

## 19.1 DELEGATED AUTHORITY FOR PURCHASE AND REMOVAL OF SCRAP METAL FROM REDLAND CITY COUNCIL RECYCLING AND WASTE CENTRES AND OTHER COUNCIL FACILITIES

**Objective Reference:** A5052420

**Authorising Officer:** Dr Nicole Davis, General Manager Infrastructure & Operations

**Responsible Officer:** Sherry Clarke, Group Manager City Operations

**Report Author:** Claire Tan, Senior Contracts Advisor

**Attachments:** Nil

The Council is satisfied that, pursuant to Section 254J(3) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) *negotiations relating to a commercial matter involving the local government for which a public discussion would be likely to prejudice the interests of the local government.*

### PURPOSE

To seek Redland City Council (Council) resolution 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 a contract with total expected value over \$2,000,000 and enter into a contract for the Purchase and Removal of Scrap Metal (the Services).

### BACKGROUND

The Services are currently provided by Sims Group Australia Holdings Ltd under contract T-1783-15/16-WST. Scrap metal is received at all Council Recycling and Waste Centres from both residential and commercial customers as well as Council's old water. This is a well-established service and Council receives revenue for the removal and sale of scrap metal under this contract. The current arrangement is due to expire on 31 August 2021 with no further options to extend the contract.

The new arrangement will also explore combining all scrap metal services across all Council units under one contract. Combining these services for the removal of scrap metal is designed to provide greater value for money, efficiency of contract administration and promote a one team approach across Council.

### ISSUES

To continue provision of these services to internal and external customers, Waste Operations proposes to issue a public tender in accordance with the *Local Government Act 2009*. The tender is proposed to be released in December 2020 with the resulting contract (if successful) commencing, upon expiry of the existing contract, being 1 September 2021. The tender will be advertised on Council's website and posted to Qtenders.

The proposed contract terms will be for three years with the option to extend for two additional periods of one year, subject to final negotiations with the successful tenderer. The total value of the contract over a five year period is expected to be greater than \$2,000,000 and therefore exceeds the Chief Executive Officer's financial delegation.

Council resolution to delegate authority to the CEO to accept the results of the tender and discharge the resulting contract will also assist in maximising efficiency of the tender process and

administration, and to ensure disruption of the services is minimised through transition to a new contract.

## STRATEGIC IMPLICATIONS

### Legislative Requirements

In accordance with the Strategic Contracting Procedures of the *Local Government Regulation 2012*, for contractual arrangements with a total expected value from \$200,000 up to \$5,000,000 (excl. GST), Council's Procurement and Contract Manual requires Council to do one of the following prior to entering into the contract:

- Expression of Interest (EOI), where applicable
- Invite Tenders
- Request for Quote issued to at least five suitably capable suppliers
- Utilise an available exception

There are no relevant exceptions detailed in the Procurement and Contract Manual that apply to the Services on this occasion. The market for the Services is relatively competitive however it can be concentrated to just a few suppliers (usually less than five); therefore Waste Operations considers the best option to obtain value for money is to issue an Invitation to Tender (ITT) for the Services.

Tender documentation will be 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 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.

### Risk Management

The tender evaluation plan for this ITT contains financial and non-financial evaluation criteria to enable the evaluation panel to effectively assess tender responses and propose the most suitably qualified tenderer, in addition to providing value for money and the required environmental and operational outcomes. The evaluation plan and adherence to all Council policies, guideline and procedures relating to the procurement process and probity principles will effectively mitigate any process risks and ensure all tenderers are assessed fairly.

The tender is due to be released in December 2020 to allow sufficient time to evaluate and negotiate the resulting contract, including time to explore alternative options should the tender process fail to identify a suitable supplier or provide value for money to Council.

It is not proposed at this stage to formally appoint a probity advisor for the ITT process however, due to the strategic significance of this procurement activity, a probity advisor will be available should one be required.

In order to ensure Council receives value for money and to provide transparency, the tender will request that revenue rates are linked to global sale prices for each respective scrap metal category.

The proposed contract resulting from the ITT is expected to contain detailed key performance indicators to support Waste Operations' contract management processes and mitigate against the risk of poor contractor performance.

### Financial

The annual revenue for the Services is difficult to estimate because pricing is usually revised either on a monthly or quarterly basis (depending on material type) and tied to global commodity prices. Global commodity prices can fluctuate significantly depending on a variety of factors and the current Covid-19 pandemic is also expected to continue to have an effect.

Waste Operations estimates that the Services could generate revenue of around \$540,000 (excl. GST) per annum with a total contract value estimated to be \$2,700,000 (excl. GST). However the actual value could vary significantly depending on the type and volume of scrap metal received, global commodity prices, and the final negotiated contract revenue rates.

### People

Suitably qualified and experienced staff are available to ensure the tender process is delivered internally by the Procurement Services and Waste Operations Units. The negotiation, implementation and management of the contract resulting from the tender process will be provided by the Waste Operations Unit with current staffing levels.

### Environmental

Tenderers will be required to provide sufficient evidence and satisfy mandatory criteria that the Services will be provided in accordance with any and all environmental requirements and licensing.

### Social

Social benefits include being able to meet community service expectations and ensuring the continued recycling of recoverable materials.

### Human Rights

The human rights set out in the *Human Rights Act 2019* have been considered and there are no human rights identified that would be affected by the decision to delegate authority to the Chief Executive Officer to negotiate, make, vary and discharge a contract with total expected value over \$2,000,000 and enter into a contract for the Services.

### Alignment with Council's Policy and Plans

The proposed contractual arrangement for the Services aligns to Council's Corporate Plan 2018-2023 outcome of green living, through implementation of Council's waste management strategy, by applying best practice principles in pricing, resource management, recycling and recovery.

## CONSULTATION

Consulted	Consultation Date	Comments/Actions
Service Manager Wastewater Operations	August 2020	Consulted on future needs for scrap metal bins at South Street Depot and Cleveland Wastewater Treatment Plant.
Fleet Manager	August 2020	Consulted on future needs for scrap metal bins at South Street Depot.
Service Manager Roads, Drainage & Marine Maintenance	August-September 2020	Consulted on future needs for scrap metal bins at South Street Depot.

Consulted	Consultation Date	Comments/Actions
Procurement Transformation Manager	August 2020	Provided advice regarding strategic contracting procedures.
Legal Officer	August 2020	Provided advice regarding Human Rights section.

## OPTIONS

### Option One

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 contract associated with the Purchase and Removal of Scrap Metal, which may total more than \$2,000,000 (including GST), over the full contract term.
2. That this report remains confidential until the contract is awarded and details published in accordance with legislative requirements, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.

### Option Two

That Council resolves as follows:

1. To not 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.
2. That this report remains confidential until the contract is awarded and details published in accordance with legislative requirements, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.

## 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 contract associated with the Purchase and Removal of Scrap Metal, which may total more than \$2,000,000 (including GST), over the full contract term.
2. That this report remains confidential until the contract is awarded and details published in accordance with legislative requirements, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.