

7.5 Contract No 2021/145 Food and Garden Organics Processing Services

Executive Summary

Purpose

The purpose of this report is for Council to give consideration to the awarding of Contract No 2021/145, Food and Garden Organics Processing Services.

Background

Council, along with other member Councils have an existing Contract No: CRJV 02-2007-Clayton Road Landfill Joint Venture, which is the supply of airspace to receive municipal waste incorporating landfill and food organics. This contract is due to expire 31 July 2022.

For this new contract award the City of Boroondara and the City of Stonnington undertook a collaborative tender process. The services provided are for the processing of Food and Garden Organics ("FOGO") and hard greens which is a strategically important service implemented and operationalised by the City of Boroondara since May 2020.

The contract will provide Food and Garden Organics Processing Services for an initial period of five (5) years with two possible extensions of a further two (2) years and two (2) years up to a maximum contract period of nine (9) years. This service is expected to commence on 1 August 2022.

Key Issues

The key considerations used to determine the outcomes of this tender were:

- Capacity, processes and infrastructure to accept large volumes of FOGO and hard greens material;
- Adheres to all licencing requirements as legislated by the EPA and other authorities;
- Has established, circular end use markets for processed materials;
- Focus on sustainability;
- Management and sorting of contamination;
- Ability to provide thorough reporting on Council material in and on end use markets; and
- Competitive pricing through a schedule of rates with volume discounts.

Five tender responses were received, four of which conformed with specification.

The recommendation is considered the best value for money within the constraints of the Council budget.

Next Steps

Upon award of the contract, Council will oversee the management and transition of services with the incumbent.

There is no impact to the community as there is no change to the kerbside collection arrangement or material acceptance.

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 66(2)(a) and the definitions of 'confidential information' in section 3(1) of the *Local Government Act 2020*. The information relates to:

- a) private commercial information, being information provided by a business, commercial or financial undertaking that—
 - i. relates to trade secrets; or
 - ii. if released, would unreasonably expose the business, commercial or financial undertaking to disadvantage;

The item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

Officers' recommendation

That Council resolve:

1. To award Contract No. 2021/145, Food and Garden Organics Processing Services, to Van Schaik's Bio Gro Pty Ltd (ACN 067 853 098), at their tendered Schedule of Rates for an initial period of five (5) years, with a possible further extension of two (2) years by two (2) years to a maximum contract term of nine (9) years. The estimated value over the maximum contract term is \$34,086,345.88 (including GST) excluding any price adjustment due to rise and fall. The estimated cost to Council after return of GST input credit is \$30,987,587.16.
2. To authorise the Director of Places and Spaces to execute the contract agreements with the above contractor.
3. To authorise the Director of Places and Spaces to negotiate extensions to the contract with the above Contractor to the maximum nine year contract term.
4. Note that expenditure under this contract is in accordance with Councils proposed 2022-23 budget (municipal waste charge). Future years expenditure is foreshadowed and in accordance with the approved budget allocations raised through the municipal waste charge.

Responsible director: Daniel Freer, Director Places and Spaces

1. Purpose

The purpose of this report is for Council to give consideration to the awarding of Contract No. 2021/145, Food and Garden Organics Processing Services.

2. Policy implications and relevance to community plan and council plan

The new contract has been prepared in accordance with Council's policies, plans and provides levels of service reflected in these documents.

This contract aligns with the following themes and strategies in the Boroondara Community Plan (2021-31), Waste Minimisation and Recycling Strategy 2017 and Climate Action Plan:

Boroondara Community Plan (2021 – 31)

Theme Three – The Environment

Strategy 3.3: Municipal and household waste is reduced through initiatives to prevent, reduce, reuse and recycle.

Climate Action Plan – Circular economy (waste)

Corporate action 5.4: Develop opportunities to use FOGO compost in Council's open spaces and parks.

Corporate action 5.5: Investigate opportunities to expand the FOGO program.

Waste Minimisation and Recycling Strategy 2017

Theme 6.1: Diverting Food and Garden Organic Waste;

This procurement process has been carried out in accordance with the requirements of Council's Procurement Policy 2021-25.

3. Background

Food and Garden Organics Processing ("FOGO") is a strategically important service implemented and operationalised by the City of Boroondara in May 2020. The service supports Council's Waste Minimisation and Recycling Strategy and is a key service in meeting and exceeding Council's 80% diversion from landfill target by 2030.

Supporting sustainable and circular economy outcomes continues to be a priority, as part of Council's Climate Action Plan, and whilst meeting and exceeding diversion from landfill targets, it is essential to award this contract to a tenderer who provides best value for Council and can support FOGO processing solutions that provide optimum, local and circular outcomes.

Invitation to Tender

In accordance with Council's Procurement Policy 2021-25, Council invited public tenders from suitably qualified organisations to provide Food and Garden Organics Processing Services. An Invitation to tender was advertised in the local government tenders section of "The Age" newspaper on Saturday 11 December 2021 and on Council's website. The closing date for submissions was 4pm, Friday 11 February 2022.

In response to the advertisement, Council received five submissions, these are listed alphabetically as follows;

- Cleanaway Pty Ltd;
- Garden State Mulching Services Pty Ltd;
- Gekko Systems trading as Gaia Enviro Tech;
- Repurpose It Pty Ltd; and
- Van Schaik's Bio Gro Pty Ltd.

Upon receipt of the submissions, the proposals were assessed for compliance against the tender Specification. Gaia Envirotech trading as Gekko Systems was determined to be non-compliant as their proposal offered an alternate processing technology which included a modular composting system not suitable for Council's Transfer Station located at the Depot. As a result were not progressed through to the evaluation steps.

4. Outline of key issues/options

Tenderers were evaluated by the Evaluation Panel on a combined qualitative and quantitative basis with tenderers having to achieve minimum scores across key evaluation criteria consisting of:

- Total cost and financial benefit to Council;
- Environmental Sustainability;
- Alignment with Circular Economy with established end use markets for processed materials;
- Business Continuity and ensuring facilities have a licence to operate and process material;
- Operation of the Services including Services Delivery and Methodology for guaranteed categories of FOGO and Hard Greens, as well as understanding capabilities for non-guaranteed categories for Council to be informed;
- Proven Past and Relevant Experience; and
- Transitional arrangements
 - Operational readiness to accept Council material on the commencement date;

Attachment 1 notes that the evaluation panel worked through a number of technical, operational and practical issues during the tender evaluation including the need to consider a further commercial analysis on internal transport costs to deliver FOGO and Hard Greens material in bulk to the Contractor.

After evaluating all tender responses both qualitative and quantitative with consideration to the further commercial analysis, the evaluation panel concluded that the tender from Van Shaik's Bio Gro offered Council best value.

Following the award of this tender discussions will be held with both Van Shaik's Bio Gro and the incumbent Cleanaway Pty Ltd on transitional arrangements.

5. Collaborative Procurement Opportunities

As City of Boroondara and City of Stonnington are parties to the same current Contract No CRJV 02-2007 and have similar service requirements for FOGO and hard greens waste, Councils sought to strategically utilize a single collaborative tender process to achieve value for each Council by:

- Presenting guaranteed volume over a long term agreement to tenderers to attract competitive processing rates;
- Establishing assurance of business continuity over the life of the contract; and
- Ability for tenderers to continue investment and innovation in best practice FOGO and hard green waste processing and composting.

City of Boroondara were the lead Council in the evaluation process. At the conclusion of this tender process, each Council will sign its own contract without any dependencies.

6. Consultation/communication

The evaluation process also included waste leads from Council's Facilities, Waste and Infrastructure and Sustainability departments and was facilitated by Procurement Advisors from the Chief Financial Office whose participation has ensured transparency and probity with support from an appointed external Probity Advisor.

7. Financial and resource implications

Council's proposed 2022-23 foreshadowed budget contains a total allocation of \$3,749,284.00 (ex. GST) for Food and Garden Organics Processing Services. These funds are raised through the municipal waste charge. This allocation is sufficient to fund the contract as recommended.

8. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

The officers responsible for this report and those involved with the evaluation of responses have no direct or indirect interests requiring disclosure.

This tender process has been carried out in accordance with the requirements of Council's Procurement Policy 2021-25.

9. Social and environmental issues

This contract will continue to build upon Councils commitment to climate change and will have a positive impact on the environment and the community as follows:

- Diverting food, garden and hard green organics away from landfill so as not to generate methane gas and reduce costs;
- Creation of high value compost materials for commercial and/or land applications;
- Minimising vehicle carbon emissions with utilisation of processing facility in Dandenong South and subsequent facilities also located in Victoria;
- Maximising opportunities for compost material to be delivered back to Council Transfer Stations for community use;
- Maximising opportunities for compost materials to be utilised by Council Parks, Gardens and Infrastructure teams;
- Providing long term security and investment to the community on longevity of service to ensure FOGO and hard greens are diverted from landfill;

10. Evaluation and review

The evaluation report is provided as **Confidential Attachment 1.**

As a result of the evaluation, the evaluation panel recommends that Council award Contract No. 2021/145, Food and Garden Organics Processing Services, to:

- Van Schaik's Bio Gro Pty Ltd

Manager: George Batsakis, Manager Facilities, Waste and Infrastructure

Report officer: Bronson Bird, Waste Contracts Officer - Facilities, Waste and Infrastructure