

ITEM NUMBER: 17.1

CONFIDENTIAL REPORT

WASTE MANAGEMENT COST SAVINGS AND CONTRACT RENEWAL

Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and would, on balance, be contrary to the public interest.
- d. commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.
- k. tenders for the supply of goods, the provision of services or the carrying out of works.

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Recommendation – Exclusion of the Public – Section 90(3)(b, d and k) Order

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: 193/17 Waste Management Cost Savings and Contract Renewal in confidence.

2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 193/17 Waste Management Cost Savings and Contract Renewal on the following grounds:
 - b. pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council conducting business and would prejudice the commercial position of the Council as Council is currently engaged in negotiations with a supplier.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

 - d. pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information as financial details from the contractor will be disclosed.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

 - k. pursuant to section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda Item are tenders for the provision of services, namely waste management.

3. **The Council is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.**
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CONFIDENTIAL

Item No: **17.1**

Subject: **WASTE MANAGEMENT COST SAVINGS AND CONTRACT RENEWAL**

Date: 13 June 2017

Written By: General Manager

General Manager: City Assets and Services, Mr S Hodge

SUMMARY

In line with Council directions and a Key Performance Indicator issued through Councils internal Audit Committee the General Manager City Assets and Services has entered meaningful discussions with various sectors of the waste management industry with an objective to drive down cost of Councils Waste Management Services.

Discussions were taken up with Councils current contractor Solo Waste and Resource Recovery and the CEO of SRWRA with a review of Councils current practices and associated pricing.

Discussions were also held with Council Solutions along with Administration from West Torrens and Marion Councils.

RECOMMENDATION

1. That Council extend its current waste management contract with Solo Waste and Recycling by two years to 2021 and in recognition of this Council will receive an across the board reduction in the waste management collection and processing costs of \$10,000 per month. This represents a saving of \$450,000 across the life of the contract.
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RETAIN IN CONFIDENCE - Section 91(7) Order

- 2.. That having considered Agenda Item 17.1 Waste Management Cost Savings and Contract Renewal (Report No: 193/17) in confidence under section 90(2) and (3)(b, d and k) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report be retained in confidence for the period of the contract and the Chief Executive Officer is authorised to release the documents when the contract expires and that this order be reviewed every 12 months.

This order is subject to section 91(8)(b) of the Act which provides that details of the identity of the successful tenderer must be released once Council has made a selection. In addition, section 91(8)(ba) of the Act requires details of the amount(s) payable by the Council under a contract for the provision of cleaning services must be released once the contract has been entered into by all concerned parties.

COMMUNITY PLAN

A Place with a Quality Lifestyle
A Place that Values its Natural Environment
A Place that Manages its Environmental Impacts
A Place that Provides Value for Money
A Place that is Well Planned
A Place that Provides Choices and Enhances Life

COUNCIL POLICY

Procurement (Contract and Tendering) Policy.

STATUTORY PROVISIONS

Local Government act 1999.

BACKGROUND

Council entered a Waste Management Contract with Solo Resource Recovery in March 2007 for 7 years with an option to extend for a further 3 years. This option was invoked in 2010 when Council tendered to an external provider for the street litter bin collection.

Since this time negotiations with both the Cities of Marion and West Torrens have resulted in an extension of their contracts for a period of 5 years and an unknown reduction of their respective waste management costs whilst maintaining their already established service levels.

There is some conjecture around the alignment of the contracts for the three Councils, however, there has never been a common commencement or expiry date.

Marion and West Torrens also increased their contracts along with Holdfast Bay in 2013 which will now expire in 2018. The Holdfast Bay contract is currently due to expire in 2019. The only way to now align the contracts is for Holdfast Bay to insist on an extension of the contract for 1 year but there is no clear advantage in doing so and similarly the other 2 regional partners are about to extend their contracts by a further 2 years, and they will now expire in 2020 West Torrens will consider their offer at its normal meeting in confidence on 20 June with Marion to consider their position at a confidential meeting on 27 June 2017.

Council Procurement (Contracts and Tendering) Policy

There has been some discussion around the issue of extending the contract further which may be at odds with our normal procurement processes, however, the policy states that there are exemptions possible in this case. This is outlined in section 2.7.1 and 2.7.2 section 2.13 also discusses the use of strategic allowances.

Section 2.7.1 This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or purchases in which a tender process is will not necessarily deliver the best outcome for the Council, and other market approaches may be more appropriate.

Section 2.7.2 In certain circumstances the Chief Executive Officer or Council's Elected Members may, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reason in writing for waiving application of this Policy.

Section 2.13 of the Policy, Strategic Alliance states:

Strategic alliances may be appropriate where Council can increase its purchasing power by partnering with another Council, representative body or a supplier. Strategic alliances allow the Council to negotiate lower costs for standard goods and services.

It could be seen that this initiative continues the current strategic regional alliance of the three contracted Councils.

REPORT

In the knowledge that waste management is Councils third largest cost centre, Administration are acutely aware of the need to create opportunities to drive down these costs wherever possible yet maintain a level of service to our ratepayers that is both sustainable and affordable.

There are some factors that are beyond our control such as the legislative requirements to maintain a weekly waste collection service and the need to pay the EPA Levy for every tonne of waste that we dispose of to landfill.

Discussions centred around what savings could be realised in the short to medium term. Council are currently contracted to SRWRA for the disposal of Council waste at the McLaren Vale waste facility with collection of waste and recyclables under contract with Solo Waste who contract with Visy, Peats Soils and Jefferies on Councils behalf for the processing of Councils recyclables.

SRWRA are looking to escalate their ability to process green waste in the future but currently they have no licence to operate such a facility under the guidelines set down by the EPA.

Administration did enter into conversation with Council Solutions with a view to being part of a large Local Government Waste tender but this was disallowed by the ACCC on the basis that it

would be operating as a cartel and would stifle the market the rules of engagement with Council Solutions was also at odds with Councils Procurement Policy.

It would appear that the most viable option of cost savings in the short to medium term is to extend the contract for a further two years in recognition of a \$10,000 per month savings across the life of the contract.

BUDGET

If Council agree to this extension of the contract it will realise a saving of \$120,000 in Councils budget for the 2017/2018 budget period. This represents a 5.3% saving on the annual waste contract with Solo.

LIFE CYCLE COSTS

If Council agree to this extension of the contract it will realise a savings of \$450,000 over the life of the contract.

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