from EnviroWaste, JJ Richards, and Smart Environmental in July 2023. The timing of the food scraps collection service roll out in Areas 1-3 is timed to avoid this contractor change.
- Contractor change over for food scraps collections in the North Shore trial and Papakura collection areas.**
 AIMS currently collects food scraps in these areas and will depart the contracts on 31 March 2022. Waste Management will take over the collections in Papakura and Northern Environmental will take over the collections in the North Shore trial area. Learnings from these contract changeovers, including the deployment of a prototype collection vehicle and trial of a bespoke service for multi-unit developments will inform the contractor mobilisation and customer plans for the food scraps collection service.

4.7 Constraints

Key constraints for this project are:

- Processing facility commissioned and has capacity to process Auckland's food scraps before collections commence.
Organics processing and consolidation facilities must be commissioned and operational prior to food scraps being delivered to these facilities. These facilities need to have their processing capacity built up slowly. It is noted that Covid-19 has significantly delayed the construction of these facilities, but that they are now on track to meet the roll out timeframes.
- Food scraps bins and collection vehicles must be available prior to collections commencing.
Food scraps bin and collection vehicles are being manufactured overseas and with restricted supply chains. Delivery into New Zealand is dependent on international shipping, that has had restricted capacity since Covid-19 has disrupted shipping. Manufacturing of bins and collection vehicles is also constrained by the supply of materials for manufacturing and overall supply chain delays post-Covid.
- Availability of resources to support roll-out of this scale.
Roll out of new services on a region-wide basis is not BAU for the Waste Solutions team and therefore requires dedicated resources to ensure the roll out and BAU remain adequately resourced.
- Guaranteed minimum food scraps volumes.
Council have guaranteed the supply of defined volumes of food scraps to the Reporoa organics processing facility. If volumes fall below a certain limit, Council will be required to pay a penalty. Residents need to be incentivised to divert sufficient food scraps to meet Council processing thresholds.
- Approval of Food Scraps Targeted Rate in Annual Plan.
Food scraps collections are funded by a targeted rate, with contributions from the Waste Levy. Implementing the food scraps collections requires approval for the targeted rate to be applied to the North Shore and Waitakere in 2022/23, and all areas in 2023/24. The application of the targeted rate in 2023/24 needs to include the urban areas of Franklin and Rodney. The funding impact statement needs to be worded to sufficiently cover the expansion of food scraps collections to new urban areas as Auckland continues to grow outwards towards the Rural-Urban Boundary.

4.8 Dependencies

Key dependencies for this project are:

- Move from weekly to fortnightly refuse collection, and associated cost savings, not possible without food scraps being removed from refuse collection bins.
- WMMP waste reduction targets not able to be met without a food scraps collection service available, with food scraps making up 45% of refuse bins.
- Meeting the greenhouse gas emission reduction targets in the Auckland Climate Plan.

4.9 Assumptions

Key assumptions for this project are:

- Processing capacity of 39,000 tonnes per annum in year 1 of operation, rising to 51,000 tonnes per annum in year 3 (following introduction of fortnightly refuse collection service)
- 3.2 kg/ presented bin when refuse collections are weekly. 4.2 kg/bin when refuse collections are fortnightly.
- 45% set out rate (number of bins collected per eligible property each collection cycle)
- Contamination in kerbside collection bins is <10%

4.10 Māori responsiveness

The rationale for the food scraps collection comes from Auckland's zero waste vision and associated actions set out in the Te Mahere Whakahaere me te Whakaiti Tukunga Para i Tāmaki Makaurau – Auckland Waste Management and Minimisation Plan 2018 (2018 WMMP) – a plan that was developed with mana whenua and mataawaka contributions. Feedback from consultation undertaken in 2018 on the 2018 WMMP included 214 submissions from Māori. These submissions showed key areas of support were for increasing the waste levy, resources and support for Māori initiatives, Community Recycling Centres and local jobs, advocating for product stewardship, construction and demolition wastes, and the food scraps kerbside collection (particularly from south Auckland respondents).

In August and September 2021, Waste Solutions undertook targeted engagement about kerbside collections with Māori and Pasifika communities in Tāmaki Makaurau with specialist community facilitators Rākau Tautoko.. This engagement was undertaken to seek their views on different refuse collection payment mechanisms, but general views on waste management and minimisation were also expressed. Māori made up 50% (n=19) of the participants in the first round of focus groups who shared their views and experiences. Only half of the planned focus groups have been conducted so far, as these were interrupted due to the Level 4 lockdown. Participants were wholesale in support of reducing waste and understood the need for change.

4.11 High level risks and issues

Risk workshops are held every 2 months for the organics processing and collection project and the risk register is updated from these workshops. Key risks are presented in the following table. A link to the full project risk register can be found in Appendix 2.

#	Risk description	Mitigation
1	Volume of food scraps collected is lower or higher than anticipated	Processing facility includes holding tanks at the receival point to balance flow of material into the processing units. Roll-out timeline designed to allow the processing plant to adjust to high material volumes.
2	Participation rates are lower than anticipated	Provide the maximum possible initial supply of compostable liners with bin distribution. Maintain and refresh ongoing community engagement programmes, addressing barriers to participation. Introduction of fortnightly refuse collections. Ensure adequate resources to support customers ahead of and during roll out.
3	Participation rates are higher than anticipated	Ensure collection contracts have spare truck capacity
4	Manual collections increasing risk of sprains and strains, traffic incidents involving workers on foot and manual handling of food scraps bins	Contractor safety plans aligned to research undertaken by University of Auckland. Food scraps bin design has been aligned to ergonomic criteria developed by Auckland University of Technology. Vehicles designed to reduce H&S risks.

#	Risk description	Mitigation
5	Processing facility not commissioned in time for collection services to commence on dates advertised in customer information packs.	Provide contingency in programme to ensure final agreed collection commencement dates can be met. Confirm commissioning date for processing facility before printing information packs. Provide capacity to store additional bins when supplied, if collection commencement is delayed.
6	Bins and kitchen caddies (and potentially liners) unable to be supplied within the agreed timeframe, likely shipping delay or other manufacturing or logistics interruption resulting from COVID restrictions	Include contingency in programme to allow for supply chain delays. Regular contractor progress reporting.
7	Collections contractors unable to mobilise according to agreed timeframes as a result of vehicle and recruitment delay or other interruption resulting from COVID restrictions	Include contingency in programme to allow for supply chain delays. Regular contractor progress reporting.
8	Design and manufacture of the bins and liners are of a quality such that they are not fit for purpose, break or cause injury	External subject matter expert engaged to act as technical advisor on the design. Supplier design and manufacture include quality gateway reviews
9	Council reputational risk from poor resident reception to food scraps collection service as a result of poor engagement or other grievances such as not being able to opt out of the service and associated cost	Ensure robust engagement plan developed in advance, based on lessons learnt in other roll outs and food scraps collection trials. Customised messaging to demographics in each collection area. Messaging specific to food scraps and not waste minimisation. Ensure dedicated resources available to design and deliver robust engagement.
10	Compost fails to meet New Zealand quality standards	Ecogas have a robust contamination removal system within their contract. Compostable bin liners will be provided that meet Ecogas processing requirements. Digestate quality requirements have been established and are a key KPI for Ecogas.
11	High levels of contamination in food scraps bins due to customers not aware how to use the service correctly	Robust planning and execution of customer plan to support customers both before and during the roll out of food scraps collection service. Dedicated resources for food scraps roll out to deliver the plan.
12	BAU activities delayed or compromised due to focus on food scraps collection roll out	Recruit resources dedicated to the food scraps roll out or backfill BAU roles.
13	High volume of customer complaints due to uncertainty regarding use of new service.	Robust planning and execution of customer plan to support customers both before and during the roll out of food scraps collection service. Dedicated resources for food scraps roll out to deliver the plan.
14	Tight labour market restricting recruitment	Commence recruitment as early as possible and stage recruitment over six months.

5 Economic Case

5.1 Scope

5.1.1 In Scope

The scope of the organics processing and collections project remains unchanged from the 2013 IBC, however the scope of the roll-out required to deliver the service has changed. As the roll out of the food scrap collection service approaches, the project has been divided into the workstreams shown in the following table.

Note some of these workstreams are led by a project manager and others by a workstream lead. The project managers and workstream leads will work closely together, but generally, project managers will be responsible for the supplier-facing projects while the workstream leads will be responsible for integrating the service into the business.

Project / Workstream	Description
Processing and consolidation facilities project	<ul style="list-style-type: none"> Procurement of this contract is now complete. Ongoing work involves the management of the project during the construction and commissioning phases. <p><i>(Sentient ID # 15067. Ongoing PM covered by Sentient ID # 19203)</i></p>
Collections mobilisation project	<ul style="list-style-type: none"> Procurement of these contracts is now complete. Ongoing work involves the management of the mobilisation process with collectors, including confirmation of their truck design, truck fit-out, recruitment. Includes the transition of the Papakura collections contractor from AIMS to Waste Management in March 2022. Also involves the design of collection service methodology for Multi-Unit Developments (MUDs) including site visits to all MUDs Collection day changes as required to balance out collection days. <p><i>(Sentient ID # 19203)</i></p>
Supply of kerbside bins and kitchen caddies project	<ul style="list-style-type: none"> Procurement of the contract for supply is now complete. Ongoing work involves management of design and quality testing, and mobilisation processes and overseeing the bin supply and delivery itself. <p><i>(Sentient ID # 15084)</i></p>
Distribution and maintenance of kerbside bins and kitchen caddies	<ul style="list-style-type: none"> Ongoing work includes the project management for the extension of the existing regional bin supply and distribution contract to cover the food scraps rollout and ongoing deliveries, management of the mobilisation process with the supplier including the sourcing of a storage facility, developing delivery lists, and monitoring the progress of bin deliveries. <p><i>(Sentient ID # 19203)</i></p>
Supply of food scrap bin liners project	<ul style="list-style-type: none"> Ongoing work includes completion of the procurement process, followed by design and quality testing, mobilisation of the contract and overseeing liner manufacture and supply. <p><i>(Sentient ID # 31790)</i></p>

Project / Workstream	Description
Customer workstream	<ul style="list-style-type: none"> • Involves developing an engagement plan and then delivering the plan, with the aim of preparing customers for the change in service both leading up to the change and in the initial service period. • This includes research into participation barriers ahead of the Papakura service refresh that also supports the region-wide roll out. • Involves design of the communications and marketing campaign, preparation of content and collateral to inform residents about the change and dissemination of that information through engagement channels. • Involves updating customer bin asset data as bin distribution progresses. • Involves changes to the rating database (which customers are receiving what type of service and any opt-outs, uploading changes as the roll out progresses) as a result of the rollout. • Also includes design of the call centre process for the roll out period. <p>(Sentient ID # 19203)</p>
Contracts and compliance team mobilisation workstream	<ul style="list-style-type: none"> • Working alongside the project manager for the collections mobilisation, this workstream involves preparing the contracts and compliance team for the management and monitoring of the collections contracts once services go live. • Also includes preparation for monitoring contamination in bins and associated enforcement of non-compliance once services go live. <p>(Sentient ID # 19203)</p>

5.1.2 Out of scope

The scope of the project excludes the following:

- Food scrap collection services for the Hauraki Gulf Island and rural areas; noting that a review of the collection area boundaries is being completed within this project which may see more rural properties (such as those in townships in rural areas) included in the urban collection area.
- Food scraps collection services in the inner CBD, noting that collections in this area were originally included in the 2013 IBC and Waste Solutions needs to work towards delivering the food scraps service to this area.
- Changes to the refuse collection service, moving from weekly to fortnightly collection once the food scraps collection service is introduced. This change will be managed as a separate project.
- Changes to the Request For Service process for waste. This change will be managed as a separate project.
- Green waste collection in the Auckland region. This service continues to be provided by the private sector.

5.2 Outline options analysis matrix

An options assessment was undertaken as part of the 2013 IBC development. Consideration was given to:

- The type of collection approach: food only, green only or a combined food scraps and green waste collection service)
- The type of processing facility: composting or anaerobic digestion
- Provision of the service to urban residents only, or an extension of the service to include rural and Hauraki Gulf Island residents
- Provision of the service by Council or the private sector.

A Council-led food only collection service for urban residents only was identified as the preferred option through this approach, with the choice of processing technology left to the market to decide. Further details can be found in the 2013 IBC.

5.2.1 Cost Benefit Analysis

The 2013 IBC presented a Benefit Cost Ratio of 0.39 for the food scraps collection service based on the direct financial costs and direct financial benefits. The benefits accounted for in the 2013 IBC included savings from moving to fortnightly refuse collection, along with avoided disposal, waste levy and ETS costs.

Since that time, procurement has been completed for food scraps processing, collection and bins. Significant savings to Council were obtained through these procurement exercises, and despite an anticipated 50% cost increase from 2013 to 2021 when population growth and inflation are considered, actual costs in 2022 are lower than in 2013 and benefits are higher.

The BCR has now been recalculated including all upfront project costs and ongoing costs and has increased to 1.47. This reinforces the financial benefits of the food scraps collection service on top of the waste minimisation, carbon emission and soil enhancement benefits of the service. It is noted that this includes savings from a move to fortnightly refuse collections of \$17.1 million. This would not be possible without first introducing weekly food scraps collections.

The following table presents a comparison of the direct financial BCR calculated in 2013 and updated in 2022 including all upfront project costs and ongoing costs. BCR has been calculated both with and without the introduction of the fortnightly refuse collection service to demonstrate the significant uplift in benefit that is possible.

Appraisal	2013 IBC With fortnightly refuse	2022 BC Addendum	2022 BC Addendum With fortnightly refuse
Annual Benefits	\$10.4 million	\$17.0 million	\$34.1 million
Annual Costs	\$26.7 million	\$23.2 million	\$23.2 million
Benefit Cost Ratio	0.39	0.73	1.47

A further Cost Benefit Analysis study was completed in November 2017 by Council's internal research group, RIMU, in partnership with Sapere Research Group. This Cost Benefit Analysis report can be found in Appendix 7. The 2017 CBA considered broader societal benefits from food scraps collection by considering the value households would be willing to pay for organics recycling (and the associated environmental benefits). It took into account the results from a New Zealand study on the willingness to pay as well as survey data from food waste trials in Auckland.

The study concluded that *"society would be better off by between \$64 million and \$402 million on a present value basis as a result of the survey. Benefits would exceed costs by between 19 percent and 109 percent"*, i.e. BCR of 1.19 to 2.09. The study went on to say *"while the study is indicative in nature, it supports the view that society is likely to be made better off from a food waste collection service than the alternative of no service"*.

The value that society places on the food scraps collection service are represented by the non-financial benefits presented in the following section.

5.3 Benefits tables

Benefits identified in the 2013 IBC, the 2017 PEP and the Papakura pilot were considered when updating the benefits tables in this Business Case Addendum. These have been refined to reflect the current benefits anticipated from the organics processing and collection service.

5.3.1 Financial benefits

Benefit statement	Measurement metric & method	Benefit Owner	Benefit Type	Baseline Value	Approved benefit and achievement date	Cost Centre and GL Code
Avoided refuse collection costs	Metric: \$ per annum Method: Annual costs for refuse collection. Total tonnes food scraps collected multiplied by the weighted average collection cost.	Parul Sood	Cost saving	\$0	\$4.98 million per annum By June 2025 (Rising to \$22 million per annum if fortnightly refuse collection introduced)	TBC
Benefit owner signature				Date signed		
Avoided refuse disposal costs	Metric: \$ per annum Method:	Parul Sood	Cost saving	\$0	\$2.14 million per annum By June 2025	TBC

Benefit statement	Measurement metric & method	Benefit Owner	Benefit Type	Baseline Value	Approved benefit and achievement date	Cost Centre and GL Code
	Annual costs for refuse disposal excluding Waste Levy and ETS. Total tonnes food scraps collected multiplied by the weighted average disposal cost, excluding Waste Levy and ETS.				(Rising to \$2.82 million per annum if fortnightly refuse collection introduced)	
Benefit owner signature				Date signed		
Avoided Waste Levy and ETS charges	Metric: \$ per annum Method: Total tonnes food scraps collected multiplied by the Waste Levy increase (\$60/tonne) and ETS cost increase (\$54/tonne)	Parul Sood	Cost saving	\$0	\$4.33 million per annum By June 2025 (Rising to \$6.56 million per annum if fortnightly refuse collection introduced)	TBC
Benefit owner signature				Date signed		

5.3.2 Non-financial benefits

Benefit statement	Measurement metric & method	Benefit Owner	Benefit Type	Baseline Value	Approved benefit and achievement date
Reduce waste to landfill	Metric: Tonnes food scraps diverted per annum Method: Weighbridge records of tonnes received at the food scrap consolidation facility	Parul Sood	Strategic priority	0 tonnes	39,000 tonnes per annum By June 2025 (Rising to 51,000 tonnes per annum following shift to fortnightly refuse collection)
Benefit owner signature				Date signed	
Reduce carbon emissions from waste	Metric: Tonnes of avoided CO2-e per annum from 3-bin collection system Method: Contractor records of tonnes refuse, recycling and food scraps collected multiplied by the CO2-e value for each material stream.	Parul Sood	Strategic priority	0 tonnes	125,000 tonnes CO2-e per annum By June 2025 (Rising to 150,000 tonnes CO2-e per annum following a shift to fortnightly refuse collection)
Benefit owner signature				Date signed	
Meet WMMP residential waste reduction target	Metric: Kg refuse/cap/annum Method: Tonnes kerbside residential refuse disposed per annum, from both Council and private collection services, divided by the total Auckland population.	Parul Sood	Strategic priority	160kg/cap/annum	110 kg/cap/annum Following shift to fortnightly refuse collection
Benefit owner signature				Date signed	
Increase organic resource recovery	Metric: kWh energy generated tonnes carbon returned to soil Method: Contractor records	Parul Sood	Strategic priority	0	To be agreed through organic processing facility commissioning
Benefit owner signature				Date signed	
Maintain high participation in the food scraps collection service	Metric: % food scraps bins in service presented for	Parul Sood	Customer experience	35% (participation rate in Papakura July 2021)	>55% By June 2025

Benefit statement	Measurement metric & method	Benefit Owner	Benefit Type	Baseline Value	Approved benefit and achievement date
	collection over a one month period Method: Total number of unique bins set out divided by the total number of eligible properties				
Benefit owner signature				Date signed	
Maintain low contamination rates in the food scraps collection service	Metric: % contamination Method: Tonnes collected material disposed to landfill, divided by the total tonnes food scrap material collected	Parul Sood	Customer experience	<2% (contamination rate in Papakura in 2021)	<2% By June 2025
Benefit owner signature				Date signed	
Consistent level of service	Metric: % residential households receiving food scraps collection service Method: Number of residential households receiving food scraps collection service, divided by the total number of residential households in Auckland	Parul Sood	Customer experience	4% (Papakura plus North Shore pilot area)	85% By December 2023
Benefit owner signature				Date signed	
Safe collection services	Metric: Total Reportable Injury Frequency Rate Method: Monthly reporting by collection contractors	Parul Sood	Risk management	0	0 By December 2025
Benefit owner signature				Date signed	

6 Commercial Case

6.1 Detailing the procurement strategy

Since the Indicative Business Case was approved in July 2013, the procurement required for the food scrap collection service has largely been completed. Some procurement has been specific to the food scrap collection services, while others involved the procurement of food scraps services alongside Council's other collection services.

There will continue to be procurement required for the food scrap collection service. A Request for Proposals released in November 2021 for the supply of liners for food scraps bins. Some procurement may also be required to support roll out, such as communication and marketing materials or for customer engagement partners.

Contracts and procurement related to the food scrap collection service are detailed in the following table.

Ariba reference	Procurement / contract(s)	Contractor	Description
CW74525	Food scraps processing and consolidation	Ecogas	<p>Awarded in 2019. This contract includes the processing of food scraps at the Ecogas-owned digester in Reporoa. Ecogas received a grant from the Provisional Growth Fund to support the development of the facility.</p> <p>The contract also includes design, build and operation of the Southern Consolidation Facility in Hunua Road, Papakura.</p> <p>This contract is a 20-year design, build, own and operate (DBOO) contract via a supply agreement (payment on \$/tonne basis for volume of food scraps processed). The contract includes transparency through 'open-book', step-in rights and extension provisions.</p>
CW91355 CW91524 CW91526 (Areas 1-3) CW98605 (Area 4) CW98610 CW98613 CW98615 (Areas 5-7)	Integrated 3-bin collection services	Areas 1-3: Northern Environmental Area 4: Green Gorilla Areas 5-7: Waste Management	<p>The seven collection area contracts were awarded to three suppliers in 2018. The contracts include collection of refuse, recycling and food scraps. The commencement dates vary by service and by area.</p> <p>Note the Northern Environmental contract also includes consolidation at Silverdale for food scraps collected in Rodney.</p>
CW114240	Food scrap bin and kitchen caddy supply	Trident	Awarded in November 2021. This contract includes the design and manufacture of 23 litre food scrap collection bins and kitchen caddies.
[TBC]	Bin distribution	Sulo	Award in 2015. This contract will be extended to 2025 and the scope expanded to include the storage and distribution of the new food scrap bins once manufactured. This contract also includes ongoing storage and distribution of new and replacement bins for Council's three collection services.

Ariba reference	Procurement / contract(s)	Contractor	Description
CW23928	Food scrap bin liners	TBC following procurement	RFP released November 2021. This contract will include the design and manufacture of liners for 23L food scrap collection bins.
Various, TBC	Other roll-out support procurement	TBC following procurement	Other procurement as required to support roll out workstreams, such as temporary staff or contractors, communication and marketing material or customer engagement partners. Procurement plans will be prepared and will follow Council's procurement rules.

6.1.1 Investment proposal for food scraps processing

The original investment proposal included shared capital investment of \$40 million split 50/50 between public and private partners as follows:

- Council (\$5 million, which may be via application to MfE contestable Waste Minimisation Fund)
- MfE (\$15 million, using Council's accumulated Waste Levy funds)
- Private sector partner (\$20 million)

Through the food scraps processing procurement, the model was adjusted to one where the private sector partner, Ecogas, funds 100% of the capital investment. Processing facility capital costs are therefore no longer included in the project costs.

6.2 Risks and issues Table

A risks and issues register was established for the organics processing and collection project as part of the 2013 IBC. It has been regularly updated since then. A link to the current risk register is provided in Appendix 2. Key risks were outlined in Section 4.11 High level risks and issues.

6.3 Potential for risk sharing

The following table provides a summary of the principles for risk sharing that have been applied through the contracts awarded for the food scrap collection service. This table was originally presented in the 2013 IBC. Where modifications have been made since that time, these are highlighted in the table.

Risk category	Potential risk allocation		
	Council	Supplier	Shared
Design risk	10%	90%	✓
Construction and development risk	10%	90%	✓
Transition and implementation risk	50%	50%	✓
Health and safety risk <i>(not a criteria in 2013 IBC)</i>	10%	90%	✓
Availability and performance risk	10%	90%	✓
Operating risk		100%	
Variability of revenue risks	10% <i>(was 0% in 2013 IBC)</i>	90% <i>(was 100% in 2013 IBC)</i>	✓
Termination risks		100%	
Technology and obsolescence risks	50%	50%	✓
Control risks		100%	
Residual value risks	10% <i>(was 90% in 2013 IBC)</i>	90% <i>(was 10% in 2013 IBC)</i>	✓

Risk category	Potential risk allocation		
	Council	Supplier	Shared
Financing risks	<i>(was 50% in 2013 IBC)</i>	100% <i>(was 50% in 2013 IBC)</i>	
Legislative risks <i>(incorporates consenting risk that was a separate criteria in 2013 IBC)</i>	50%	50%	✓
Other project risks	50%	50%	✓

6.4 Payment mechanisms

The proposed payment approach for the contracted services generally aligns with a measure and value approach, with payment per tonne of food scraps collected or processed, or per bin supplied or distributed.

It is noted that negotiations are currently underway with the 3-bin collection contractors to consider a variation to a payment per bin lift mechanism.

Also, the Ecogas contract payment mechanism means that Ecogas does not receive any contract payments until it is fully operational and accepting food scraps for collection from Auckland. The Ecogas contract includes advance grant payments totalling \$18.2 million from Council's accumulated Waste Levy funds to assist Ecogas with cashflow prior to the facility being fully operational. It is noted that the contract includes a mechanism to repay the advance payments should the contract be terminated within the first ten years.

External resources such as temporary staff and contractors would be engaged on agreed hourly rates.

7 Financial Case

7.1 Financial analysis

Financial analysis has been undertaken for the food scraps collection service and the operating budgets approved and re-confirmed through the three-yearly Long Term Plan process.

The approved cost per household for the food scraps collection service is integrated with the overall cost for providing collection services to Auckland's households. It is anticipated that once region-wide food scraps collection is implemented, the cost will be \$61 per household per annum (including GST). This will increase to approximately \$78 per household per annum (including GST) when fortnightly refuse collections are introduced due to the increased weight of food scraps collected, and coinciding with a reduction in refuse collection costs. The overall cost per household will reduce from \$375 per household per annum (including GST) to \$364 per household per annum (including GST) when fortnightly refuse collection services are introduced.

Procurement of the 3-bins collections contracts, the food scraps processing contracts and the food scraps bins contracts have been completed, resulting in considerable savings for council.

- The total value of the 3-bin contract at time of award was \$502 million versus a budget of \$780 million.
- The total value of the food scraps processing contract was \$160 million against a budget of \$185 million. The award of this contract also resulted in a reduction in project Capex of \$20 million and no processing assets being added to Auckland Council's books.

From FY 2023/24, operating costs will include:

- Processing costs \$5.0 million per annum
- Collection costs \$13.9 million per annum

There will also be ongoing capital costs of \$0.4 million per annum for the supply and delivery of additional bins to new properties and for bin replacements.

Overall the cost of the food scraps collection service is approximately \$180 million over the next ten years, including \$24.3 million upfront project costs (Opex and Capex), \$18.2 million advanced grant (Opex) and \$19.2 million per annum in ongoing costs (predominantly Opex).

This 2022 Business Case Addendum seeks formal approval for an increase in Opex funding for the project of \$5.886,000 relative to the funding approved in the LTP for the FY2021/22, FY2022/23 and FY2023/24 years. The total project costs are \$24,323,000 including \$12,200,000 Capex and \$12,123,000 Opex. Funding for this project will be from Council's accumulated Waste Levy funds, with no impact on rates.

The phasing of the requested LTP budget increases is shown in the following table. This table also presents future project costs in three categories: staff, bin liners and other project costs. Other project costs include marketing material, digital set up and external engagement providers. The detailed project budget is provided in Appendix 7, including further details of the basis of project funding for each of the workstreams. It is noted that the financials presented in this 2022 Business Case Addendum will be further refined in April 2022 as part of the Project Execution Plan update, where detailed workstream plans will be presented.

Cost Component	Cost to date	FY 2021/22	FY 2022/23	FY 2023/24	Total cost
Fixed term Staff Costs	\$0	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot
Temporary Staff Costs	\$0	\$0	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot
Bin Liner Costs	\$0	\$0	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot
Other Project Costs	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot	(b)(2)(j) Prejudice to negot
Total Project Costs	\$694,000	\$673,000	\$4,571,000	\$5,146,000	\$11,084,000
Contingency	n/a	\$67,000	\$457,000	\$514,000	\$1,039,000

Project costs including contingency	\$694,000	\$740,000	\$5,027,000	\$5,660,000	\$12,123,000
LTP Budget (N.007631.03.10 - Food Scraps rollout Project Mgmt)	n/a	67(2)(j) Prejudice to			
Additional budget required	n/a	67(2)(j) Prejudice to			

The FY2021/22 budget includes the project management staff as well as the customer workstream resources that commence from April 2022.

At the start of FY2022/23 the remaining workstream leads are brought onboard. Services roll out to the northern contract areas towards the end of FY2022/23 (from March 2023), with other project costs commencing ahead of roll-out for communications, marketing, digital services, community engagement. Temporary staff for the call centre, customer request response, community engagement, bin auditing and enforcement are brought on in the second half of FY2022/23.

The remainder of the roll-out is completed in the first half of FY2023/24 (finishing November 2023), with all fixed-term and temporary staff finishing at the end of 2023.

7.1.1 Reasons for funding increase request

The 2022 Business Case Addendum seeks an additional \$5,866,000 relative to the 2021 LTP. The additional funding request results from lessons learnt by Waste Solutions in other roll-out projects, including the North Shore trial and Papakura pilot and the roll-out of new contracts and bins for other collection services, including the Manukau refuse bin roll out.

The additional funding request is attributed to the following scope changes that were made after the 2021 LTP was approved.

Scope change	Details	Additional cost
Supply of bin liners	The decision to supply bin liners as part of the initial roll out was made after the 2021 LTP was approved. Liners have been shown to increase participation and customer satisfaction.	\$3.1 million
Condensed roll out	The roll out of the food scraps collection service has been delayed due to Covid-19 disruption. The original two-stage roll out has been condensed into a ten-month progressive rollout, which results in a far more intensive communications and customer service requirement.	\$0.9 million
Addition of MUDs	MUDs were not originally included in the food scraps collection service. All MUDs now need to be visited and consulted with on their service option. The overall number of MUDs is increasing and it is important to get the servicing right. A resource has been added to support this activity.	\$0.2 million
Extension of the collection area	An increased number of households need to be accounted for within the collection service due to an expanded urban boundary (an additional 40,000 households). A dedicated data coordinator has been added to the project team to focus on accurate customer data for the roll out.	\$0.2 million
Additional resources: fixed term staff / contractors	Project management resources were already accounted for, but the project now needs to account for five dedicated workstream leads for detailed project planning and execution. These staff are generally seconded from within Council so that the knowledge gained from a significant services change can be retained in house. Backfilled resources can be fixed term employees or contractors.	\$1.0 million

Scope change	Details	Additional cost
Additional resources: temporary staff	These temporary staff will provide additional customer facing support during the rollout period. These staff are all outsourced temporary staff provided through temping agencies or our community partners.	\$0.5 million

7.1.2 Staffing requirements

Of the project funding sought, approximately one third relates to staff required to deliver the food scraps collection service roll out, which consists of fixed-term staff and temporary staff provided by temping agencies. Fixed term staff will be a mixture of fixed-term employees to cover backfilled BAU roles and contractors to fill project-specific roles. The following table provides a breakdown of the project resourcing, an organisation structure for the project is presented in Section 8.2 Project Structure and further description on the required implementation resources is provided in Appendix 8.

Waste Solutions' experience from other service roll outs, including Manukau refuse bins, has demonstrated the benefits of a well-resourced roll out in terms of customer satisfaction, participation in the service and correct use of the service (low contamination rates).

Recruitment of dedicated resources also ensures that BAU services are not impacted by existing staff having to balance project commitments with BAU, particularly given the condensed roll-out programme. Once the region-wide roll out is complete, these resources will no longer be required, with ongoing customer and contract management activities able to be managed within existing Waste Solutions staffing levels.

Resources	# Resources	Notes
Project Management		Ongoing to Nov-23.
Programme Manager	2 new fixed term FTE	The two Project Managers are existing staff.
Project Managers (x2)	(2 existing FTE)	The Programme Manager and Project Coordinator are currently managed with interim outsourced resources.
Project Coordinator		
Customer Workstream		
Community Engagement Workstream Lead		
Comms & Marketing Workstream Lead	3 new fixed term FTE	Apr-22 to Nov-23
Customer Enhancement Workstream Lead	2.5 outsourced	3 fixed term resources in Waste Solutions 2.5 roles outsourced.
Digital & Customer Services Workstream Lead		
Data analyst		
MUD coordinator		
Contracts & Compliance Workstream		
Contracts Workstream Lead	2 new fixed term FTE	Jul-22 to Nov-23.
Enforcement Workstream Lead		2 fixed term resources in Waste Solutions.

Resources	# Resources	Notes
Temporary / contingent staff		
Customer Response Coordinators (x5)	27 outsourced	20 temporary staff, from Nov-22 to Nov-23 7 temporary staff, Feb-23 to Nov-23. These are a mix of part-time and full-time roles, all outsourced.
Customer Services Representatives (x10)		
Waste Wise Advisors (x5 part time)		
Enforcement & mobilisation staff (x5)		
Waste Wise Advisors (additional) (x2 part time)		
Total new fixed term FTEs	7	
Total out-sourced resources	29.5	

7.2 Funding sources

It is proposed that the additional \$5,886,000 relative to the 2021 LTP is provided from Council's accumulated Waste Levy funds. Project costs do not impact on rates.

7.3 Overall affordability

The ongoing costs of providing a food scraps collection service have been approved and re-confirmed through the three-yearly Long Term Plan process. Most recently, the 2021-2031 Long Term Plan approved a cost for food scraps collection of \$61 per household per annum (including GST). These costs, confirmed through procurement, align well with the 2013 IBC which estimated a cost of \$58 per household per annum (including GST) for the service when adjusted for cost escalation. When fortnightly refuse collections are introduced the cost per household is projected to increase (refer Section 7.1 for details).

Project costs for the roll out of the food scraps collection services are to be funded from the Waste Levy, using Auckland Council's accumulated funds over several years, and means there is no rates impact from the project costs.

7.4 Contingency

The Business Owner and Project Sponsor have allowed a contingency outside the current stipulated budget of 10% (\$1,039,000) that could be used in the event a risk requires mitigation or converts to an issue. Contingency can be required by the Project Sponsor, Terry Coe, and submitted for approval to the Project Control Group. Contingency provisions for the project for each year are provided in the project budget attached in Appendix 9.

8 Management Case

8.1 Detail key stakeholders and level of engagement

Delivery planning, schedule and approach		
<p>The roll out of food scraps collections impacts almost every urban household in Auckland. In order to manage the high level of engagement required for this type of change, several workstreams will be established that are focused on stakeholders: community engagement, communications and marketing, customer enhancement and digital services.</p> <p>Each workstream will undertake planning for their activities February to April 2022, with delivery of their engagement activities commencing shortly after, enabling a 12-month pre-engagement period.</p>		
Key stakeholders		
<p>Key stakeholder groups are listed in the table below. It is anticipated that more detailed stakeholder engagement plans will be developed once workstream leads are appointed.</p>		
Stakeholder name/group/contact	Evidence of collaboration / impact assessment	Agreed outcome
Local Boards	Ongoing workshops either specifically relating to food scraps collection service or broader kerbside collection services.	Support for food scraps collection service, including delivery of service to Rodney and Franklin.
Elected Members	Ongoing workshops, presentations to committees and full Council, either specifically relating to food scraps collection service or broader kerbside collection services.	Endorsement of food scraps collection service and associated budgets
Mana whenua	Mana Whenua Kaitiaki Regional Hui on 9 July 2021 Targeted engagement with Māori in Tāmaki Makaurau from September 2021 onwards.	n/a
Other departments of Council including digital services, communications and marketing, and customer services	Ongoing engagement occurring through project team. Workstream Leads will take a lead role in this engagement in future.	Ongoing coordination on impacts on supporting departments.
Community organisations	Engaged during Papakura food scraps roll out. Targeted engagement plans will be developed by Workstream Leads in consultation with community organisations.	Anticipate ongoing involvement in community engagement to support awareness of and participation in food scraps collection service.
Kāinga Ora	Engaged during Papakura food scraps roll out to understand support required for KO tenants to increase awareness of and participation in the service.	Anticipate ongoing engagement to support roll out to KO tenants.
Tenants	Targeted engagement plans to be developed by Workstream Leads.	Engagement to increase awareness of service and address participation barriers.

Urban residents	Targeted engagement plans to be developed by Workstream Leads.	Engagement to increase awareness of service and address participation barriers.
Residents in MUDs	Targeted engagement plans to be developed by Workstream Leads.	Engagement to increase awareness of service and address barriers to service use. Food scraps services tailored to each site.
Rural residents	Targeted engagement plans to be developed by Workstream Leads.	Engagement to understand interest in extending services in rural areas, particularly those close to current boundary of collection service, and also consider developing alternative, local solutions for food scraps for rural residents.
Hauraki Gulf Island residents	Targeted engagement plans to be developed by Workstream Leads.	Engagement to develop HGI-specific food waste reduction approaches, which could include developing alternative, local solutions for food scraps management for HGI.

Acceptance and handover criteria

The business owner has agreed that the following criteria need to be met in order to accept the design of each Workstream's plans for the food scrap collection service roll out:

Deliverable(s)	Date	Review method	Reviewer
Project Execution Plan	April 2022	Programme Steering Committee sign off	Programme Control Group
Communications Management Plan	June 2022	Programme Steering Committee sign off	Programme Control Group
Change Management Plan	June 2022	Programme Steering Committee sign off	Programme Control Group

8.2 Project structure

The following project structure is proposed for the duration of the food scraps collection services implementation, that is February 2022 to November 2023. Project management resources are a mixed of fixed-term staff and contractors, while workstream leads are staff whose BAU roles have been backfilled with fixed-term employees or contractors.

8.3 Outline project plan

This project has been underway since the 2013 Indicative Business Case was approved. As of December 2021, the procurement for the processing facility, consolidation facilities, collections and bin supply have been completed. The following schematic shows the high-level roll out programme for the food scraps collection service.

FY2021/22			FY2023/24			FY2023/24	
Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Apr-Jun 2023	Jul-Sep 2023	Oct-Dec 2023
Processing and consolidation facility construction			Commission			Trial period	
Planning and design for customer engagement for service change			Comms start Areas 1-3	Comms start Areas 5-7	Comms start Area 4	Ongoing roll out engagement	
Bin and liner design, manufacture, supply				Distribution Areas 1-3	Distribution Areas 5-7	Distribution Area 4	Ongoing distribution
Collection truck orders, conversions & fit out, and driver recruitment & training					Services start Areas 1-3	Services start Areas 5-7	Services start Area 4

In addition, the following table outlines the proposed milestones from January 2022 through to completion of roll out in all seven collection areas in Auckland, anticipated to be complete by November 2023. At that time the collection and processing of food scraps will have become part of BAU for Waste Solutions.

Proposed key milestones	Date
Business Case Addendum Approved	Feb-22
Recruitment of project management resources and workstream leads	Feb-22 to Mar-22
Updated Project Execution Plan Approved	Apr-22
Community engagement, communications, customer enhancement, digital services – development of content, systems, marketing materials and community partner contracts	Apr-22 to Nov-22
Community engagement, communications, customer enhancement, digital services – delivery commences (three months prior to roll out)	Dec-22
Processing facility commissioning construction	Ongoing to Sep-22
Processing facility commissioning	Oct-22 to Nov-22
Consolidation facility/ies design and construction	Ongoing to Jan-22
Consolidation facility/ies commissioning complete	Feb-23 to Mar-23
Bin design complete	Dec-21
Bin manufacture commences (includes tool manufacture and testing, and shipping from Australia)	Feb-22
Bin distribution commences	Feb-23
Liner procurement	Nov-21 to Mar-22
Liner design complete	Apr-22
Liner manufacture commences	May-22
Liner distribution commences (part of bin distribution)	Feb-23
Areas 1-3 (Smart Environmental) collections commence	Mar-23 to May-23
Areas 5-7 (Waste Management) collections commence	Jul-23 to Sep-23
Area 4 (Green Gorilla) Collections Commencement	Oct-23 to Nov-23
Closure Report	Dec-23

8.4 Project execution plan

A Project Execution Plan (PEP) was completed in July 2017 and is provided in Appendix 5. An update to this PEP is now required to align with this Business Case addendum.

The following resources will be required to update the detailed PEP. Note, the time commitment indicated below is part of overall project planning for Workstream Leads from Feb-22 to Apr-22, once they are appointed. They will be working alongside the Programme Manager and Project Managers during this phase. Detailed work plans and budgets will be prepared for each workstream as part of the PEP development.

Deliverable/Project stage	Resource	Time	Opex/Capex
Delivery	Programme Manager	10 days	Opex
Delivery	Project Managers	5 days x2	Opex
Delivery	Workstream Leads	5 days x5	Opex
Total		45 days	

Time frame to complete the updated PEP is February 2022 to April 2022.

The updated PEP will be signed off and included in this business case Addendum.

8.5 Health and safety risks

This project includes design modifications to food scraps bin assets. Therefore, this project is expected to include design or modification of an existing asset, as such the requirements of Safety in Design will apply to this project.

Auckland Council (as the 'Person Conducting a Business or Undertaking') has a legal responsibility to ensure, so far as is reasonably practicable, the health and safety of workers and other persons over the life of the asset. The following areas were reviewed with respect to this:

- provision and maintenance of a safe work environment; and
- provision and maintenance of safe plant and structures; and
- provision and maintenance of safe systems of work; and
- safe use, handling, and storage of plant, substances, and structures; and
- provision of adequate facilities for the welfare at work of workers
- provision of any information, training, instruction, or supervision; and
- any monitoring required for the purpose of preventing injury or illness of workers arising from the planned activities.

The following health and safety related risks were identified in the option assessment relating to this project which will need to be considered for elimination or where not able to be eliminated to be minimised.

Option	Health and safety risk	Project phase
Eliminate (truck design and bin design)	Lifting of food scraps bins into truck hopper. Risk of sprains and strains eliminated through semi-automated lifting system in truck design, Incorporate recommendations from AUT ergonomics research into truck and bin design, including input into final bin design.	Operations (Collections)
Minimise (training, procedures, PPE)	Working on public footpaths, adjacent to live traffic lanes, when undertaking bin deliveries. Risk of sprains and strains (uneven ground), dog attack, public abuse, traffic accident.	Project Delivery (Roll Out)
Minimise (training, procedures, PPE)	Manual handling of food scraps bins during collections and working in and adjacent to live traffic lanes. Risk of exposure to biohazards (handling food scraps), sprains and strains (exit and entry to vehicles, uneven ground), dog attack, public abuse, traffic accident.	Operations (Collections)
Eliminate (employ dedicated resources)	Staff burn out from delivery of large project, the roll out of food scraps collection services, whilst continuing to deliver BAU activities.	Project Delivery (Roll Out)

9 Approval and acceptance

Handover activities				
<p>The following activities and documents will be handed over once acceptance criteria have been met:</p> <ul style="list-style-type: none"> • Updated customer databases for each collection area • Contracts for processing, ongoing bin supply and distributions, variations to collection contracts • Benefits realisation monitoring database / spreadsheet • Additional staff required to cover the additional workload in Waste Solutions and Digital and Customer Services on an ongoing basis • Requests for Service, complaints, and service issues at an acceptable level 				
Governance sign off	Name	Signature to endorse	Date	Comment
I agree that the potential costs/benefits identified are realistic, and the high complexity delivery path reflects PCAT findings and approve and or endorse the project to continue for funding.				
Financial Manager / Commercial Manager	Andrew Clark			
Project sponsor	Terry Coe			
Business owner	Parul Sood			
Benefit owner(s)	Warwick Jaine Anthony Chaney Monisha Wylie-Kapoor			
ELT Sponsor	Barry Potter			
SME endorsement (department)	Name	Signature to endorse	Date	Comment
Communication and Engagement	[TBC]			
Health, Safety and Wellbeing	Anmar Taurfeek			
Digital & Communications Technology	Joyce Rudd			
Legal and Risk	Paul Davies			
Procurement	Jazz Singh			
Advisor stakeholder endorsement	Name	Signature to endorse	Date	Comment
N/A				

10 Appendices

10.1 Appendix 1 – Project complexity assessment (PCAT)

This investment proposal has been assessed as **high** risk using the Auckland Council Project Complexity Assessment Tool (PCAT).

A link to the PCAT can be found here:

U:\COO\IES\Solid Waste\WMMP Implementation\P2 Organics\Food Scraps Implementation 2023\IDF Documentation\02 Initiate

10.2 Appendix 2 – Risk register

A link to the completed project risk register document can be found here:

U:\COO\IES\Solid Waste\WMMP Implementation\P2 Organics\Food Scraps Implementation 2023\Registers and Logs

10.3 Appendix 3 – Change management plan

A Change Management Plan will be prepared alongside the updated Project Execution Plan in April 2022.

10.4 Appendix 4 – Communications management plan

A Communications Management Plan will be prepared alongside the updated Project Execution Plan in April 2022.

10.5 Appendix 5 – Project execution plan

The existing Project Execution Plan, prepared in June 2017, will be updated in April 2022.

A link to the 2017 Project Execution Plan can be found here:

U:\COO\IES\Solid Waste\WMMP Implementation\P2 Organics\Food Scraps Implementation 2023\IDF Documentation\02 Initiate

10.6 Appendix 6 – Indicative business case

The indicative business case for the project, prepared in July 2013, can be found here:

U:\COO\IES\Solid Waste\WMMP Implementation\P2 Organics\Food Scraps Implementation 2023\IDF Documentation\02 Initiate

10.7 Appendix 7 – Cost Benefit Analysis

The 2017 Cost Benefit Analysis undertaken for the food scraps collection service, prepared in November 2017, can be found here:

U:\COO\IES\Solid Waste\WMMP Implementation\P2 Organics\Food Scraps Implementation 2023\Background Documents\Business Case Addendum Additional Docs

10.8 Appendix 8 – Implementation resources

Resources	Role
Project Management	
Programme Manager	Overall coordination of workstream leads and project managers.
Project Managers	Project manager for processing and consolidation contract, and project manager for collections and bins contracts
Project Coordinator	Project support including meeting coordination, records and reporting
Customer Workstream	
Community Engagement Workstream Lead	Drive customer interactions. Provide inputs to integrated customer plan. Coordinate waste wise advisors, arrange events and collateral for engagement.
Comms & Marketing Workstream Lead	Manage communication and marketing providers and coordinate messaging requirements with other workstreams leads. Book media and campaigns. Respond to media requests. Arrange delivery of communication collateral. Provide inputs to integrated customer plan.
Customer Enhancement Workstream Lead	Develops customer processes for digital and customer services to implement. Manage customer response coordinators. Manage property and customer data. Approve digital and customer services content changes. Provide inputs to integrated customer plan.
Digital & Customer Services Workstream Lead	Manage content for digital platforms and to support customer service representatives. Manage digital platform development. Recruit and manage customer services representatives.
Data analyst	Manage property data. Validate delivery addresses and prepare bin distribution lists. Update collection area maps.
MUD coordinator	Visits all MUDs, coordinate with contractors and MUDs on collection approach, arranges waivers.
Contracts & Compliance Workstream	
Contracts Workstream Lead	Drive collection contractors to deliver to their mobilisation plans, organise bin supply and deliveries through respective contractors. Coordinate collection contractor activities during roll out, while adjusting to new collection service. Monitor contractor performance during start up, with higher frequency of monitoring than BAU (e.g. driver audits).
Enforcement Workstream Lead	Also drives contractors, but also manages enforcement team. Responsible for contamination management, sticker bins, bin placement problems. Higher monitoring frequency during roll out phase. Manages enforcement and mobilisation staff.
Temporary / contingent staff	
Customer Response Coordinators (x5)	Additional resources to action high volume of customer request for service during roll out, working between customer service representatives and collection contractors.
Customer Services Representatives (x10)	Additional resources to respond to customer calls.
Waste Wise Advisors (x5)	Additional resources to deliver key messages to customers leading up to and during roll out. Attend events and undertake face-to-face engagement.
Enforcement & mobilisation staff (x5)	Additional resources to address higher volume of incorrect bin use during roll out.
Waste Wise Advisors (additional) (x2)	As per waste wise advisors above, further resources once roll out commences.

10.9 Appendix 9 – Detailed project budget

Community Engagement											
Item	Description	Quantity	Contingency Description	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency		
Workstream Lead	New fixed term role or backfill for secondment	1 staff full time, 1.82 years @ \$ ^{s7(2)} k per year	10%	s7(2)(i) Prejudice to negotiations							
Contingent Staff	Dedicated Waste Wise Advisors	5 staff part time 1.08 years @ \$ ^{s7(2)(10)} k per year 2 staff part time 0.6 years @ \$ ^{s7(2)} k per year	10%								
Outsourced work	Contracting new agencies or additional work by existing contractors to deliver project-related community engagement activities	To be confirmed during Project Execution Plan finalisation.	10%								
Total											

Communications and Marketing											
Item	Description	Quantity	Contingency Description	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency		
Workstream Lead	New fixed term role or backfill for secondment	1 staff full time, 1.82 years @ \$ ^{s7(2)} k per year	10%	s7(2)(i) Prejudice to negotiations							
Outsourced work	Development, printing and distribution of marketing materials.	To be confirmed during Project Execution Plan finalisation.	10%								
Total											

Digital and Customer Services											
Item	Description	Quantity	Contingency Description	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency		
Workstream Lead	Internal time charges for digital staff (can be split between iknow/trainers as well)	1 staff 10hrs per week, 1105hrs @ \$ ^{s7(2)} per hour	10%	s7(2)(i) Prejudice to negotiations							
IT Development	Set-up online platform	1	10%								
Content Advisor	Internal time charges for digital staff	1 staff 10hrs per week, 190hrs @ \$ ^{s7(2)} per hour	10%								
Contingent Staff	Dedicated Customer Services Representatives	10 full time staff, 2240hrs @ \$ ^{s7(2)} per hour	10%								
Total											

Project Management											
Item	Description	Quantity	Contingency Description	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency		
Project Manager	Additional project manager	1 full time staff, 2.1 years @ \$ ^{s7(2)} k per year	10%	s7(2)(i) Prejudice to negotiations							
Project Manager	Internal time charge for existing PM	2 full time staff, 2.17 years @ \$ ^{s7(2)} k per year	10%								
Project Coordinator	Dedicated project coordinator	1 full time staff, 2.1 years @ \$ ^{s7(2)} k per year	10%								
Total											

Bin Liners											
Item	Description	Quantity	Contingency Description	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency		
Bin Liners	Supply for bin distribution and retail	Per CE projections	10%	s7(2)(i) Prejudice to negotiations							
Total											

Item	Opex FY 2021/22	Opex Contingency	Opex FY 2022/23	Opex Contingency	Opex FY 2023/24	Opex Contingency	Total
Total Project Opex (i.e. excludes bin costs that are Capex) FY22 to FY24	673,027	67,303	4,570,505	457,051	5,146,264	514,626	11,428,776
Fixed Term Staff costs	423,027		1,004,856		448,075		1,875,957
Fixed term staff costs - contingency		42,303		100,486		44,807	187,596
Temporary Staff costs	0		1,445,855		1,083,959		
Tempoary staff costs - contingency		0		144,586		108,396	
Bin Liner costs	0		857,094		1,961,080		2,818,174
Bin costs - contingency		0		85,709		196,108	281,817
Other costs	250,000		1,262,700		1,653,150		3,165,850
Other costs - contingency		25,000		126,270		165,315	316,585
Total Project Opex FY22-24, excluding contingency							10,389,796
Total Project Opex Contingency FY22-24							1,038,980
Project Management Costs - pre FY22 (previously approved)							694,043
Total Project Costs (pre-FY22, FY22, FY23, FY24)							12,122,819