

**ITEM 6. EXEMPTION FROM TENDER AND REQUEST FOR EXTENSION -  
DOMESTIC WASTE COLLECTION CONTRACT**

**FILE NO: S085866**

**SUMMARY**

The City of Sydney entered into the Services Agreement – Domestic Waste (Waste Collection Agreement) with United Resource Management (URM) in January 2010.

This report seeks approval to extend the term of the Waste Collection Agreement until 30 June 2019.

This extension allows for continuation of critical waste collection services, while the future waste services contracting model is fully developed, tendered and awarded. In the near future Council will be considering a Draft Waste Strategy and Action Plan for public exhibition. This plan will include detailed priority actions for achieving the recently adopted targets within the City's Environmental Action Plan. The actions within this strategy are expected to require changes to waste collection and recycling services.

An evaluation of the current contract model has identified that it will require significant change to align with recent industry developments and the actions expected in the forthcoming Waste Strategy and Action Plan. The City's new strategic services approach-to-market would include an Early Contractor Involvement process followed by a tender. The successful tenderer would also require twelve months transition-in time to ensure an efficient and seamless handover of services. This will have numerous benefits including improved services and better financial outcomes for the City.

The City has grown considerably in size, density and complexity since 2010 when the contract was initially awarded. The contract extension will include increased collection capacity to cover growth in the numbers of services within the local government area.

The current term of the Waste Collection Agreement ends on 30 June 2017. Given the time required to implement the revised contractual model to ensure services meet the new strategy and to permit an adequate transition-in period, approval is sought to extend the term of the Waste Collection Agreement.

**RECOMMENDATION**

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993, to extend the term of the Waste Collection Agreement by 24 months to 30 June 2019;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a variation to the Waste Collection Agreement to provide for the extension of the term under clause (A);
- (C) Council note that, because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders; and

- (D) Council note the reasons why a satisfactory result would not be achieved by inviting tenders now are:
- (i) sourcing a provider for a period of 24 months introduces a significant financial risk to Council due to the short engagement period;
  - (ii) due to the size and complexity of Council's waste services, introducing a new supplier would result in an unacceptable level of operational risk; and
  - (iii) limited time is available from now to the end of the contract to achieve a robust City tender process.

## **ATTACHMENTS**

**Attachment A:** Financial Implications (Confidential)

**(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)**

**BACKGROUND**

1. On 7 December 2009, Council resolved to accept the tender from United Resource Management (URM) for the Collection of Domestic Waste. The contract provides domestic waste and recycling collection services to City residents.
2. The Waste Collection Agreement with URM commenced on 10 March 2010 for a term of five years, with an additional two year term based on performance.
3. This additional two year term was exercised and commenced in March 2015, and on 9 November 2015 the contract was extended for a further four months through a contract variation approved by the Lord Mayor and the Chief Executive Officer. The contract (including exercised option and variation) will end on 30 June 2017.
4. URM provides approximately 12.3 million collection services to 109,175 residential properties in the local government area each year.
5. On 2 April 2012, Council adopted an Interim Waste Strategy. The waste collection services currently provided by URM meet the targets set in this strategy.
6. On 27 March 2017, Council adopted the Environmental Action 2016-2021 Strategy and Action Plan. This plan includes new short term targets for waste management.
7. In the near future, Council will be considering a Draft Waste Strategy and Action Plan for public exhibition. This plan will include detailed priority actions for achieving the adopted targets within the Environmental Action Plan. The actions within this strategy are expected to require changes to waste collection and recycling services.
8. In keeping with best practice procurement approaches for a contract of this size, complexity and value, and aligning with the City's new strategic services approach-to-market through the Early Contractor Involvement (ECI) process, the City has commenced discussions with the waste industry regarding this strategic procurement. Industry feedback has been very positive to date, particularly with regard to the use of the ECI model. These discussions will be followed by an extensive scoping phase, formal ECI process and then the tender process.
9. The transition-in period required for waste collection services is nominally a twelve month timeframe (post tender award) to allow for the successful tenderer to acquire new waste collection fleet, required in-fleet technology systems and recruit staff as necessary.
10. To ensure that the City procures the most suitable contractor to meet the challenges associated with the City's waste service, the City requires a 24 month extension to complete the ECI and tender process and to also then transition in the successful tenderer. This means that the current Waste Collection Agreement with URM will need to be extended until 30 June 2019.
11. The City has grown considerably in size, density and complexity since 2010 when the contract was initially awarded. Challenges faced by the City's waste collection providers include increased service demands from a rapid increase in the number of multi-unit dwellings, as well as increased collection frequencies and tonnages of waste generated by a growing and highly transient population.

12. The contract extension will include increased collection capacity to cover growth in the numbers of services being provided to new dwellings and the increased collection frequencies associated with new and existing large apartment complexes. The growth in services will be resourced through two additional waste collection trucks, refurbishments to the existing fleet, two additional waste collection crews and additional customer service support.

## **KEY IMPLICATIONS**

### **Organisational Impact**

13. The contract extension will allow for a well-planned ECI and tender process that will provide an efficient, timely and cost effective waste and recycling service.

### **Risks**

14. Without the extension, the City will need to tender the contract to commence on 1 July 2017. This does not allow enough time to run an Industry appropriate ECI and tender process, nor to transition in as required.
15. Without the extension, the City will not be able to continue providing domestic waste collection services.

## **BUDGET IMPLICATIONS**

16. The Waste Collection Agreement is based on a schedule of rates with biannual rise and fall adjustments and quarterly service number updates. The value of the total contract for the entire seven year term and 24 month extension period is outlined in confidential Attachment A.
17. The 24 month extension is covered within the Cleansing and Waste operational budget and future years' forward estimates.

## **RELEVANT LEGISLATION**

18. Section 55(3)(i) of the Local Government Act 1993.

## **CRITICAL DATES / TIME FRAMES**

19. The current Waste Collection Agreement is due to end on 1 July 2017. It is recommended that the contract end date is extended to end on 30 June 2019.
20. If the contract is extended, then the ECI for the new Waste Collection Agreement would go to market in September 2017 followed by the issue of a select tender.
21. Council approval will be sought in March 2018 to appoint the successful tenderer.
22. An extended transition period will be provided for the successful tenderer to acquire new fleet and in-field technology systems, recruit new staff and optimise service methodologies to ensure a comprehensive and smooth contract commencement on 1 July 2019.

## **DAVID RIORDAN**

Director City Operations

George Angelis, Manager Cleansing and Waste