

Euan Kyle

From: Euan Kyle
Sent: Monday, 16 March 2020 1:41 PM
To: 'requests@taxpayers.org.nz'
Cc: [REDACTED]
Subject: RE: LGOIMA: HCC2019/1(2)/230, page 281 [#4CB23G]
Attachments: HCC Proc Strat_200218 - FINAL.DOCX

16/03/2020

[REDACTED]
requests@taxpayers.org.nz

Dear [REDACTED]

Request for Information – Local Government Official Information and Meetings Act 1987

We refer to your official information request dated 27 February 2020 for information regarding report no: HCC2019/1(2)/230, page 281.

The information you have requested is enclosed.

In order to provide you with further context in terms of the information you have requested, please note that we believe what you are after is effectively all included/covered in our Waste Collections Procurement Strategy which is attached as it appears to fulfil the scope of what you are after in terms of the bullet points you have listed below.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you have any questions or wish to discuss this decision with us, please feel free to contact me on euan.kyle@huttcity.govt.nz.

Yours sincerely

Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702 W www.huttcity.govt.nz



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From: Taxpayers' Union Information Requests [mailto:requests@taxpayers.org.nz]
Sent: Monday, 9 March 2020 12:04 PM
To: Euan Kyle; [REDACTED]
Subject: Re: LGOIMA: HCC2019/1(2)/230, page 281 [#4CB23G]

Dear Euan,

We are happy to limit our request for all reports, communications, emails, submissions, presentations, briefings, and similar on the following in relation to the procurement process:

- identified risks with the services being procured for
- identified risks with the procurement process
- The decision to open procurement before consultation on the long term plan is complete
- the scope of services being procured for, including those deemed out of scope

Exclude anything that is publicly available and / or available through GETS

New Zealand Taxpayers' Union Inc. | Main +64 4 282 0300 | Level 4, 117 Lambton Quay, Wellington | PO Box 10518, The Terrace, Wellington | www.taxpayers.org.nz
Auckland Ratepayers' Alliance | Main +64 9 281 5172 | 3 Glenside Crescent, Eden Terrace, Auckland | PO Box 133099, Eastridge, Auckland | www.ratepayers.nz

We stand for Lower Taxes, Less Waste, and More Transparency across all levels of government. If you like what we do, join the [Taxpayers' Union](#) or the [Auckland Ratepayers' Alliance](#).

From: Euan Kyle <Euan.Kyle@huttcity.govt.nz>
Date: Friday, 6 March 2020 at 12:26 PM
To: Taxpayers' Union OIA/LGOIMA Requests <requests@taxpayers.org.nz>
Cc: [REDACTED]
Subject: RE: LGOIMA: HCC2019/1(2)/230, page 281 [#4CB23G]

06/03/2020

[REDACTED]
requests@taxpayers.org.nz

Dear [REDACTED]

Official information request for LGOIMA: HCC2019/1(2)/230, page 281

I refer to your official information request dated 27th February 2020 for information regarding Report no: HCC2019/1(2)/230, page 281.

You requested *all reports, communications, emails, submissions, presentations, briefings, and similar on the mentioned procurement process contained within in the report*. However after talking to members of staff we were wondering if there was anything specific you required in regards to the procurement process as it is quite broad and could result in large amounts of information that you have no interest in?

Yours sincerely

Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702 W www.huttcity.govt.nz

Euan Kyle

Senior Advisor, Official Information and Privacy

Hutt City Council, 30 Laings Road, Private Bag 31912, Lower Hutt 5040, New Zealand
T 04 570 6702, M 022 4155438, W www.huttcity.govt.nz



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From: Contact
Sent: Friday, 28 February 2020 8:35 AM
To: Corporate Records
Subject: FW: LGOIMA: HCC2019/1(2)/230, page 281 [#4CB23G]

-----Original Message-----

From: "Taxpayers' Union Information Requests" <requests@taxpayers.org.nz>
Sent: Thursday, February 27, 2020 5:13 PM
To: "contact@huttcity.govt.nz" <contact@huttcity.govt.nz>
Cc: [REDACTED]
Subject: LGOIMA: HCC2019/1(2)/230, page 281

This is a request for official information under the Local Government Official Information and Meetings Act 1987 relating to solid waste.

In reference to Report no: HCC2019/1(2)/230, page 281, we request all reports, communications, emails, submissions, presentations, briefings, and similar (whether electronic or otherwise) on the mentioned procurement process contained within in the report.

So as not to unnecessarily delay the release of the information, we ask that this request not be combined with any other requests made by the Taxpayers' Union, or its personnel.

We do not wish to cause unnecessary expense or burden on your agency. If clarification of any of our requests is needed, please call or email. Likewise, if a request proves unnecessarily burdensome in form and we are likely to be able to adjust it to be more specific or better suited to your information systems without losing the benefit of what is sought, please also get in touch. If there is likely to be a delay in being able to assemble or provide some of the information requested, please provide the rest of the information as it becomes available.

To avoid unnecessary printing and postage costs, we ask that you send a **confirmation of receipt**, the response and any other correspondence related to this request to requests@taxpayers.org.nz. Please include the following reference in the subject line: HCC2019/1(2)/230, page 281

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Document status

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2508	3, DRAFT		



Hutt City Council
Waste Collections Procurement Strategy
February 2020

Contents

1	Introduction	1
2	Procurement objectives	1
3	Section S17A Review	2
4	Strategic Context	2
4.1	Long Term Plan	2
4.2	Waste Management and Minimisation Plan	3
4.3	Contractual context	3
4.4	Procurement Policy	4
4.5	Market Factors	4
5	Procurement scope	4
5.1	Scope of services	4
5.2	Future services delivery	6
6	Sustainable procurement (Broader Outcomes)	6
7	Market analysis	7
7.1	Supplier market assessment	7
7.2	Supplier engagement	8
8	Options for addressing service-specific issues	8
8.1	Identified service issues	8
8.2	Impact on local suppliers	11
9	Procurement approach	11
9.1	Procurement stages	11
9.2	Request for Proposal (RFP)	12
9.3	Proposal evaluation process	12
9.4	Evaluation method and attribute weightings	12
9.5	Interactive negotiations	13
9.6	Procurement programme	13
9.7	Disclosure of information	14
10	Contract approach	14
10.1	Number of contracts and bundling	14
10.1.1	Kerbside refuse collection	15
10.1.2	Kerbside recycling collection	16
10.1.3	Recycling drop off site operation	16

10.2	Contract term	16
10.3	Form of contract	17
11	Financial impact	17
12	Project management	18
12.1	Project team	18
12.2	Communication	20
12.3	Risk management	20
13	Recommendation	21

1 Introduction

This procurement strategy is written for Hutt City Council (HCC) for the procurement of their refuse and recycling collection services across Hutt City. The procurement includes the processing of recyclables but does not include disposal of refuse to landfill. The scope of services may include operation of recycling drop-off locations located outside staffed facilities if required.

The contract(s) procured by this strategy would replace the current contracts HCC has in place to deliver these services which, as at 18 February 2020, are in the process of being extended until 30 June 2021. There are two current contracts: one for the weekly collection of user-pays refuse bags, and another contract for collection of mixed recycling in crates. The latter includes the servicing of four recycling drop-off points in Kelson, Wainuiomata, Alicetown and Naenae.

Following a business case process, Council is considering changing the way waste and recycling is collected, by offering a Council wheelie bin refuse service, and a two-stream recycling system using a 240L wheelie bin for mixed recycling and a crate for the collection of glass. Through these changes, Council is aiming to provide a service at a lower cost than the current average cost per household and believe this is possible based on the latest market prices being achieved by other Councils.

As part of assessing the options, a Better Business Case (BBC) report has been produced by Morrison Low investigating options for refuse and recycling services. Section 17A of the Local Government Act also requires councils to periodically review how their services are delivered. This Procurement Strategy includes a summary of the Section 17A findings, based on the analysis carried out in the BBC report.

This Procurement Strategy has been informed by:

- the issues paper and other background information provided by the council
- the Better Business Case report
- the discussions with Hutt City Council staff at the Procurement Strategy workshop
- discussions with other councils in the region, to explore opportunities for collaboration and joint procurement
- research by Morrison Low and our experience with other waste services procurement processes.

2 Procurement objectives

The following objectives have been defined for the procurement activity. Ultimately Council is seeking to implement an outcomes focused approach. The strategic objectives are:

- to provide services that are cost-effective
- to provide services that are safe
- to provide services that reduce greenhouse gas emissions
- to provide services that customers want and can use appropriately
- to reduce waste and protect the environment from the harmful effects of waste

3 Section S17A Review

Under the requirements of Section 17A of the Local Government Act (2002) (S17A), Councils are required to:

“Review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and the performance of regulatory functions.”

This must take place within two years of the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function. With HCC’s commencement of this procurement process, Council is required to complete a Section 17A review for these services.

In September 2018 Morrison Low were engaged by HCC to complete a strategic review of its kerbside collection services using a Better Business Case approach to the assessment of options. The business case was completed in August 2019. As part of the business case, Morrison Low considered service delivery requirements including those required as part of a Section 17A review.

Although the business case recommended significant changes to the waste services, from a service delivery perspective the review recommended that HCC continue with the current service delivery approach of outsourcing its waste services. The option to share services with Upper Hutt City Council if their Council decided to introduce a kerbside recycling collection service or make changes to its refuse collection services, was also recommended.

As part of the procurement strategy development, Morrison Low have reviewed the service delivery recommendations from the business case. Upper Hutt City Council representatives and the regional waste officer were involved in the stakeholder workshops for the business case, however waste officers from the other Wellington councils were not involved, and therefore opportunities for wider shared service delivery was not part of the scope of the business case. In particular, the opportunity for joint procurement was not explored.

Morrison Low interviewed waste officers from the Wellington councils regarding their service delivery arrangements in November 2019 to complete the Section 17A review process. Councils interviewed included: Wellington City Council, Porirua City Council, Kapiti Coast District Council and Carterton District Council (also representing Masterton and South Wairarapa). Although opportunities for joint procurement were not identified through this interview process, the councils within the Wellington region continue to explore shared service opportunities through the regional waste officers group. In particular, the Wellington councils are exploring opportunities to collaborate on the development of organic collection services across the region including possible shared organics processing infrastructure. Upper Hutt City Council is considering its future recycling service options; however this review has not been able to be completed in time to enable joint procurement at this stage. HCC proceeding with the procurement of these services does not prevent Upper Hutt City Council joining the process at a later stage, so long as the proposed service models align.

4 Strategic Context

4.1 Long Term Plan

Council’s Long Term Plan (LTP) produced in 2018 for the 2018-28 period emphasises the importance of effective waste management but does not anticipate a change to the way Council delivers the refuse and recycling kerbside collection services.

The change in service levels and costs proposed to be delivered by these contract(s) requires a change to the LTP and therefore requires a public consultation exercise before the new services can commence. This is planned to be run in conjunction with the 2020/21 Annual Plan consultation in April 2020.

The procurement objectives stated in section 2 contribute to the following community outcomes in Council’s LTP:

- Healthy people – we live healthy lives, and our city’s services help to protect our health and our environment.
- A healthy natural environment – we value and protect the natural environment and promote a sustainable city; resources are used efficiently and there is minimal waste and pollution.
- A healthy and attractive built environment – our built environment enhances our quality of life; our city is vibrant, attractive, healthy and well-designed; we promote development that is sustainable, and that values and protects our built heritage and the natural environment.

4.2 Waste Management and Minimisation Plan

The Wellington Region Waste Management and Minimisation Plan (2017-23) recommended strategic reviews of Council’s three waste management service areas. This review began in June 2018 and followed Treasury’s BBC approach with the aim to provide objective analysis by looking at strategic, economic, financial, commercial and management factors.

This procurement exercise follows the recommendations of the BBC report for waste collection services.

4.3 Contractual context

The past procurement approach and timelines to Council’s current contracts for refuse and recycling collection is as follows:

Year	Activity
2008	Tender for both refuse and recycling collection, won by Waste Management NZ Contract commenced 1 September 2008 Contract period was for 3 years plus 1 plus 1 years The contract was extended by extra 2 months at the end of that term.
2014	Tender for both refuse and recycling collection, won by Waste Management NZ Contract commenced 1 November 2014 Contract period was for 3 years plus 1 plus 1 years
2019	Contract with Waste Management NZ until August 2020, beyond the original agreed contract period and potential extensions
2019/2020	Discussions under way with Waste Management NZ to agree on final extension of contract until 30 June 2021; contract extension feasible but subject to agreeing terms

4.4 Procurement Policy

The procurement exercise will be carried out in accordance with HCC’s Procurement Policy and Procurement Guide.

Council’s Procurement Policy refers to the five principles of Government Procurement:

1. Plan and manage for great results
2. Be fair to all suppliers
3. Get the right supplier
4. Get the best deal for everyone
5. Play by the rules

The Procurement Guide outlines the steps required to fulfil the Procurement Policy that will be followed by the project team throughout the Procurement exercise.

Being over \$100,000 in value, this contract requires a competitively tendered process and having no reason to restrict the respondents, it will be an open process in line with the NZ Government Procurement Rules, 4th edition.

4.5 Market Factors

Outside of Council’s own strategic planning process, some key external industry factors that may impact the procurement and delivery of these collection services are noted below. These are factors that the resulting contract(s) will need to consider, but their implementation is largely outside Council’s control:

- Volatility in end markets as a result of the China National Sword Policy and pain/gain recycling revenue risk sharing between councils and contractors
- Introduction of a Container Return Scheme – forecast to be introduced within the contract period
- Increases in the Waste Disposal Levy and Emissions Trade Scheme costs

5 Procurement scope

5.1 Scope of services

The scope of the procurement is defined in Table 1. Activities that are out of scope are also highlighted in the table. While Table 1 provides the scope at a high level, it is intended that the procurement process will allow suppliers to present their ideas and innovation for how these services are delivered.

Table 1: Procurement scope

Services	In Scope	Out of Scope
Kerbside refuse collection	Weekly or fortnightly collection as the default approach with choice of 80L, 120L, or 240L bin options. Potential to start with or move to PAYT. Non-standard collections (e.g. multi-unit	Non-residential customers

Services	In Scope	Out of Scope
	<p>developments, private lanes, selected rural)</p> <p>Assisted service for eligible properties</p>	
Kerbside recycling collection	<p>Fortnightly, mixed recycling bin (240L)</p> <p>Fortnightly, 45L glass crate (or similar)</p> <p>Collection of paper, cardboard, plastics grade 1 and 2, tin and aluminium cans</p> <p>Potential to include schools and early childhood education centres in scope.</p> <p>Non-standard collections (e.g. multi-unit developments, private lanes, selected rural)</p> <p>Assisted service for eligible properties</p>	<p>Non-residential customers (except for the potential to include schools and early childhood education centres)</p> <p>Collection of plastic grades 3-7</p>
Kerbside organics collection	<p>Potential to include green (garden) waste collection in scope as an opt-in service, collected every four weeks (currently offered privately as a weekly service).</p>	<p>Food/kitchen waste collections</p>
Transfer stations, resource recovery facilities	<p>Potential servicing of up to two recycling drop-off points located adjacent or within a managed facility (to be negotiated if required).</p> <p>Existing unstaffed recycling drop-off sites would be phased out as part of the roll out of the new recycling service.</p>	<p>Management and operation of transfer stations, resource recovery facilities and landfills.</p>
Bin and crate supply	<p>Initial bin and crate supply and distribution.</p> <p>Ongoing bin and crate supply (new, additional or replacement) and maintenance during the contract term.</p> <p>Procurement will explore options for both Council-funded and Contractor-funded models. Opportunity for suppliers to identify alternative ownership arrangements and associated benefits. Suppliers will be asked a specific question about this in the attributes.</p>	
Customer and data management	<p>Collection service monitoring, customer services, and asset and waste data management.</p> <p>RFID or alternative technologies to be employed.</p>	

Services	In Scope	Out of Scope
Refuse disposal		Landfill disposal for the Councils' kerbside collected refuse to Silverstream landfill. Landfill management will be tendered under a separate procurement process. Hazardous waste services
Recyclables processing	Recycling processing facility (MRF) provision, including sale of recyclables. Collection Contractor to provide service (potentially sub-contracting OJI, or another nominated recycling processing facility).	
Organics processing	Procurement of Green Waste collections will be based on the contractor engaging directly with their nominated processing facility.	.

5.2 Future services delivery

Section 5.1 above identifies a number of areas where other opportunities could be included as part of a future waste service for the Councils. These include:

- an organics (garden waste) collection service
- introduction of PAYT technology
- extension of recycling services to schools and early childhood education centres

Note that some of these initiatives may require public consultation prior to implementation. Prices for these services will be sought through the procurement process, while the decision to proceed with the services shall remain at Council's discretion.

6 Sustainable procurement (Broader Outcomes)

Sustainability is a holistic concept and can include environmental and wider wellbeing considerations. The sustainability of the Council's services is a key consideration when selecting suppliers. The New Zealand Government recently released its updated Government Rules of Procurement with these introducing an increased focus on the sustainability of services in terms of social, economic, environmental or cultural benefits to the local community their suppliers operate in, referred to as Broader Outcomes.

For this procurement, suppliers will be expected to include initiatives that they have successfully implemented in other contracts in their proposal that support Broader Outcomes. It is anticipated that Broader Outcomes will be reflected in this procurement through the following initiatives:

- Consideration of Broader Outcomes across non-price attributes
- Requirement for suppliers to demonstrate wider social outcomes
- Requirement for suppliers to demonstrate wellbeing initiatives particularly in relation to their workforce, e.g. commitment to the living wage, cadetships/training programmes, health benefits, employee support programmes
- Requirement for suppliers to demonstrate ongoing waste reduction initiatives as well as wider environmental sustainability

- Requirement for suppliers to demonstrate an ongoing commitment to delivering services locally
- Requirement for suppliers to demonstrate carbon emission reduction, e.g. minimum percentage of fleet battery-powered electric vehicles and minimum recycled content in mobile bins
- Mandatory sustainability reporting requirements, aligned with future local government reporting requirements under the Zero Carbon bill
- Subject to Council agreement, there may also be the opportunity to trial technology or solutions that are new to industry in New Zealand.

7 Market analysis

7.1 Supplier market assessment

Details of the potential suppliers and their presence in the Hutt City market are provided in Table 2. This list covers suppliers that may have an interest in the Councils' procurement process or are active in delivering services in the area currently.

The local supplier market is fairly competitive for collection services.

Table 2: Supplier market assessment

Supplier	Likely to tender?	Regional presence
Waste Management	Yes	Council's current contractor Provide Council collection services across New Zealand, e.g. Napier, Whakatane, Porirua, Upper Hutt Largest waste company in NZ, therefore large pool of resources to draw from Have indicated they will not undertake any manual collection
EnviroWaste	Yes	Strong presence in Wellington region Undertake significant collection contracts for other councils, e.g. Hamilton, Taranaki, Wellington Second largest waste company in NZ, therefore large pool of resources to draw from Will undertake some manual collections
Smart Environmental	Yes	Undertake significant collection contracts for other councils, e.g. Eastern Waikato, Napier, Manawatu Third largest waste company in NZ, therefore large pool of resources to draw from Will undertake some manual collections
Northland Waste (t/a Low Cost Bins)	Yes	Undertake collection contracts for other councils e.g. Whangarei, Horowhenua Fourth largest waste company in NZ, therefore large pool of resources to draw from Will undertake some manual collections
Civic Contractors	Potentially	Undertake some kerbside services for councils, including Porirua Also provide street cleaning and litter services to councils Will undertake some manual collections

Supplier	Likely to tender?	Regional presence
JJ Richards	Potentially	Generally focused on commercial collection services in Wellington region Large Australasian service provider with waste contracts in Auckland and Hastings Will not undertake any manual collection
Veolia	Unlikely	Not recently active in collection contracts, more focused on facility management
Local collectors (e.g. Al's Bins)	Potentially	Some are already involved through parent ownership by larger companies. Small independents are unlikely to have the capacity to provide services at scale but may choose to focus on services not provided by Council (such as food waste) or to partner/joint venture/subcontract with one of the larger companies.

7.2 Supplier engagement

Supplier engagement sessions will be held during the RFP period. The purpose of these briefing sessions is to ensure that suppliers have a better understanding of Council's key requirements and concerns and provide superior tender responses.

Key topics that may be discussed include:

1. Discussion of the preferred service delivery models, albeit final approach is subject to public consultation as part of the LTP amendment process
2. Council's carbon reduction objectives, and the use of EVs and the key sensitivities around contract term and the percentage of EVs utilised.
3. Discussion of potential approaches to demonstrate wider social outcomes
4. Discussion of the best approaches to non-standard collections, e.g. multi-unit development, private lanes.
5. Customer education on recycling, including customer visibility that collected recycling is recycled.
6. Management of bin contamination
7. Provision of data such as contamination by collection area and/or property
8. Options for green waste collections services.
9. The impact of a Container Return Scheme.

8 Options for addressing service-specific issues

8.1 Identified service issues

Prior to developing this Procurement Strategy, Council developed a list of issues that needed to be addressed through the development of the Procurement Strategy. Table 3 provides a high-level summary of the issues and recommended approach to addressing these issues.

Table 3: Addressing kerbside issues

Issue	Issue description	Recommendations
1	Ascertaining end markets for kerbside recycling material	<ul style="list-style-type: none"> Require contractors in RFP Responses to specify end markets and how long these markets have been available, and appropriate quality assurance and provision of evidence. Have the ability for ongoing monitoring and management including changes where it provides benefits and it is mutually agreed. Encourage them to identify higher value markets through risk sharing.
2	Determining the scope of kerbside refuse collection services	<ul style="list-style-type: none"> RFP to price only the mobile bin collection refuse service. RFP to test both weekly and fortnightly refuse pick up frequency. RFP to include collection of the customer’s choice of bin size. Include the option for Council to introduce a green waste collection service in the future, with pricing to be obtained via the RFP. HCC collection methodology and urban and rural collection service levels confirmed through 2020/21 Annual Plan consultation and informed by costs obtained through RFP process.
3	Use of RFID (or other automated identification) technology in the future kerbside service or alternative technology solutions	<ul style="list-style-type: none"> Include as an option to price in the tender, or the use of alternative technology to deliver the same outcomes. Integrate lessons learnt elsewhere, including what information Council wants to see and how often. RFID (or other automated identification) on bins is recommended for asset management purposes and to link bin and its size to a customer. It is also recognised that RFID is important for PAYT which may be an option later on in the contract term. Suppliers would need to demonstrate that any alternative technology delivered the same asset data. Ensure specification contains sufficient detail regarding integrated bin database management including compatibility with the Councils’ own systems.
4	Pay As You Throw (PAYT) payment method for rubbish and recycling services	<ul style="list-style-type: none"> HCC may consider the introduction of a PAYT system during the term of the contract and proposals for this option will be requested through the procurement process.
5	Reducing the environmental impacts of kerbside collections	<ul style="list-style-type: none"> Include non-price attributes that favour demonstration of methodologies which specifically address sustainability, including environmental sustainability. Specifically require a minimum percentage of fleet or percentage of mileage to be conducted by EVs during the contract term. Specifically require suppliers to provide their proposed approach to verified carbon reporting.

Issue	Issue description	Recommendations
6	An increase in the New Zealand waste disposal levy & emissions trading scheme costs	<ul style="list-style-type: none"> For processing of recyclables, suppliers will be asked to identify their percentage contamination and the associated disposal costs so that future cost increases can be valued in the contracts. Refuse disposal costs are not part of these collection contracts. Following approval by Council, HCC will need to pass costs onto customers through rates and user charges, whilst encouraging them to use diversion services.
7	The introduction of a Container Return Scheme (CRS)	<ul style="list-style-type: none"> Recycling collection costs will stay the same (as these are generally driven by the number of households offered the service). Specify transparency in recycling processing costs to allow for reduction in volume collected and possibility that the commodity price for the remaining materials may be higher or lower than current. Specify recycling revenue sharing in the pricing schedule. Enable suppliers to be part of the network of processing facilities associated with the CRS.
8	The introduction of a regionally consistent bylaw in the Wellington region	<ul style="list-style-type: none"> There may be an impact on the collection contracts and awareness of bylaw requirements is important. The bylaw will support compliance with kerbside collection service requirements, and could introduce new requirements, such as operator licensing.
9	What are the best options to finance the kerbside collection service in relation to the key principles of the service?	<ul style="list-style-type: none"> Bin ownership – generally Council has more affordable capital funding than contractors. Given bins have a life of 15+ years, which may be longer than the collection contract, ownership with Council is preferred. Respondents will be given the opportunity to price both options. Regardless of the bin ownership arrangement selected, bin management is the responsibility of the contractor during the contract term. For PAYT services the suppliers will be asked to demonstrate how the payment interface with customers will be managed, for example potentially using an app.
10	Volatile commodity prices and the influence they have on council contracts with service providers	<ul style="list-style-type: none"> Council to remain flexible regarding what materials can be collected and implement a simple mechanism for varying this in the contract. Implement a pain/gain recycling revenue risk-sharing arrangement in contract, reviewed quarterly against a baseline of commodity prices. Council will need to allow for contingency in budgeting to recognise commodity price volatility (would also need allocation for increased property numbers due to city growth).
11	Should HCC provide a kerbside collection service to properties on private lanes	<ul style="list-style-type: none"> In the procurement, ask suppliers to identify how they would service private lanes on the understanding that those that opt for kerbside collection on their private lane must have a waiver issued by the properties on the private lane (usually through their body corporate). Note if waivers are not provided, alternative pick up locations on public roads are required for these premises. Provide a separate pricing row in pricing schedule for non-standard collection services.

Issue	Issue description	Recommendations
12	The best way for HCC to service multi-unit dwellings (MUDs)	<ul style="list-style-type: none"> Bespoke services typically required and assessed on a case by case basis. These are to be separately identified for pricing purposes (with separate pricing rows) and examples given of what the Council is assuming when specifying non-standard property types. Provide a separate pricing row in pricing schedule for non-standard collection services.
13	Should the planned residential kerbside collection service be offered to certain organisations?	<ul style="list-style-type: none"> Potential to offer standard service to schools or early childhood centres subject to approval by Council. For other commercial properties, the standard residential service is unlikely to meet their needs.

8.2 Impact on local suppliers

In Lower Hutt, residents (that have the ability and willingness to pay) have taken up private refuse wheelie bin services and consequently the private market share is estimated at around 70%. Introducing a Council-funded service will impact these service providers, although the impact will vary depending on the proportion of the company's revenue that is derived from residential collections.

The private sector also provides refuse services to industrial properties and those commercial properties where the Council's refuse collection service is not practical. The proposed refuse collection service will only be available to residential properties, meaning that while the private sectors residential market will decrease, the non-residential markets will increase in size.

The proposed Council services will provide a basic level of service that will suit most households. Local collection companies will continue to have the ability to provide services to households that (i) want additional services, such as additional bins, (ii) are in remote rural areas not serviced by Council, or (iii) desire a higher level of service such as on-property collection as opposed to collection from the kerbside (e.g. those not automatically eligible for an assisted service).

Recycling collection services are already provided by Council for residential customers, therefore there is no change in impact from the proposed Council changes.

The private sector does provide a green waste collection service for those customers who want it, on a weekly basis. Should the procurement process result in a viable green waste collection service for Council, these local operators would be affected. This will be a consideration in deciding whether any proposed green waste solution is beneficial overall, or whether this service should continue to be operated by the private sector.

9 Procurement approach

9.1 Procurement stages

This procurement is a single-stage interactive tender process. An RFP (Request for Proposal) will be released to the open market which will invite interested parties to provide a full and detailed response including full pricing of the waste service requirements. An Early Contractor Involvement workshop will be held during the RFP period, for one-on-one discussions with each of the suppliers intending to submit a response. Attendance at the ECI workshop will compulsory for those Respondents taking part in the RFP.

9.2 Request for Proposal (RFP)

This is the formal procurement phase where RFP documentation will be released to the market and, post-proposal close, be evaluated under an agreed process.

One-on-one supplier briefings will take place after the RFP release. The briefings provide Council and the potential respondents with an opportunity to thoroughly explain the requirements and answer any questions that the proposers may have in relation to the process or Council's priorities. It will allow potential proposers to share their experience from other contracts. Questions asked by suppliers that are relevant to all respondents will be shared via RFP electronic forum.

The outcome will involve the selection of a number of shortlisted suppliers. An interactive negotiation stage will then follow with a range of meetings with shortlisted suppliers (see Section 9.5). Once this process has concluded, a preferred supplier or suppliers will be identified, subject to Council approval.

Probity will be maintained through the process and evaluation by the Ministry of Business, Innovation and Employment's Government Procurement's unit.

9.3 Proposal evaluation process

Proposals shall be evaluated by a Proposal Evaluation Team (PET) of senior council staff and independent advisors (Morrison Low representative).

The proposed PET is made up of the following people:

- Bruce Hodgins – Strategic Advisor
- Joern Scherzer – Manager Sustainability and Resilience
- John Middleton – Manager Infrastructure Contracts
- Alice Grace – Morrison Low

The proposal evaluation process will be outlined in the RFP. In addition, a detailed Proposal Evaluation Plan (PEP) will be developed in advance of the evaluation phase and will be authorised by Council prior to the opening of any proposal. The PET will detail how the proposals will be evaluated and the timeframes for clarifications and supplier responses. The PET will also outline the interactive negotiation process.

9.4 Evaluation method and attribute weightings

The responses will be assessed on both the quality of the proposed service and the proposed cost to Council. The evaluation method needs to distinguish which submission represents the best overall public value. Evaluation methods that focus solely on price, such as Lowest Cost Conforming, can encourage excessive cost cutting by contractors that is inconsistent with Council's broader outcomes (e.g. living wage allowances). Quality-only methods are better suited to situations where a fixed budget for the service is available and the highest quality for that budget is being sought.

The two most common methods that consider both price and quality are Weighted Attributes and Price Quality Method (PQM). The advantage of (PQM) is the ability to put a dollar value on the difference in non-price attribute scores, to determine whether a higher priced submission represents better value than a lower priced submission.

The evaluation method to be used is the PQM with weighting on non-price attributes of 70% and a price weighting of 30%. Under this model, the price and non-price attributes are weighted to reflect their relative

importance for achieving the procurement outcome. The proposed weightings for all attributes are listed in Table 4.

A shortlist of suppliers will be identified from the evaluation.

Table 4: RFP attribute weighting

Attribute	Weighting
Health and safety	Pass/Fail
Financial stability	Pass/Fail
Non-Price Attributes	70%
Capability (track record and relevant experience)	20%
Capacity (key personnel, plant, equipment and systems)	20%
Solution (methodology and sustainability of solution)	30%
Price Attribute	30%

Note that the Broader Outcomes to support sustainable procurement (discussed in section 6) can impact each of the non-price attributes. Tenderers will be required to address specific questions targeted at Broader Outcomes.

9.5 Interactive negotiations

An ‘interactive’ negotiation stage will then follow with a range of meetings with shortlisted suppliers. Topics covered may include the following:

- Address clarifications that were identified through the evaluation process
- Assess some of the quality attributes that were detailed in the supplier’s RFP
- Management and allocation of risk
- Finalise the pricing that was detailed in the RFP by the suppliers
- Further exploration of innovation, value-add or sustainability initiatives proposed
- Any reasonable changes to the contract or specification

Outcomes decided upon then become part of the contract and service requirements. The meetings continue until Council has developed the best outcome for the service, and a Preferred Supplier is identified.

9.6 Procurement programme

The procurement programme is provided in Table 5.

Table 5: Procurement programme

Activity	Date
RFP preparation	December 2019/January 2020
RFP to market	Mid-February 2020

Activity	Date
RFP closes	Early April 2020
Evaluation and negotiation with preferred supplier(s)	April to May 2020
Award contract(s)	June 2020
Commencement of new contracts	July 2021

9.7 Disclosure of information

No PET member shall disclose any information about the proposal submissions evaluated or negotiated during or after the process, to any person, company or organisation, apart from those involved in Council's approval process.

No person, outside those in the PET, who has access to information contained within proposal submissions shall disclose this information to any other person, company or organisation.

Prior to commencing any work associated with the evaluation process, PET members will be required to confirm that they are not aware of any conflict of interest which could arise as a result of their involvement in the submission evaluation process. The standard MBIE form for conflict of interest and confidentiality declaration will be used in this procurement process.

All conflicts of interest must be reported to the Proposal Administrator prior to the process commencing, or as they arise during the process. PET members may be replaced if the remaining members of the PET deem the potential conflict of interest to be significant.

The Chief Executive Officer (CEO) from the Council shall be responsible for making the final determination of any conflict of interest. Should it be deemed that any person has a conflict of interest (either by the PET or the CEO) then that person shall be denied access to any information contained within proposal submissions.

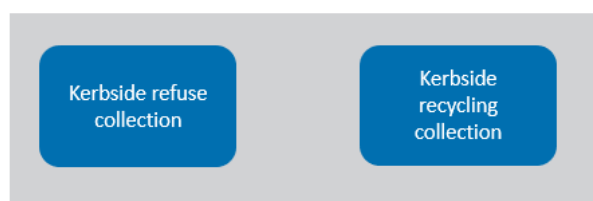
In carrying out its duties, the PET will always act in a fair and transparent manner and will refrain from making any inappropriate remarks or other behaviour which could be interpreted as indicating anything other than complete impartiality.

10 Contract approach

10.1 Number of contracts and bundling

Based on the market analysis, up to two individual contracts have been identified that need to be taken to market through this procurement process. These are shown in Figure 1. The contracts may be awarded individually or as bundles of two contracts. Separate service-specific specifications will be developed for each of the contracts, along with a general specification, so that one compiled contract can be awarded for a bundle of contracts. Note that kerbside green waste collection is a separable portion within the kerbside refuse collection contract (refer to Section 10.1.1 for further details).

Sections of scope:



Collection contract(s) options:

Option 1: 

Option 2: 

Figure 1: Waste services contracts structure and bundling options

Splitting the contracts in this way allows suppliers that specialise in one area to submit a price only for that contract. Some suppliers will want to submit a proposal for more than one (or all) contracts. There are likely to be efficiencies and associated cost savings from the sharing of resources and contract management across multiple contracts.

Suppliers will be required to submit a price for an individual contract if awarded that contract alone but will also be given the option to present bundling discounts if awarded more than one contract. In the evaluation process, the individual contract and bundled contract price will be considered as two separate proposals with the same non-price attributes but different price attribute.

Consideration has been given to what the supplier market might look like at the end of the contract term, if only one supplier were awarded all contracts. Lower Hutt, while New Zealand's seventh largest city, is still small in terms of the overall market in New Zealand, albeit the second largest city/district by population in the lower North Island. The large waste companies will still continue to provide commercial services and be in operation in other Council areas within the wider Lower North Island. Experience in other parts of New Zealand shows that, even after 10-15 years, they will tender again.

The smaller local collection companies will most likely have established new niche markets for their services and continue to operate on that basis.

On this basis the risk to the future competitiveness of the market if one supplier is awarded all contracts is expected to be low, and therefore restrictions on the number of contracts held by any one supplier are not expected to be needed.

10.1.1 Kerbside refuse collection

The kerbside refuse collection contract will cover the standard collection service and non-standard collection services for MUDs, private roads, and difficult access areas. Suppliers will require a different mix of collection vehicles to cover all collection areas. Collection contracts will include bin supply and distribution, and the associated bin maintenance, customer services, and data management. Customers will be offered the choice of an 80L, 120L or 240L bin.

Potential options that may be priced under this contract include:

- Weekly or fortnightly collections
- Roll-out of PAYT technology, either at contract commencement or during term.

The kerbside refuse collection contract also incorporates the kerbside green waste collection and processing service as a separable portion that can be awarded at Council's discretion. Proposed as an opt-in service, and without certainty of being awarded, this service may not attract sufficient attention if procured as a stand-alone contract in the procurement process. This service includes pricing for a four-weekly kerbside collection of a 240L mobile bin for customers who opt-in to the service and disposal at a Contractor nominated processing facility.

10.1.2 Kerbside recycling collection

The kerbside recycling collection will cover the standard collection service and non-standard collection services for MUDs, private roads, and difficult access areas. Suppliers will require a different mix of collection vehicles to cover all collection areas. Collection contracts will include crate and bin supply and distribution, and the associated crate and bin maintenance, customer services and data management. Customers will be supplied with a 240L bin and 45L crates for glass. Alternative solutions utilising mobile bins for the glass collection service will also be allowed.

These contracts will also include the provision of mixed recycling and glass processing, delivery to end markets, and sharing of recycling revenue (and associated risk).

Potential options that may be priced under this contract include:

- Different contract structures with the receiving facility (Council or contractor)
- Different mechanisms to share risk in changing end market demand for recyclable materials
- Potential to extend the service to schools and early childhood education centres.

10.1.3 Recycling drop off site operation

This contract will not include by default the staffing and management of the recycling drop-off sites and processing of the collected materials. Note that decommissioning dates are unknown and subject to community consultation and Council approval. Council may choose to procure assistance from the successful Recycling Collection Contractor during the interim period by direct negotiation if required.

10.2 Contract term

The preferred contract term has been determined based on the following considerations:

- Collection contracts: capital requirements relate to the purchase of collection vehicles. A contractor would normally anticipate the serviceable life of a collection vehicle to be eight to ten years, and therefore refuse and recycling collection contracts are generally in the range of seven to ten years with rights of renewal at a council's discretion.
- Bin supply: contracts that include wheelie bin supply as well as collection services typically align the contract term to the collection vehicle life, with a residual payment for the bins (that have a life of at least fifteen years) if the bins are owned by the Contractor during the contract term.
- Alignment: alignment with council planning cycles including the three-yearly LTP cycles and six-yearly WMMP is beneficial, but a secondary consideration for contract renewal periods.
- Extension periods: multiple extension periods of one, two, or three years are possible, e.g. 1+1+1 years, however a single extension period of two years provides greater certainty for suppliers and reduces administration time for Council.

With the above considerations, the proposed contract length would be eight years, with an extension by mutual discretion of two years, i.e. an 8+2 year contract term.

10.3 Form of contract

An NZS3917 base contract will be used. It is a widely accepted form of contract for most local authorities and contractors for waste services. Having a standard base contract gives both parties clarity and consistency when managing the contract. The intention will be to use some parts of the existing service specifications with the addition of several items to ensure the outcomes of the procurement are delivered upon:

- Relationship management (Governance Group oversight)
- Partnership approach
- Performance measurement (updated key performance indicators)
- Technology-enabled collection monitoring, data management, and reporting
- Updated contract reporting and Health and Safety requirements
- Framework to vary in additional services in future
- Emphasis on sourcing local and sustainable markets for recyclables
- A simple and practical pain share agreement, allowing for suppliers and council to effectively manage volatility in recycling markets, sharing risk and reward where appropriate

11 Financial impact

A high-level service cost for the collection services has been estimated by Morrison Low through the business case process and is provided in Table 6. The costs in Table 6 exclude landfill disposal (\$1.7M - \$2.2M per year) and contract administration costs (\$0.6M per year).

Table 6: Service costs (based on the kerbside collection business case costing prepared by Morrison Low)

Service	CapEx (Bins, crates)	OpEx (Collection)	OpEx (Processing)	Total 10 years
Refuse collection	\$1.6M	\$1.7 - \$1.9M	Nil	\$18.6M - \$20.6M
Recycling collection	\$2.6M	\$1.8M	\$0.7M processing -\$0.5M revenue	\$22.6M
Recycling drop off	Nil	\$0.4M	Revenue TBC	\$4M
TOTAL:	\$4.2M	\$3.9 - \$4.1M	\$0.2M	\$45.2M - \$47.2M

On a per household basis, this equates to:

- Kerbside refuse collection \$144/hh, rates funded (weekly, 120L)
- Kerbside recycling collection \$69/hh, rates funded (fortnightly)

These household costs are inclusive of all services costs including collection, disposal and contract administration.

12 Project management

12.1 Project team

Considering that this is a long term, large scale procurement for Council, there is a need to provide resource with appropriate skills and expertise to ensure the required outcomes are delivered. In order to achieve this, the following resources will be utilised for the successful delivery of this procurement. Note that resources may be amended over the procurement period.

Mobilisation and contract management resources for this increased volume of waste service delivery are yet to be finalised.

Table 8: Resource requirements

Team member	Role	Resources
Council	The final decision-making body for the proposed collection service changes (after community engagement) on this procurement. Their day-to-day involvement in the project is limited. However, their role is of critical importance.	Elected members of the Council
Project Board and Sponsor	<p>The Project Board has the following duties:</p> <ul style="list-style-type: none"> To be accountable for the success or failure of the project. Approve all major plans and resources To provide unified direction to the project and Project Manager. To provide the resources and authorize the funds for the project. To authorise, or seek authorisation for, deviations exceeding forecasts. To provide visible and sustained support for the Project Manager. To ensure effective communication within the project team and with external stakeholders. <p>The Project Sponsor</p> <ul style="list-style-type: none"> is responsible for the project and is supported by the project board single point of accountability for the project, key decision maker <p>ensure that the project is focused on achieving its objectives and deliver outcomes that will achieve the benefits forecast in the business case, keeps asking “is the project still value for money?” during the project.</p>	<p>Project Sponsor: Helen Oram (GM City Transformation)</p> <p>Project Board: Helen Oram (Chair) Andrea Blackshaw (GM Integrated Community Services) Jörn Scherzer (Manager Sustainability and Resilience)</p>
Project Manager	The Project Manager is responsible for the day-to-day management of the project and project team. Has decision making authority within tolerances set by the Project Board / Project Sponsor	Bruce Hodgins (PM)

Team member	Role	Resources
Project Team	<p>The Project Team to contribute to project outcomes. They are and / or will provide resources alongside external resource for this procurement and resulting waste services. The team will also be responsible for providing recommendations to the Project Sponsor, the senior leadership team and the elected members of Council.</p> <p>Their responsibility is outlined in more detail in the Kerbside Collection Implementation Project Terms Of Reference.</p>	<p>Joern Scherzer John Middleton Elizabeth Collins (community engagement) Allen Yip (project assurance) others to be confirmed</p>
External Project Support	<p>Support to this procurement will be provided by Morrison Low. This will ensure the necessary project controls are in place to support decision making, risk management, and adherence to timeframes. Morrison Low will also prepare all RFP documentation.</p> <p>External support for public communication and consultation may also be engaged. External probity auditor may also be engaged.</p> <p>Peer reviews may be conducted by MBIE on an advisory basis.</p>	<p>Morrison Low MBIE (probity)</p>

12.2 Communication

Key procurement information will be communicated through the following channels:

- Within Council's project team, this procurement strategy will be circulated electronically.
- Elected members on committees overseeing waste services will be engaged with on a regular basis as they are the key decision-making body for this procurement process.
- Suppliers will be engaged with in a structured way through the RFP process.

12.3 Risk management

There are a range of risks associated with this procurement and the delivery of waste collection services. Key risks have been identified:

- Timing risk due to the expiration of the current waste collection contracts and the need for public consultation on the new proposed services. The procurement process will be run in parallel with the consultation process, with the outcomes of the consultation process being translated into the procurement process when they are available.
- A significant shift in residents' behaviour migrating from user-pays private to rates-funded council waste services
- Without effective council management, a general decline in participation in recycling services and an increase in contamination is seen in council services
- The community view on the increase in rates of changing the level of service currently provided. This can be mitigated by communicating effectively the current and future costs and benefit of both the existing and proposed service levels.
- Opposition from private sector collection services regarding their diminished market share.
- Volatility in recycling markets
- Forecast population growth
- Tenderers proposals exceeding the Councils' planned budgets and expectations for the services
- Having systems in place that sufficiently deliver effective waste services in tourist hotspots
- Uncertainty in timing and scope of Ministry for the Environment led container return scheme and other recycling initiatives
- Cost increases associated with increases in the waste levy or emissions trading scheme.

A detailed risk register shall be prepared for this procurement that includes risk mitigation measures for these and other risks identified through the procurement process.

13 Recommendation

It is recommended that Hutt City Council endorse this waste services Procurement Strategy.

The recommended procurement approach is:

- One RFP covering all both contracts for refuse and recycling collection (glass and mixed recyclables), with options for suppliers to be awarded more than one contract.
- A single procurement process, including an open Request for Proposals (RFP).
- RFP evaluation using the Price Quality Method (PQM) with:
 - 70% weighting on non-price attributes and 30% weighting on price
 - Non-price attributes consisting of capability (20%), capacity (20%) and solution (30%)
 - Pass/fail criteria for health and safety and financial stability.
- A contract term of 8+2 years to align with the serviceable life of collection vehicles.
- The use of NZS3917:2013 as the base contract.