



City of Nedlands

# Technical Services Reports

**Committee Consideration – 11 June 2013**  
**Council Resolution – 25 June 2013**

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<b>Committee</b>	11 June 2013
<b>Council</b>	25 June 2013
<b>Applicant</b>	City of Nedlands
<b>Officer</b>	Chaminda Mendis - Waste Minimisation Officer
<b>Director</b>	Mark Goodlet – Director Technical Services
<b>Director Signature</b>	
<b>File Reference</b>	TEN/181
<b>Previous Item</b>	Report TS12.12 Council Minutes - 26 June 2012 Item 13.3 Council Minutes – 11 December 2012 Report TS05.13 Council Minutes - 26 February 2013

### Executive Summary

The purpose of this report is to seek approval to undertake a tender process for the City of Nedlands waste and recycling service.

This service provides for the collection, disposal and processing of kerbside municipal solid waste (MSW), recyclables and greenwaste from residential and commercial properties within the City.

The current seven (7) year contract with Perthwaste Pty Ltd is due to expire on 1 December 2013. The Principal (the City) has the option of extending for a further five (5) years commencing on 1 December 2013 to 1 December 2018 and this option is exercisable at the Principal's discretion. The possible contract extension is worth approximately \$8 million in today's dollars for the next five year period.

Administration recommends undertaking a tender process for the waste and recycling service rather than extending the current contract.

### Recommendation to Committee

**Council agrees to undertake a tender process for the City of Nedlands waste and recycling services seven (7) year contract.**

### Strategic Plan

KFA: Natural and Built Environment

## **Background**

The City's current waste and recycling service contract with Perthwaste Green Recycling (Perthwaste Pty Ltd) is due to expire on 1 December 2013.

Currently, the waste and recycling collection services contract No. 2005/06.08 consists of the following components:-

- Household waste collection (120L and 240L)
- Commercial waste collection (240L )
- Recycling collection (240L)
- Greenwaste collection (240L)

At present, Nedlands residential and commercial precincts are participating in weekly rubbish collections and alternate fortnightly greenwaste and recycling collections. Approximately 5,100 tonnes of municipal solid waste (MSW), 2,400 tonnes of greenwaste and 2,500 tonnes of recyclable materials are being collected annually.

### **Key Relevant Previous Council Decisions**

Council considered this matter at its meeting of 26 June 2012 where it resolved unanimously:

That this item be referred back and reconsidered in February 2013.

Council also considered waste disposal options at its meeting of 11 December 2012.

This report presents the outcomes of negotiations for the City of Nedlands to join the Western Metropolitan Regional Council. At the 11 December 2012 meeting resolved unanimously to:

1. Defer negotiations to join the Western Metropolitan Regional Council until after the State Government has responded to the Metropolitan Local Government Review; and
2. Request administration to call for expressions of interest for the disposal of waste.

A report was brought to the 26 February 2013 meeting of Council to seek an extension of time by Administration to consider the waste contract and Council resolved the following:

Council defers the City of Nedlands Waste and Recycling services tender 2005/06.08 contract extension until the City of Nedlands has concluded contract discussions.

## Discussion

The City entered into a contract with Perthwaste Pty Ltd to provide residential and commercial waste and recycling collection services to the City of Nedlands from 27 November 2006 for a term of seven (7) years which expires on 1 December 2013 with the option by the Principal of extending the contract for a further five (5) years.

The cost for collection, disposal and processing of the City's MSW, recyclable materials and greenwaste was approximately \$1.6 million for the 2011/12 financial year and the possible contract extension is worth approximately \$8 million in today's dollars for the next five year period.

Both the magnitude and length of the waste collection contract are significant to the City of Nedlands and it is considered important that Council consider the matter of extension of contract.

The contract has been in place for almost seven (7) years now, and while long contracts are normal where a heavy investment in machinery is required, continuing the contract for a further five years without testing the market place may mean that the City misses out on best value for its residents.

Accordingly, Administration recommends that Council does not extend its current waste and recycling contract for the optional five (5) years, and instead undertakes a tender process for the service.

When the City first went to the market with the three bin system, this practice was relatively new to Perth. The three bin system has proven to be best practice and more service providers have now come into the market suggesting that there are opportunities for more competitiveness.

In December 2012, Council resolved to explore its options for disposal of its waste by calling for expressions of interest. By going to tender, the Principal will be able to explore options and therefore satisfy this resolution. This has the potential to lead to greater savings to the overall cost of waste management. The tenderers will be able to present both their collection and disposal options. The successful contractor will then be directed to the best value disposal option for the City.

Since the City's waste services operate on a cost recovery basis any potential savings can be passed directly to residents.

Furthermore, the City has identified certain existing services that are not required under the current contract. This will provide the opportunity to produce a scope of works tailored to the City's current and future requirements.

Going to tender will allow the City to access the current technologies and efficiencies of the service providers in terms of best practice, collection, reporting, monitoring and disposal. As the waste management industry is changing, the City is seeking alternative waste disposal systems and

technologies available to achieve waste minimisation targets, while maintaining or improving environmental, social and financial benefits.

A contract extension will only allow the City to exercise the current conditions of the contract and we will be unable to seek other options that may be financially advantageous to the City.

## Consultation

Required by legislation: No

Required by City of Nedlands policy: No

Initial discussions have occurred with Perthwaste Pty Ltd regarding the possible contract extension of the contract.

Perthwaste Pty Ltd has approached the City requesting an extension to the contract in order to facilitate their purchase of capital infrastructure to service the City as their current infrastructure has passed its optimal service lifespan.

Perthwaste has prepared a brief statement to Council expressing their view regarding the City's potential contract extension. Refer to attachment 1 for your consideration.

## Legislation

The *Local Government Act 1995* requires public tenders to be called where the consideration of the value of the contract exceeds \$100,000.

The following City of Nedlands policies may affect selection:

- Purchasing of Goods and Services Policy;
- Occupational Health and Safety Policy;
- Waste Minimisation Strategy 2009.

## Budget/financial implications

### Budget

Within current approved budget: Yes

Requires further budget consideration: Yes

All prices are subject to the variation mechanism outlined in the Waste and Recycling collection service tender 2005/06.08. Any increases in cost of service are adjusted by a variation mechanism, which is addressed in the City's annual budget.

The City's waste management operates on a full cost recovery basis. Any cost savings will be passed on to ratepayers through an annual rubbish bin charge.

## **Financial**

The cost for collection, disposal and processing of the City's MSW, recyclable materials and greenwaste is approximately \$1.6 million for the 2012/13 financial year.

The City has identified certain existing services within the current contract that are being charged as separate services. These are considered under the confidential attachment.

A discussion on financial details of the waste audit outcome is presented in the Attachment 2.

## **Risk Management**

Risk is managed by appointing contractors through the City's Tender process and assessing against the compliance criteria. These include the financial viability, insurances and the appropriate company structures.

Appointing contractors via this tender process allows the City to clearly state the scope of works required and outcomes expected. It is also an opportunity to outline the responsibilities of both the City and the appointed contractors throughout the life of the contract, along with timelines and expected costs of the work requested. This process reduces the risk of the appointed contractor not fulfilling their obligations for the work required.

## **Conclusion**

This item has been addressed previously with Council at a Councillor Briefing. The market has not been tested for seven (7) years. Going back to the market increases the opportunity to achieve best market value for the service. The City requires a new tender contract document which will be tailored to suit the City's needs and provide value for money.

Therefore, Administration recommends seeking tenders for the collection of waste, recycling and greenwaste services for residential and commercial properties.

This matter is being brought before Council at this point in time as the City is required to notify Perthwaste by 1 September 2013 whether or not it wishes to accept the optional five (5) year contract extension.

## **Attachments**

1. Confidential attachment - Perthwaste brief (not to be published).
2. Confidential attachment - Waste audit outcome and litter bin financial analysis (not to be published).