

7 Presentation of officer reports

7.3 Provision of Landfill Services Contract No 2021/39

Abstract

This report seeks Council endorsement for the award of Contract No. 2021/39, Provision of Landfill Services. This contract will provide Council with landfill services for an initial term of four years and with a potential to extend for two further terms of two years each, at Council's discretion, for a maximum contract term of eight years. This contract will be used in the short term for excess waste tonnages under the existing landfill contract and will then replace Council's existing landfill services contract which will expires in June 2022.

The estimated total Contract cost for an eight-year maximum contract term is \$8,388,113 (including GST), excluding any price adjustment due to rise and fall and the State Government Landfill Levy, which is in accordance with Council's current budget and long-term financial plan. The estimated cost to Council after the return of GST Input Tax Credits is \$7,625,558. The estimated cost is based on unit rates for waste deposited at landfill.

Given the value of the contract, it was publicly advertised in accordance with the requirements of Section 186 of the Local Government Act 1989 and the requirements of Sections 108 and 109 of the Local Government Act 2020.

Confidential information is contained in **Attachments 1 & 2**, as circulated in the confidential section of the agenda attachments, in accordance with Section 66(2)(a) and the definition of 'confidential information' in Section 3(1) of the Local Government Act 2020 as the information relates to private commercial information, being information provided by a business or commercial undertaking that if released, would unreasonably expose the business or commercial undertaking to disadvantage. This 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 to:

1. Award Contract No. 2021/39, Provision of Landfill Services, to Cleanaway Pty Ltd (ABN 79 000 164 938), at its tendered schedule of rates, for an initial term of four years with two possible further extensions of two years each to a maximum contract term of up to eight years. The estimated value over the maximum contract term is \$8,388,113 (including GST), excluding any price adjustment due to rise and fall and the State Government Landfill Levy. The estimated cost to Council after return of GST Input Credits is \$7,625,558.
2. Authorise the Director Places and Spaces to execute the contract agreement with the above contractor.
3. To note that expenditure under this contract in 2020-21 is in accordance with Council's adopted budget and 2021-22 foreshadowed budget.

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. 2021/39, Provision of Landfill Services.

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

This contract aligns with the following themes and strategies in the Boroondara Community Plan (2017-27) and Council Plan (2017-21):

Theme 3: The Environment

Strategy 3.2 Reduce the amount of waste generated and disposed in landfill through initiatives to prevent, reduce, recycle and reuse waste.

This contract aligns with the strategic goals and objectives outlined in Council's Waste Minimisation and Recycling Strategy 2017.

This procurement process has been carried out in accordance with the requirements of Council's Contracts and Tendering Probity Policy and Council's Procurement Policy.

3. Background

Council's current landfill contract, a minimum tonnages contract whereby Council can take no less than 25% of its landfill waste to the contracted provider, expires in June 2022. Council currently utilises the contract for all of its landfill waste.

The Metropolitan Waste and Resource Recovery Group (MWRRG) has undertaken a collaborative procurement on behalf of participating Councils for the provision of landfill services.

Given both the opportunity to direct 75% of its landfill waste to a different contract (subject to favourable commercial terms) and the upcoming end date of its current landfill contract, Boroondara was a participating Council in the MWRRG collaborative procurement.

The proposed contract also presents flexibility that will enable Council to consider alternatives to landfill as resource recovery and landfill diversion technology becomes available.

Invitation to tender

The tender for the Provision of Landfill Services was a collaborative procurement undertaken on behalf of participating Councils by the MWRRG. The Environment Protection Act 1970 provides MWRRG with the power to undertake collaborative procurements and collective contracts.

This collaborative procurement is consistent with the requirements of Section 186 of the Local Government Act 1989 and the requirements of Sections 108 and 109 of the Local Government Act 2020. The tender was released on 16 March 2020 and closed on 4 June 2020.

4. Outline of key issues/options

A strategic priority area in Council's Waste and Recycling Strategy 2017 is the diversion of waste from landfill. A recent landfill diversion action undertaken by Council was the introduction of a kerbside FOGO collection service in May 2020. This initiative has successfully elevated Council's landfill diversion from an average of 49% to over 70%. The next key opportunity for diverting waste from landfill will present as resource recovery, and landfill diversion technologies are established, which is expected to occur within the next four years.

This tender contains a range of pricing options that present Council with the flexibility to align with its service needs and strategic objectives. There are three pricing categories for landfill services:

- Guaranteed tonnages over a four-year period
- Guaranteed tonnages for a 12-month period
- Non-guaranteed tonnages

The pricing category that presents Council with both an appropriate level of flexibility and value for money is the guaranteed 12-month tonnages price. This will provide Council with a contract of up to eight years (if all options are exercised), whilst also providing an opportunity for Council to cease using landfill at any point after the first year should it wish to transition to an alternative resource recovery option.

5. Consultation/communication

The Waste Management Reference Group received information relating to the contract at its meeting held on 22 March 2021.

6. Financial and resource implications

The prices provided through this tender represent a best value outcome for Council. The proposed unit rate is 13% cheaper than the current contracted rate. This equates to a contract saving, should it run its full eight-year term, of approximately \$1,099,021 (excluding indexation, GST and any changes to the State Government Landfill Levy. **Refer Confidential attachment 2**).

Expenditure under this contract is defrayed via Council's Waste Charge.

Council's 2020/21 budget allocation and the impact of this contract is outlined below:

Budget:	\$3,069,825
Actuals to February month end:	\$1,788,963
Forecast remaining expenditure:	\$1,181,337
End of year forecast:	\$2,786,471
Forecast End of Year Budget position:	\$283,354 (saving)

The estimated financial value of this contract, should it run its full eight-year term, is approximately \$7,625,558 (excluding indexation, GST and State Government Landfill Levy).

7. 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 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.

8. Social and environmental issues

This contract forms an integral part of Council's management of landfill material and the environmental issues associated with landfills. The site nominated under this contract is an existing landfill with all requisite approvals and licenses in place from regulatory bodies (Melton City Council, Environmental Protection Authority). In September 2017, Cleanaway completed major infrastructure upgrades to the renewal energy plant at this facility boosting waste-to-energy capacity from 4.4Mw to 8.8Mw, and generating enough electricity to power more than 13,000 homes each year.

Cleanaway undertakes daily monitoring and visual inspections of the landfill area to remove any extraneous litter to reduce the impact of any odour on the local community by ensuring the landfill is capped with soil at the end of every day and we capture as much biogas as possible. Cleanaway inspects the site daily including the site boundaries and landfill surface, to quickly identify and address any issues. Organic matter decomposed to a liquid, leachate, is managed onsite to ensure it does not contaminate the local water supply.

The proposed contract terms provide the level of flexibility required to enable Council to migrate to resource recovery and landfill diversion technologies as they become available.

9. Evaluation and review

Eight submissions were received for Contract MWRRG 2020-23, Provision of Landfill Services. Tenders were assessed against the evaluation criteria listed in the tender documents by a tender evaluation panel, with oversight by an independent probity advisor.

Details of the tender evaluation are outlined in the Summary of Evaluation report provided in **Confidential Attachment 1**.

Following the tender assessment undertaken by MWRRG, Council officers assessed the suitability of providers against the logistical requirements of Council's waste services, ensuring efficient transport logistics and that staff and fleet costs are minimised.

10. Conclusion

This tender has been undertaken and assessed in accordance with statutory and policy requirements. The recommendation presents a financially favorable outcome for Council. It provides Council with flexibility, so it is in a position to consider alternatives to landfill as resource recovery and landfill diversion technology becomes available.

Manager: **George Batsakis, Manager Facilities, Waste and Infrastructure**

Report officer: George Batsakis, Manager Facilities, Waste and Infrastructure