

DELEGATED AUTHORITY – REDLAND CITY COUNCIL WASTE TRANSFER STATION OPERATIONS

Objective Reference:	A2059933 Reports and Attachments (Archives)
Authorising Officer:	Gary Soutar General Manager Infrastructure & Operations
Responsible Officer:	Kevin McGuire Group Manager Water & Waste Operations
Report Author:	Claire Black Senior Contracts Advisor

PURPOSE

This report seeks Council resolution to delegate authority to the Chief Executive Officer (CEO), under section 257(1)(b) of the *Local Government Act 2009* to accept the tender (T-1795-16/17-WST) for Redland City Council Waste Transfer Station Operations and to make, vary and discharge the resulting contract/s, and sign all relevant documentation.

The tender covers the following services:

- gatehouse operation at Birkdale waste transfer station (WTS) and Redland Bay WTS;
- labour hire (transfer station staff) for Birkdale WTS and Redland Bay WTS;
- wet plant hire for Birkdale WTS and Redland Bay WTS;
- management of North Stradbroke Island (NSI) WTS;
- management of Southern Moreton Bay Islands (SMBI) WTSs and Coochiemudlo Island WTS; and
- management and operation of RecycleWorld and salvage of recoverable material from Birkdale WTS and Redland Bay WTS.

BACKGROUND

The current arrangement with River City Plant Hire Pty Ltd for the provision of wet plant hire for Council's WTSs commenced on 19 March 2012, has no further extension provision available and is due to expire on 18 March 2017.

The current arrangements with Iolar Pty Ltd and The Pickwick Group Pty Ltd for the management of Council's island WTSs and gatehouse operations at the mainland WTSs respectively, commenced on 01 July 2013. These arrangements have one more option to extend for a period of one year only up to 30 June 2018. This has provided an opportunity to align several contracts and allow Council to consider consolidation of these contracts with the aim of providing efficiencies and cost-savings.

RecycleWorld is currently being managed as part of the contract for gatehouse operations at the mainland WTSs.

From 10 February 2016 to 24 March 2016, Council conducted an expression of interest (EOI) for Waste Transfer Station Operations (T-1752-15/16-WST) including the services listed above (with the exception of RecycleWorld operations) as well as services for the collection, transport and recycling of various recyclable material.

Upon review of the submissions received for the EOI, Council felt that the solutions offered did not meet Council's objectives of cost savings and efficient operations. Therefore it was not in Council's best interests to call one or more subsequent invitation to tender (ITT) directly resulting from the EOI and the process was subsequently brought to an end.

However the EOI did highlight to Council that there could be a possible consolidation of contracts for site operations at Council's WTSs such as wet plant hire, mainland gatehouse operation, management of the island WTSs and labour hire. Due to the interaction required between contractors for these services, particularly in relation to operations at the mainland waste transfer stations, having the services provided by a single contractor or a reduced number of contractors could provide greater cooperation and communication between the operations.

Council released an ITT for the provision of an on-demand bulky items collection service and community recycling workshop; and operation of RecycleWorld and salvage of recoverable material (bulky items collections) which was restricted to submissions from social enterprises and social benefit providers only. This tender process is currently awaiting a formal decision; however RedWaste has recommended not awarding the portion of the services for operation of RecycleWorld and salvage of recoverable material as the single submission received failed to meet Council's objectives including price and social benefit.

Issuing RecycleWorld operations as part of an ITT that would be open to all commercial operators and social benefit providers would provide greater opportunity for those objectives to be met. Should Council decide to award RecycleWorld operations under the ITT for bulky item collections or no decision has been made when the tender for Redland City Council WTS operations is released, separable portion F shall be withdrawn.

ISSUES

Council's WTSs receive various types of waste material such as mixed waste, greenwaste, scrap metal, cardboard, household recyclables, soil, bricks and concrete, tyres, and waste oil from residential, commercial and Council sources with the aim of maximising the diversion of resources from the general waste stream.

Council has determined that the most advantageous and operational method of delivering the services is to establish preferred supplier arrangements funded by a budget extending beyond one financial year.

The tender will be comprised of the following separable portions:

- separable portion A – gatehouse operation at Birkdale WTS and Redland Bay WTS;
- separable portion B – labour hire (transfer station staff) for Birkdale WTS and Redland Bay WTS;

- separable portion C – wet plant hire for Birkdale WTS and Redland Bay WTS;
- separable portion D – management of NSI WTS;
- separable portion E – management of SMBI WTSs and Coochiemudlo WTS; and
- separable portion F – management and operation of RecycleWorld and salvage of recoverable material from Birkdale WTS and Redland Bay WTS.

The tender is to be released as a number of separable portions to give Council the opportunity to fully explore the possibility of awarding the services as a whole or through consolidation of more than one separable portion should it be in Council's best interests to do so. Value for money will also be measured against existing annual contractual expenditure, administration and contract management efficiencies.

Currently, the WTSs on the islands are managed by a single contractor. However, for this ITT, management of the NSI WTS will be released as a separable portion on its own to maximise the opportunity for involvement by indigenous enterprises.

Tenderers submitting a response for separable portion F – management and operation of RecycleWorld and salvage of recoverable material from Birkdale WTS and Redland Bay WTS will be required to demonstrate how they will provide social benefit to disadvantaged members of the community of Redland City through their operations. This is due to the nature of RecycleWorld as an important community-based service and Council's aim of encouraging operations that will also produce a wider social benefit.

Tender documentation has been developed in accordance with section 104 Financial Management Systems, subsection (3) Sound Contracting Principles of the *Local Government Act 2009* with the objective of obtaining submissions from suitable entities who can demonstrate the ability to provide value for money and adequate capacity and capability to provide the required services.

The tender is expected to be released late January 2017 with the resultant contract/s commencing on 1 July 2017. Any contracts would be for a period of three years with the option to extend for two additional periods of one year.

Should tender submissions fail to deliver against Council's objectives, Council may choose to not award one or more separable portions, or bring the tender process to an end in full depending on the responses received and the outcome of any post-evaluation negotiations.

If this occurs, alternative operational contingencies will be put in place until a subsequent procurement process is completed for the relevant services.

STRATEGIC IMPLICATIONS

Legislative Requirements

The tender process for Redland City Council WTS operations and all services awarded as a result of this tender shall be undertaken in compliance with all relevant environmental and safety legislation.

Risk Management

Due to the expected annual expenditure of this procurement activity, a probity advisor will be available during the ITT process should they be required.

The tender process will be conducted in accordance with the legislative requirements of the *Local Government Act 2009*, *Local Government Regulation 2012* and with adherence to all Council policies, guidelines and procedures relating to the procurement process and probity principles.

The tender evaluation plan contains financial and non-financial evaluation criteria to enable the evaluation panel to effectively assess tender response and propose the most suitably qualified tenderer/s, in addition to providing value for money and the required social, environmental and operational outcomes.

The proposed contract/s to be made from T-1795-15/16-WST will be for an initial term of three years with the opportunity to extend for two additional periods of one year with a maximum term of five years. The contract/s contain detailed and specific key performance indicators to support RedWaste contract management processes.

Financial

Separable portion A – gatehouse operation at Birkdale WTS and Redland Bay WTS costs for 2015/16 were \$385,702, excluding GST.

Separable portion B – labour hire (transfer station staff) for Birkdale WTS and Redland Bay WTS costs for 2015/16 were \$472,234, excluding GST.

Separable portion C – wet plant hire for Birkdale WTS and Redland Bay WTS costs for 2015/16 were \$899,464, excluding GST.

Separable portions D and E – management of the island WTSs costs for 2015/16 were \$365,377, excluding GST.

Separable portion F – management and operation of RecycleWorld and salvage of recoverable material from Birkdale WTS and Redland Bay WTS is expected to provide revenue to Council in the form of a monthly fee paid to Council or a profit share arrangement.

In 2015/16, RecycleWorld made a net operating loss of \$25,213. Operating expenditures included contractor and labour costs of \$424,660, internal costs (including fleet, internal plant hire and service level agreement charges) of \$30,218 and depreciation of \$4,441. Revenue from sales was \$451,551. This operating result does not account for avoided waste disposal costs.

Sufficient budget will be allocated in the 2017/18 annual budget for the tendered services based on current contract rates and any information presented during the tender evaluation period. The proposed contract/s will be subject to annual consumer price index adjustments.

People

Suitably qualified and experienced staff are available to ensure the EOI and ITT processes are delivered internally. The contract will be managed by the RedWaste Business Unit with current staffing levels.

Environmental

The provision of Redland City Council WTS operations is undertaken in compliance with all relevant environmental legislation and environmental authorities.

Social

Tenderers who can demonstrate socially positive outcomes such as support for socially beneficial programs or operations as a social enterprise (job creation, training, provision of local services, etc.) will be encouraged for separable portions D & F.

QYAC will be notified of the release of the tender should they wish to submit a response. There are no other social impacts identified. However, social benefits include encouraging indigenous entrepreneurship and business development to provide local indigenous Australians with more opportunities to participate in the local economy.

Alignment with Council's Policy and Plans

This report supports Council's vision of forward thinking and strategic procurement to strengthen customer service and deliver better value for money. The proposed contract/s align to Council's Corporate Plan 2015-2020 outcome of green living through implementation of Council's waste management strategy by applying best practice principles in pricing, public awareness, resource management, recycling and recovery.

CONSULTATION

In developing the Redland City Council WTS operations procurement process, documentation and strategy, consultation has included the following:

- RedWaste Business Unit;
- Legal Services Unit;
- Procurement Services Unit;
- Group Manager Water & Waste Operations;
- General Manager Infrastructure & Operations; and
- Commercial Business team.

OPTIONS

Option 1

That Council resolves to delegate authority to the Chief Executive Officer, under section 257(1)(b) of the *Local Government Act 2009*, to negotiate, make, vary and discharge the tender contract/s (T-1795-16/17-WST) for Redland City Council waste transfer station operations and sign all relevant documentation.

Option 2

That Council resolves not to delegate authority to the Chief Executive Officer, and request that a tender report be presented at a General Meeting following evaluation and selection of a preferred tenderer.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To delegate authority to the Chief Executive Officer under section 257(1)(b) of the *Local Government Act 2009* to negotiate, make, vary and discharge the tender contract/s (T-1795-16/17-WST) for Redland City Council waste transfer station operations, and sign all relevant documentation; and
2. That this report remains confidential.