

Attachment 1.



BUSINESS PLAN

Neerabup Facility FOGO processing

Major land transaction and
major trading undertaking

PURSUANT TO SECTION 3.59 OF
THE LOCAL GOVERNMENT ACT 1995

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Purpose

This business plan relates to the Mindarie Regional Council (MRC) entering into a major land transaction and major trading undertaking at the MRC owned Neerabup Facility (NF), located at 109 Pederick Road, Neerabup, Lot 801 on Deposited Plan 57533.

The business plan provides an opportunity for the community to consider and make informed submissions on the business plan and for the MRC to satisfy the requirements of Section 3.59 of the Local Government Act 1995 (LGA).

Introduction

The MRC is a regional local government which was constituted under the Local Government Act 1960 in 1987.

In 1981, the cities of Perth and Stirling, along with what was then the Shire of Wanneroo, jointly acquired 432 hectares of land in Mindarie to serve as a suitable site for the development of a landfill.

The MRC was established as the vehicle which would manage the disposal of waste from these member councils and approval for the development of a landfill and associated infrastructure on 251 hectares of the total land was received from the Environmental Protection Authority in 1990.

That 251 hectares on Marmion Avenue – later named ‘Tamala Park’ – would be leased to the MRC at that time and the new landfill began receiving waste from the City of Perth and Shire of Wanneroo in 1991.

Following a restructure of the City of Perth, the Town of Cambridge, the Town of Victoria Park and the City of Vincent began disposing of waste in 1996, while the City of Stirling and the City of Joondalup began disposing of waste in 1999.

Neerabup Facility

The NF commenced operation in 2009 to process around 100,000 tonnes of general mixed municipal solid waste per year, extracting the organic material from the largely unsorted residual waste stream, which was processed into composted soil amendment for beneficial use.

With the introduction of the Waste Avoidance and Resource Recovery 2030 (WARR) strategy, there was a clear change to the way organics waste was to be separated and sorted at the household level using a third bin for Food Organics and Garden Organics (FOGO).

This change to organics handling meant that the NF was no longer the most suitable processing infrastructure and technology for this material stream. Since August 2021, the NF has not been operational and has remained in a state of care and maintenance.

The MRC is undertaking the project to implement FOGO services for all member councils, potentially other councils and commercial customers at the NF.

The NF includes, without limitation: the Receiving Area, including waste receipt pit (Area 100); Composters and grab discharge feed hoppers (x2) (Area 200); Primary Refining including trommel screens (x2) (Area 300); Sorting Area including residual waste compactors (Area 400); Maturation Hall including aeration floor piping and windrow/aisle turners (x2) and compost reclaimer (Area 500); Secondary Refining Area and conveyor interchange (Area 600); and Biofilter Area (externally housed) (Area 800), a weighbridge, administration offices, education centre and associated ancillary infrastructure.

The NF is already approved for use, is currently subject to conditions defined in Ministerial Statement 662 and holds a current DWER Licence (L8336/2009/3) for Category 67A – Compost manufacturing and soil blending with a production or design capacity of 110,000 tonnes per annum.

The facility or service solution provided by a contractor will process the MRC's FOGO waste predominantly sourced from the Mindarie Regional District, with the contractor able to source additional tonnages of suitable feedstock via partnerships with other parties within and outside the district.

The project

The project includes the contractor performing the:

1. adaptation, modification, refurbishment, reconfiguration and recommissioning of the NF;

2. acceptance and processing of the MRC's FOGO waste; and
3. optional acceptance and processing of the principal's Green Organic (GO) waste; using the NF and/or the contractor's own facilities and infrastructure.

The MRC proposes to enter into an agreement with the contractor to develop the NF and perform these services, together with a lease of the NF to the contractor for the duration of the agreement, which may be for a term of up to 15 years. The lease will be granted by the MRC to give the contractor the necessary access rights to the NF site to carry out its obligations under the agreement.

The project objectives are:

1. providing suitable services and facilities, subject to the proposed commercial models, to receive and process the principal's FOGO waste and (optionally) the principal's GO waste into products generated at the NF, or at another suitably approved facility; and
2. including alignment with the WARR strategy and maximising the diversion of the principal's FOGO waste and (optionally) the principal's GO waste from landfill.

Request for Tender

The request for tender was formally released and advertised on Thursday 12pm WST 24 August 2023 and closed Thursday 12pm WST 28 March 2024.

The tender responses received validated the previous work undertaken by the MRC in its efforts to identify a suitable FOGO processing opportunity for the benefit of member councils. As was indicated by the expression of interest which took place previously, market interest only appears viable if aligned to an ongoing contract and commitment of substantial tonnes by the MRC and its member councils.

The tenderer's response provided an option that matches the requirements set out in the WARR strategy and its supporting guidance documents for a more reasonable base gate fee. In summary, the tenderer proposes to use the existing infrastructure at NF where possible and upgrade the technology, adjusting

configurations where necessary. Following site visits from their technical team, the tenderer has identified the reuse of parts of the existing facility as necessary to deliver its offering, in so doing reducing capital expenditure which, in turn, has reduced its base gate fee.

In the recent consultation process for the new State Waste Infrastructure Plan Western Australia, in May 2024, it was identified that Western Australia's most significant infrastructure needs include the development of 100,000 tonnes of FOGO recovery capacity (from municipal and commercial sources), to achieve the WARR strategy targets. However, that document proposes that the method to address those capacity issues involves transporting material to the Peel and Wheatbelt regions.

Not proceeding with FOGO processing at NF is likely to leave member councils and other councils in Western Australia with limited options to meet the FOGO processing targets in the WARR strategy without accepting vastly increased transport costs for the foreseeable future.

The MRC understands that there are no facilities of scale currently in existence or any other current active projects outside of this proposal to upgrade NF to be a fit for purpose facility within the Mindarie Regional District or nearby.

However, the City of Wanneroo has included for the provision of a potential organics recycling facility in its Neerabup Resource Recovery Precinct Masterplan, but there are no timelines indicated in the Masterplan for the delivery of such a facility.

The MRC also notes that revenue potential gains for Council may exist in FOGO markets external to member councils, and that these should also be investigated.

These include:

- other West Australian Local Governments
- other commercial entities

Figure 1 shows the project's existing Neerabup site extents (denoted by red outline). Additional space is available for the use of the contractor described as the southern land parcel (blue outline). The Education Centre will also be available

for use by the contractor (green outline). All three areas are collectively referred to as the Site.



Figure 1 Site mark-up showing location of NF, Education Centre and adjacent MRC-owned vacant land.

The negotiated outcome was presented to Council at its meeting on 26 September 2024 where the following, was resolved:

That Council Resolve to:

- 1. Nominate Tenderer A, as indicated in the confidential report, as the first preferred tenderer*
- 2. Nominate Tenderer B, as indicated in the confidential report, as the second preferred tenderer*
- 3. Authorise the CEO to commence commercial discussions with preferred Tenderer A with the intention of agreeing with the terms of a draft commercial agreement*

4. *Authorise the CEO to enter negotiations with the preferred Tenderer B should the first option be non-viable.*
5. *Authorise the CEO to negotiate with MRC's member council CEOs on the terms of a Participants Agreement for FOGO processing*
6. *Authorise the CEO to undertake further analysis on the potential for commercial gain from other markets in relation to the FOGO opportunity*
7. *Seek a further report when all negotiations have been completed*

Legislative Requirements

Section 3.59 of the LGA details the process governing commercial enterprises by local governments, including Major Land Transactions and Major Trading Undertakings and the relevant legislative requirements are summarised below.

A 'major land transaction' is defined in the LGA to be a land transaction (which includes an agreement to lease an interest in land) other than an exempt land transaction if the total value of:

- a) the consideration under the transaction; and
- b) anything done by the local government for achieving the purpose of the transaction,

is more, or is worth more, than the amount prescribed under the Local Government (Functions and General) Regulations WA 1996 (Regulations) (Section 3.59(1), LGA.)

The amount prescribed under the Regulations for a local government in the metropolitan area, is the lesser of:

- a) \$10,000,000; or
- b) 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year (Regulation 8A(1)).

A 'major trading undertaking' is defined in the LGA to be a trading undertaking that in the last completed, current or next financial year involves or is likely to involve expenditure by the local government of more than the amount prescribed in the Regulations, excluding an exempt trading undertaking (Section 3.59(1), LGA.).

A 'trading undertaking' is defined under the LGA to be an activity carried on by a local government with a view to producing profit to it, or any other activity carried on by it that is of a kind prescribed under the Regulations, but does not include anything referred to in paragraphs (a) or (b) of the definition of 'land transaction' (which for the purposes of the project, includes leasing an interest in land) (Section 3.59(1), LGA.).

The amount prescribed for a 'major trading undertaking' under the Regulations for a local government in the metropolitan area is the amount that is the lesser of:

- a) \$5,000,000; or
- b) 10% of the lowest operating expenditure for the local government (as referred to in Regulation 9(2), (Regulation 9(1))).

Before the MRC enters a major land transaction or commences a major trading undertaking, it is required to prepare a business plan that includes an overall assessment of the major trading undertaking and the major land transaction including:

- a) the expected effect on the provision of facilities and services by the MRC;
- b) the expected effect on other persons providing facilities and services in the district;
- c) the expected financial effect on the MRC;
- d) the expected effect on the MRC's plan for the future of the district made in accordance with section 5.56 of the LGA;
- e) the ability of the MRC to manage the undertaking or the performance of the transaction; and
- f) any other matter prescribed by the Regulations.

The LGA also requires the MRC to give State-wide public notice that:

- the MRC proposes to enter a major land transaction and major trading undertaking described in the notice; and

- a copy of the business plan may be inspected or obtained at any place specified in the notice.

The MRC is to make a copy of the business plan available for public inspection in accordance with the notice. The MRC is to also publish a copy of the business plan on its official website.

Submissions about the proposed land transaction or undertaking may be made to the MRC before a day to be specified in the notice, being a day that is not less than six weeks after the notice is given.

After the last day for submissions, the MRC is to consider any submissions made and may decide by absolute majority to proceed with the undertaking and transaction as proposed or so that it is not significantly different from what was proposed.

Business plan details

In addition to the information referred to above, the MRC provides the following details in relation to the proposed transactions.

a) Expected Effect on the Provision of Facilities and Services by Mindarie Regional Council

The proposed transaction aligns with the WARR strategy which requires the introduction of a third kerbside bin for organics. It will assist the MRC and its member councils to pivot to the processing of organic and residual waste using more effective technologies for greater resource recovery and expected lower overall cost.

The project will see the currently unused NF become operational allowing the MRC to utilise this asset to provide a service to the community.

The existing public and commercial customers accessing the Tamala Park Waste Management Facility will be unaffected.

b) Expected Effect on Other Persons Providing Facilities and Services in the District

The MRC expects that the proposal will have no or a minimal effect on other persons providing facilities and services in the district because there are no other providers of this service in the MRC district of councils.

MRC understands that the City of Wanneroo has included for the provision of a potential organics recycling facility in its Neerabup Resource Recovery Precinct Masterplan, but there are no timelines indicated in the Masterplan for the delivery of such a facility.

c) Expected Financial Effect

The MRC expects the financial effect of the proposal on the MRC to be positive.

The proposal will provide income to the MRC by way of member council, and potentially non-member council and commercial customer, paying gate fees for the acceptance of FOGO material at the NF. It is expected that a small number of member councils will commence deliver up to 38,000 tonnes of FOGO materials in the first year, this will increase to 88,000 tonnes in the second year and the third year it is expected to increase to 110,000 tonnes with the potential non-member and commercial customer FOGO materials being delivered to the NF.

The MRC will also receive rent under the lease granted to the contractor in respect of the NF. Due to the proposed long-term nature of the project, the MRC anticipates that the total rent received and the expenditure by the MRC over one or more financial years of the project to exceed the prescribed amounts for a major land transaction and major trading undertaking.

Costs and Benefits

The benefit will be a financial return to the MRC as well as reducing landfill disposal costs for member councils and increased resource recovery.

A non-financial benefit is the reduction in organic material to landfill, which will reduce odours and emissions at the Tamala Park landfill.

Market Valuation

In accordance with Section 3.58(4)(c) of the LGA, the MRC has obtained the market value of the disposition. A recent independent valuation indicates a ground market rental (based on an operating facility), apportioned as follows:

Neerabup Facility Description	Ground Market Value Annual Rent
Land, Northern portion	\$ 750,000
Land, Southern undeveloped portion	\$ 355,000
Building and improvements (includes roads / pavements) (excludes plant infrastructure)	\$1,325,360
Total	\$2,430,360

d) Expected Effect on Matters Contained in the Strategic Community Plan 2023/32 and supporting plans

The MRC has a 10-year Strategic Community Plan (SCP) 2023–2032 and a five-year Corporate Business Plan (CBP) 2023-2027 that are revised and reported back to the MRC on a quarterly basis. The SCP and the CBP are underpinned by an annual budget and a 10-year forecast budget comprising both operating and capital expenditure.

The MRC currently relies heavily on its waste-to-landfill services to generate revenue for financial resilience and investment in other initiatives, such services having generated the greater portion of the MRC's revenue for the 2024/2025 financial year.

The MRC landfill is estimated to reach capacity in 2028/29 and with the expected market changes resulting from the WARR strategy it is considered imperative that the MRC considers actions that should foster the organisation's long-term viability and revenue generating opportunities to fund the Tamala Park site rehabilitation liabilities.

e) The Ability of the Council to Manage the Transaction

The MRC has the ability and resources to manage the proposed transactions. The MRC's involvement will be limited to:

- Managing contract compliance with its contractor.

- Managing the waste supply contracts with its member councils, non-member councils and commercial customers.
- Managing financial and administrative functions associated with contracts.

The MRC has qualified and experienced staff to manage the financial and administrative functions required.

f) Any other matter prescribed for purposes of section 3.59(3) of the LGA.

Nil.

Submission

The MRC herewith submits the business plan and invites public submissions, which should be addressed to:

*Mindarie Regional Council
Neerabup Facility
Business Plan - FOGO
PO Box 2746
Clarkson WA 6030*

In accordance with the Local Government Act 1995, the closing date for submissions is 4pm on Monday 15 September 2025.

Scott Cairns
Chief Executive Officer
Mindarie Regional Council