

CONFIDENTIAL ITEMS 2003 – AUGUST 2018

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
120	4 September 2017	Adelaide Hills Region Waste Management Authority	<p>Pursuant to Section 90(3)(k)</p> <p>1. Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the CEO, Deputy CEO / General Manager Infrastructure and Projects, General Manager Council Services, General Manager Planning and Development, General Manager Corporate Services, Minute Secretary be excluded from attendance at the meeting for Agenda Item Confidential Report – for the Adelaide Hills Region Waste Management Authority.</p> <p>The Council is satisfied that pursuant to Section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda item is a tender for the supply of goods.</p> <p>The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed has the potential to impact adversely on each of the tenderers as competitive commercial information will be disclosed.</p> <p>3. Section 91(7) Order</p> <p>Pursuant to Section 91(7)</p> <p>That having considered Agenda Item Confidential Report – Confidential Report – for the Adelaide Hills Region Waste Management Authority in confidence under</p>	That the report, attachment, and all minutes be retained in confidence	<p>The Council is satisfied that pursuant to Section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda item is a tender for the supply of goods.</p> <p>The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed has the potential to impact adversely on each of the tenderers as competitive commercial information will be disclosed.</p>	Until 6 September 2018 or such lesser period as determined by the Chief Executive Officer and that this order be reviewed every 12 months.		3 Sep 18	<i>Council report and minutes released 10/8/18 Report, minutes and attachment on Council website 13 August 2018</i>

CONFIDENTIAL ITEMS 2003 – MAY 2018

#	Date	Item Title	Confidential Order Details	Item being kept confidential - Agenda/ Attachment/ Minutes	Reason regarding retention or recommend-action to release	Resolution Regarding Action	Last Review Date	Next Review Date	Date Released
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			90(2) and 3(k) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the report, attachment, and all minutes be retained in confidence until 6 September 2018 or such lesser period as determined by the Chief Executive Officer and that this order be reviewed every 12 months.						
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RELEASED

18. CONFIDENTIAL REPORTS**18.1 REPORT TITLE: CONFIDENTIAL REPORT – ADELAIDE HILLS
REGION WASTE MANAGEMENT AUTHORITY****DATE OF MEETING: 4 SEPTEMBER 2017****FILE NUMBER: DOC/17/80151****ATTACHMENTS: 1 – DOC/17/84548 - TENDER REPORT TO
AHRWMA****Mount Barker 2035 – District Strategic Plan:**

Governance and Leadership

GL: Effective management and financial sustainability.

Purpose:

To seek Constituent Council approval for the Adelaide Hills Region Waste Management Authority (AHRWMA):

- to purchase a new landfill compactor as recommended by the Board of the AHRWMA and a replacement truck
- for a loan of \$1.2million to fund capital works.

Summary – Key Issues:

- The AHRWMA are required to get approval from constituent Councils for purchases of plant greater than the value of \$250,000 and loans in excess of \$500,000
- Both matters were in the annual business plan presented to and endorsed by Council on 5 June 2017.

Recommendation:**Section 90 (3) (k) Order****Pursuant to Section 90(3)(k)**

That Council:

1. Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the CEO, Deputy CEO / General Manager Infrastructure and Projects, General Manager Council Services, General Manager Planning and Development, General Manager Corporate Services, Minute Secretary be excluded from attendance at the meeting for Agenda Item Confidential Report – for the Adelaide Hills Region Waste Management Authority.

The Council is satisfied that pursuant to Section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda item is a tender for the supply of goods.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed has the potential to impact adversely on each of the tenderers as competitive commercial information will be disclosed.

2. That as a Constituent Council of the AHRWMA, and in accordance with the Charter of the AHRWMA, Mount Barker District Council approves:

- (1) the purchase by the AHRWMA of a new landfill compactor for the Brinkley Landfill to the value of \$697,780 (ex GST).
- (2) The purchase of a replacement hooklift truck up to the value of \$300,000 (ex GST) subject to the AHRWMA complying with its Purchasing Policy in undertaking this purchase.
- (3) The above purchases and other capital expenditure needs being made from a loan to the value of \$1,200,000 for the AHRWMA's 2017/18 capital items with the loan to be established through the Local Government Finance Authority of South Australia using a variable loan with flexible terms over a 7 year period enabling it to be paid down in an efficient manner to minimise interest payments, on the condition that the AHRWMA shall not use any loan funds for funding operational costs.

3. Section 91(7) Order

Pursuant to Section 91(7)

That having considered Agenda Item Confidential Report – Confidential Report – for the Adelaide Hills Region Waste Management Authority in confidence under 90(2) and 3(k) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the report, attachment, and all minutes be retained in confidence until 6 September 2018 or such lesser period as determined by the Chief Executive Officer and that this order be reviewed every 12 months.

Background:

1. The AHRWMA consists of four Constituent Councils, namely, Adelaide Hills Council, Alexandrina Council, Mount Barker District Council and Rural City of Murray Bridge.
2. One of the activities of the independently resourced AHRWMA is to operate the Brinkley Landfill as a residual waste disposal site for its Member Councils and other customers. The lease between the AHRWMA and the Rural City of Murray Bridge for the Brinkley site is until February 2019. A new lease until

February 2026 has been drafted and is expected to be presented to the next AHRWMA Board Meeting in September.

3. The Brinkley Landfill currently processes approximately 40,000 tonnes of residual waste per annum. To maximise the utilisation of available space within each landfill cell the AHRWMA uses a purpose built landfill compactor. The Authority's current compactor, which is now over seven years old, has started to experience significant down time and repair costs due to its age.
4. The Authority has completed a cost benefit analysis to determine if purchase or lease of the plant is best in the long term prior to including this item in the 2017/18 budget.
5. As a replacement hooklift truck is also budgeted in 2017/18, an additional recommendation has been added to authorise that purchase being proceeded with.
6. Under its Charter requirements the AHRWMA requires its Constituent Councils to approve purchases of plant items greater than \$250,000.
7. In addition, if the AHRWMA intends to borrow money for the purposes of a project with expenditure of a capital nature in excess of \$500,000, the AHRWMA must make a proposal in writing to all Constituent Councils outlining the amount of money proposed to be borrowed, the terms and conditions of the borrowing and the purpose to which the money will be put. The consent of all of the Constituent Councils is required as per the Charter for the AHRWMA to proceed with the proposed borrowing.

Discussion:

8. The replacement of the landfill compactor is included within the AHRWMA's approved 2017/18 Budget and associated Long Term Financial Plan.
9. A tender assessment process has now been completed for the supply and delivery of a new landfill compactor up to 40 tonnes capacity for the AHRWMA's Brinkley Landfill operation.
10. The AHRWMA Board considered the report in confidence and recommended that:
 - *Subject to approval from constituent Councils to purchase a plant item greater than \$250,000 in value, the AHRWMA accepts the tender from GCM Environ Pty Ltd of 34 Beaumont Road, Mt Kuring-Gai NSW, for the supply and delivery of a new Tana E320 Landfill Compactor, for a total cost of \$697,780 (GST exclusive).*
 - *The purchase be made from a loan to the value of \$1,200,000 for the Authority's 17/18 capital items with a loan period of seven years*

established as a redraw facility to enable the loan to be paid off at an optimal rate thereby minimising interest payments.

11. The recommendation was adopted unanimously by the AHRWMA Board via electronic motion on 7 August 2017. (Refer to Attachment 1 for the relevant report)
12. The proposed compactor purchase falls within the target budget of \$720,000 and includes a 5 year warranty. This asset is intended to be depreciated over a 6 year period, the actual working life of the asset may exceed that period of time.
13. The compactor purchase is to be made from a loan to the value of \$1,200,000 for the Authority's 2017/18 capital items (see below). The loan will be established through Local Government Finance Authority of South Australia at an interest rate of 3.75% with flexible terms over a seven year period enabling it to be paid down in an efficient manner to minimise interest payments. The Authority's LTFP model indicates that all loans will be paid out within three years.
14. The Authority's 2017/18 Capital Budget includes the following items:

Capital Item	Budget Amount
Landfill Compactor replacement	\$ 720,000
Hooklift Truck replacement	\$ 300,000
Cell 8 Base Liner Construction	\$ 305,000
Vehicle Changeover	\$ 15,000
Total Approved Budget	\$1,340,000

15. The base liner for the new Cell 8 at the Brinkley landfill is a legal requirement. Typically a new cell will have a life of approximately 6 years (actual life is subject to the rate of waste being deposited and the compaction levels achieved). This capital investment by the AHRWMA requires security over the land as referenced above re the lease arrangements from the Rural City of Murray Bridge. The amount of the cost of the new Cell 8 liner will be recorded as an asset to be depreciated over a number of years.
16. Additional to the request from the AHRWMA is the recommendation to also approve the replacement hooklift truck purchase subject to the Authority complying with its Purchasing Policy. This will avoid the need for a further report to Council consenting to this purchase.
17. The AHRWMA long term financial plan has modest provision required for asset renewal/replacement for the next three financial years with an average of \$155,000 per annum over this period.

Community Engagement:

Informing only	The community were informed of the intended purchase as part of the AHRWMA annual business plan
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Policy:

The Authority has a Purchasing Policy.

Budget:

There is no impact on Council's budget.

Statutory/Legal:

Section 43 of the Local Government Act enables the creation Regional Subsidiaries and also requires a Charter for the Regional Subsidiary.

The Local Government Act stipulates that "liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent Councils".

There is a lease between the AHRWMA and the Rural City of Murray Bridge until February 2019 and the AHRWMA Board will consider a new lease until February 2026 at its next meeting.

The EPA licence is held by the Rural City of Murray Bridge as the landowner as they maintain liability for areas of the landfill except the new cell that the AHRWMA has constructed and operates. The EPA licence is renewed every 5 years. The next renewal date is 1 October 2021.

Staff Resource Requirements:

Glen Carter, Manager Field Services participated in the tender panel for the assessment of the compactor.

Environmental:

Refer to attached report

Social:

N/A

Risk Assessment:

There has been an assessment made on the purchase vs lease option.

Asset Management:

The purchase of the compactor and hook truck is included in the AHRWMA long term financial plan. It is intended to retain the existing compactor which will be a suitable back up following repair. GCM Enviro will waive the rental fee on the existing compactor meaning that the AHRWMA will not have to pay \$63,855 that is currently owed and has not yet been invoiced/paid.

Conclusion:

The AHRWMA has conducted a thorough procurement assessment for the replacement compactor and the purchase of the replacement compactor and truck should be approved.

The capital purchase justifies the basis for the new loan to be taken out by the Authority and should be approved on the condition that the funds are not used for any operational costs.

Key Contact

David Peters, General Manager Corporate Services

Manager or Sponsor of Project

David Peters, General Manager Corporate Services

RELEASED


Attachment 1 to Item 18.1**TENDER FOR ACQUISITION OF NEW LANDFILL COMPACTOR**

REPORT TITLE: TENDER FOR ACQUISITION OF NEW LANDFILL COMPACTOR

DATE: AUGUST 2017

AUTHOR: ACTING EXECUTIVE OFFICER

ATTACHMENTS: ATTACHMENT A – Analysis of Short Term Lease vs Purchase of a compactor

**Adelaide Hills Region Waste Management Authority Charter, Local Government Act & 10 Year Strategic Plan**

As per the objects of the Charter the Authority operates the Brinkley Landfill for the disposal of Member Council waste.

The following clauses of the Charter specifies how the Authority may make purchases and finance activities;

- 1.5.1 to acquire, deal with and dispose of real and personal property (wherever situated) and rights in relation to real and personal property provided that it shall be a condition precedent that any such transaction may not incur a singular or a total liability of \$250,000 or more without the prior approval of all of the Constituent Councils;
- 1.6.1 The Authority has the power to borrow and/or to incur expenditure in accordance with this Clause or Clauses 1.5.1 or 1.5.12 of the Charter or in accordance with its approved budget or otherwise as expressly authorised by resolutions (expressed in the same terms) passed by the Constituent Councils.
- 1.6.2 If the Authority intends to borrow money for the purposes of a project with expenditure of a capital nature in excess of \$500,000, the Authority must make a proposal in writing to all Constituent Councils outlining the amount of money proposed to be borrowed, the terms and conditions of the borrowing and the purpose to which the money will be put. The consent of all of the Constituent Councils is required for the Authority to proceed with the proposed borrowing.
- 1.6.3 For the purposes of Clause 1.6.2 such borrowings must:
 - o 1.6.3.1 not be used for the purpose of funding operational costs;
 - o 1.6.3.2 be from the Local Government Financial Authority or a registered bank or financial institution within Australia; and
 - o 1.6.3.3 must be drawn down within a period of 24 months from the date of approval.

The Authority's 10 Year Strategic Plan includes an objective for the Authority to responsibly develop and manage the landfill to be a model regional landfill meeting all legislative requirements and operating benchmarks. An important aspect of meeting this objective is achieving effective compaction rates.

Purpose:

Tenders were called for the supply and delivery of a new landfill compactor up to 40 tonnes capacity for the Authority's Brinkley Landfill operation. This report details the tenders received, the assessment process, and the recommendation of a suitable

replacement machine including financing requirements.

Summary – Key Issues:

1. It is important to compact and place as much waste as possible into each landfill cell to offset the cost of constructing an EPA compliant landfill cell. This requires the use of a specialised purpose built landfill compactor.
2. Our current compactor, which is now over 7 years old, has started to experience significant down time and repair costs due to its age.
3. \$720,000 is budgeted in the 2017/18 financial year for the purchase of a new landfill compactor and following board approval tenders were called for supply of a suitable compactor.
4. The Charter stipulates that Board approval is required to enter into transactions above \$50,000 in value and requires Constituent Council approval to expend over \$250,000 on equipment and plant or to borrow greater than \$500,000 for equipment and plant.

Recommendation:

That:-

- (1) In accordance with Section 91 (7) & (9) of the *Local Government Act 1999* and on the grounds that the report titled Tender for the Acquisition of New Landfill Compactor was received and considered in confidence pursuant to Section 90(3) (b) & (d) of the *Local Government Act, 1999*, this Board order that:
 - (a) the resolution, the report and any other associated information and the minutes in relation to the report remain confidential and not available for public inspection until 3 August 2018;
 - (b) the confidentiality of the matter be reviewed in July 2018;
 - (c) the Executive Officer be delegated the authority to review and revoke all or part of the order herein and directed to present a report containing the item for which the confidentiality order has been revoked
- (2) Subject to approval from Constituent Councils to purchase a plant item greater than \$250,000 in value, the Adelaide Hills Region Waste Management Authority accepts the tender from GCM Enviro Pty Ltd of 34 Beaumont Rd, Mt Kuring-Gai NSW, for the supply and delivery of a new Tana E320 Landfill Compactor, for a total cost of \$697,780 (GST exclusive)
- (3) The purchase be made from a loan to the value of \$1,200,000 for the Authority's 17/18 capital items with a loan period of seven years established as a redraw facility to enable the loan to be paid off at an optimal rate thereby minimising interest payments.

Background:

1. On 20 April 2017 the Authority considered a report on an analysis of a short term lease vs the purchase of landfill compactor (**Attachment A**) and made the following recommendation:
 - (1) That a tender process for a new landfill compactor be commenced on the following basis:
 - a. Tenderer to supply suitable new landfill compactor up to 40 tonnes

- capacity.
- b. No tender necessarily accepted subject to Constituent Council approval to expend greater than \$250,000.
- (2) Following the tender process, reports be prepared for Member Councils seeking approval to purchase and finance the compactor.
2. Tenders were invited for the supply and delivery of a new purpose built landfill compactor up to 40 tonnes capacity for use at the Authority's Brinkley Landfill.
3. Three Tender submissions were received and assessed.
4. The Authority is currently leasing a Tana Compactor as the Authority's compactor, which is now over 7 years old, has started to experience significant down time and repair costs due to its age and is not suitable for full time operation.

Discussion:

Tender Assessment

5. Tenders were called on 22nd June 2017 stating that the Authority was looking to purchase a suitable new landfill compactor for its Brinkley Landfill operations up to a capacity of 40 tonnes.
6. The tender evaluation panel determined the criteria and weightings in order of importance by which the tenders would be evaluated, as follows:
- After Sales Service 5%
 - Value Add 5%
 - Referees 5%
 - Delivery 5%
 - OHS 10%
 - Warranty 10%
 - Suitability 15%
 - Tender Price 45%

7. The following tenders were received from three suppliers (prices exclusive of GST):

Company	Model	Mass (kg)	Year	Power (kW)	Delivery Period	Cabin Noise (db)	Warranty	Other Value Add	Cost	Delivery	Additional Costs	Total Cost (ex GST)
Cavpower	CATERPILLAR 826K Landfill Compactor	40,243 kg	2017	324 kW	12 wks	73	Powertrain & Hydraulics, 5 years / 5000 hours*3rd party vendor warranty applies to non cat component	Auto Greaser \$12,000.00 Ex Gst Fire Suppression \$15,000.00 Ex Gst		\$ -		
GCM Enviro PTY LTD	TANA E320	34,000 kg	2017	261kW	2 wks	73.5	years 7000hours (additional cost). Checked warranty - 5 years total with extension option.	current leased equipment (not assessed). Back up and hire plant available (currently hiring and have done in the past).	\$ 982,000	\$ -	\$ 35,780	\$ 987,780
Tut Bryant Equipment	BOMAG BC572RB-3	28000 kg	2017	227kW	3 to 5 months	76.2	12 months 2000 hours - other options additional cost	Fire Suppression \$15,000.00 Ex Gst Auto Greaser \$12,000.00 Ex Gst 10,000 hrs warranty on weld	\$ -	\$ -		
Tut Bryant Equipment	BOMAG BC772RB-2	37,100 kg	2017	330kW	3 to 5 months	72.3	12 months 2000 hours - other options additional cost (5 yr / 8000 hours)	Auto Greaser 10k in price Ex Gst Fire Suppression \$15,045 Ex Gst 10,000 hrs warranty on weld on teeth. Auto greasing system	\$ -	\$ -		

8. Tenders were assessed by an assessment panel consisting of staff members from Murray Bridge and Mount Barker Councils, the Authority's Acting Executive Officer, Operations Manager and Operations Supervisor, as follows:
- Leah Maxwell (Acting Executive Officer AHRWMA)
 - Robert Coleman (Operations Manager AHRWMA)
 - Ben Tume (Operations Supervisor AHRWMA)

- Malcolm Downie (Manager City Assets RCMB)
- Glen Carter (Manager Field Services MBDC)

10. Part of the assessment process included the panel members from Murray Bridge and Mount Barker Councils contacting referees for each tenderer.
11. Tana E320 submitted by GCM Enviro Pty Ltd was ranked at number 1. The next highest ranked tender was the Bomag BC772RB-2 submitted by Tutt Bryant Equipment Pty Ltd.
12. When reviewing the size options of the compactors included within the Tenders submitted, on the basis of historical usage and tonnages it is considered the Tana E320 34 tonne is a suitable size for the Authority's operation now and into the future.
13. Of the two Bomag plant offered the smaller Bomag 28 tonne machine was considered by the Tender team as being unsuitable for the operation and on this basis was given a 0 rating for suitability.
14. The Authority is currently leasing a Tana machine and GCM Enviro advised that they will provide a discount totaling \$63,855.00 + GST (essentially what has been invoiced to date on the dry hire of the machine). Tenders have been assessed without taking any discount into consideration and Tana ranked number 1 independent of this offer.
15. The Tana E320 received the highest average score for suitability and also received positive referee checks.
16. The Tana E320 conforms with OH&S criteria.
17. The Tana achieves good compaction rates, with test reports submitted as part of their Tender response indicating that the Tana achieves 15% better compaction than machines of similar size.
18. The Tana runs a Cummins engine, which has a proven track record and the machine has good accessibility.
19. The layout of the Tana cab is very user friendly with the use of a swivel seat and hand controls for total machine operation, resulting in good overall vision.
20. The Tana has an advantage with its wheel configuration using two full width drums achieving greater compaction, shredding and punching of the waste into a tight matrix. This reduces wind blown litter and the need to place a greater depth of cover material to fill in wheel ruts and cover the waste, resulting in less void space being consumed and savings in carting cover material.

Budget and Long Term Financial Plan

21. The Authority's 17/18 Capital Budget includes the following items:

Capital Item	Budget Amount
Landfill Compactor	\$ 720,000
Hooklift Truck	\$ 300,000
Cell 8 Base Liner Construction	\$ 305,000
Vehicle Changeover	\$ 15,000
Total Approved Budget	\$1,340,000

22. The Authority's Long Term Financial Plan (LTFP) (Attachment C) would usually model for purchases to occur out of cash holdings that have been accumulated to meet future requirements.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

28. Approval is being sought from Member Councils for the purchase of the Compactor, with a value over \$500,000 and for the Authority to establish a loan to the value of \$1,200,000 for the Authority's 17/18 capital items.

29. It is proposed that the loan be established for a loan period of seven years as a redraw facility to enable the loan to be paid off at an optimal rate thereby minimising interest payments for the Authority.

30. The loan will be established through Local Government Finance Authority of South Australia at an interest rate of 3.75%.

Engagement:

Call for Tenders	On 22 June 2017 the Authority called for tenders, using SA Tenders and Contracts, for the supply and delivery of a new landfill compactor up to 40 tonnes capacity.
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Policy:

Adelaide Hills Region Waste Management Authority Purchasing Policy (18 February 2016).

Budget:

The adopted 17/18 Budget and associated Long Term Financial Plan allows for capital purchases totaling \$1,340,000 which includes a landfill compactor with an upper estimate of \$720,000.

Statutory/Legal:

Adelaide Hills Region Waste Management Authority Charter, Clauses;

- 1.5.1 to acquire, deal with and dispose of real and personal property (wherever situated) and rights in relation to real and personal property provided that it shall be a condition precedent that any such transaction may not incur a singular or a total liability of \$250,000 or more without the prior approval of all of the Constituent Councils;
- 1.6.1 The Authority has the power to borrow and/or to incur expenditure in accordance with this Clause or Clauses 1.5.1 or 1.5.12 of the Charter or in accordance with its approved budget or otherwise as expressly authorised by resolutions (expressed in the same terms) passed by the Constituent Councils.
- 1.6.2 If the Authority intends to borrow money for the purposes of a project with expenditure of a capital nature in excess of \$500,000, the Authority must make a proposal in writing to all Constituent Councils outlining the amount of money proposed to be borrowed, the terms and conditions of the borrowing and the purpose to which the money will be put. The consent of all of the Constituent Councils is required for the Authority to proceed with the proposed borrowing.
- For the purposes of Clause 1.6.2 such borrowings must:
 - 1.6.3.1 not be used for the purpose of funding operational costs;
 - 1.6.3.2 be from the Local Government Financial Authority or a registered bank or financial institution within Australia; and
 - 1.6.3.3 must be drawn down within a period of 24 months from the date of approval.

Staff Resource Requirements:

N/A.

Environmental:

EPA Guidelines for Environmental Management of Landfill Facilities 2007 requires operators to fully utilise the available space and compact the waste to minimise post closure settlement.

The Tana machine testing results, as submitted with the Tender, demonstrates superior compaction and 20% less fuel usage compared to other machines.

The compactor helps to reduce litter.

Social:

N/A

Risk Assessment:

Not replacing the compactor will significantly increase risk and financial exposure as our existing plant is now beyond its optimum useful life.

It is important to achieve the greatest compaction rates possible to use the cell to maximum capacity and utilise all available space, resulting in a more cost effective landfill operation.

Purchasing the compactor creates an asset that can be sold if required.

Asset Management:

The management of the asset is captured within the LTFFP, which includes optimal replacement timeframes. The current compactor will be maintained onsite for use as

a secondary and back up plant.

Conclusion:

The Tana E320 landfill compactor represents good value for money for the Brinkley Landfill operation. Its size and specifications will easily handle both the current and potential future volumes of waste being received.

The purchase of the landfill compactor compared to a lease option has been considered by the board and the purchase is included within our 17/18 approved budget. The Tendered price of \$697,780 includes a 5 year warranty period and fits within the adopted budget. The Tender submission indicated that the Tana can be supplied within 2 weeks of approval to purchase.

RELEASED

ATTACHMENT A

Agenda Item 4.1

4.1 ANALYSIS OF SHORT TERM LEASE VS PURCHASE OF LANDFILL COMPACTOR

TO: ADELAIDE HILLS REGION WASTE MANAGEMENT AUTHORITY
FROM: Acting Executive Officer
SUBJECT: Analysis of Short Term Lease vs Purchase of Landfill Compactor

STRATEGIC PLAN STRATEGIES

- Achieve the operating benchmarks for landfill and transfer operations.
- Control of risks.
- Plan & maintain sufficient air-space for landfill operations.

PURPOSE

This report provides an analysis of two options, to lease a compactor for a 12-month period vs purchasing a compactor outright next financial year.

KEY ISSUES

- The draft budget 17/18 has been presented to the board at the April 2017 meeting.
- The draft budget as presented included the lease of a landfill compactor for a 12-month period.
- Following further analysis of leasing vs purchasing the compactor this report is presented outlining the two options and providing the recommended approach for inclusion within the draft 17/18 budget.

RECOMMENDATION

That:-

- (1) That a tender process for a new landfill compactor be commenced on the following basis:
 - a. Tenderer to supply suitable new landfill compactor up to 40 tonnes capacity.
 - b. No tender necessarily accepted subject to Constituent Council approval to expend greater than \$250,000
- (2) Following the Tender process reports be prepared for Member Council seeking approval to purchase and finance the compactor.

Agenda Item 4.1

BACKGROUND

- [REDACTED]
2. Following Audit Committee discussions, it was identified that in the interest of sound business decision making an analysis of a lease vs purchase option should be undertaken
 3. This analysis was completed and verbally presented to the Board at the April 2017 meeting and a decision was made to hold a special meeting to receive a report to this effect, in order to review the options and include in the draft budget.
 4. The existing compactor at the Brinkley site recently experienced operational failures requiring significant expense to repair. A repair was undertaken however the machine is still undergoing testing before placing into full use.
 5. A temporary lease arrangement has been established, enabling continued effective compaction of waste.
 6. Considering the age of the compactor (approx. 7 years) it is necessary to look at replacement options now, in order to avoid ongoing repair expenses. The two options being considered are leasing for a 12 month period compared to purchase in 17/18 financial year.

DISCUSSION AND ANALYSIS

7. Renting instead of purchasing for major plant items over the long term is not a consideration in this report as purchasing is the best long term option.
8. If working on a long project, such as a landfill operation, then buying makes better sense from a financial perspective.
9. However, given the current situation where there is uncertainty and significant expense relating to defending against the SWR Claim, a short-term lease of a landfill compactor has also been considered as an option.

Table 1: Pros and cons: purchasing versus renting major plant

Renting	Purchasing
<ul style="list-style-type: none"> • ✓ Lower initial investment • ✓ Maintenance, insurance etc. handled by another party 	<ul style="list-style-type: none"> • ✓ Cheaper over the long term • ✓ Receive a return on your investment when you no longer need the equipment • ✓ More flexible—equipment available whenever you need it • ✓ Less downtime • Higher maintenance costs if the plant is owned beyond the warranty period

Agenda Item 4.1

Financial Assessment: purchasing versus renting

10. The net financial effect of leasing versus purchasing a new landfill compactor (costing \$720k) has been modelled through the Authority's LTFP (both models are attached, Attachment A & Attachment B) and can be summarised as follows.

Table 2: Net Profit/(Loss) and Equity comparison

Option	Net Profit/(Loss) at the end of the period										Equity after 10 years
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Lease	(629,136)	(59,738)	(10,739)	13,434	51,830	99,019	99,765	(48,442)	61,900	90,066	\$ 599,438
Purchase	(535,886)	68,137	(2,864)	25,059	61,580	99,019	75,390	105,891	73,150	103,191	\$ 1,004,146
difference	\$93,250	\$127,875	\$7,875	\$11,625	\$9,750	\$0	-\$24,375	\$154,333	\$11,250	\$13,125	\$404,708

11. As summarised in the table 2 the purchase of the compactor in the 17/18 financial year provides the best short and long term outcome for the AHRWMA.
12. The net profit/loss position improves each year with a \$400k improvement in the Equity position over a 10-year period.
13. Whilst there may be perceived reasons for renting the compactor for a 12-month lease and not purchasing significant plant items in the midst of the legal claim the pros and cons outlined in Table 1, the financial assessment as per Table two and the attached LTFP models clearly indicate that purchase of the compactor in the 17/18 financial year is a sound business decision, which should prevail.
14. Based on this analysis it is recommended that the Draft 17/18 budget be amended to include purchase of the compactor instead of lease.
15. The Compactor purchase will require Member Council approval, as per requirements set out in the Charter, as the individual purchase is over \$250k and a loan of \$500k is required for financing.
16. It should be noted that the Councils are not required to fund the purchase. The purchase will be included within the AHRWMA budget and LTFP. The \$720k compactor will be part funded via loans (\$500k) and out of available cash (\$220k).
17. Financing the compactor purchase also provides breathing room by keeping our capital to run the business. The \$500k loan for the compactor will be paid off over the next 3 years.
18. The purchase will create an asset that can be readily sold whenever required.
19. A tender process will be undertaken immediately, during this time a compactor will continue to be leased under a short term arrangement and it is expected that a replacement compactor will be available from early 2017/2018.
20. The AHRWMA's current compactor will become a back-up in the future.

CONCLUSION

21. Based on the assessment it is evident that purchase of the compactor provides the soundest business decision and on this basis it is recommended that this option is progressed.

17. QUESTIONS ARISING FROM COUNCIL MEETING

NIL

18. CONFIDENTIAL REPORTS

18.1 **REPORT TITLE:** **CONFIDENTIAL REPORT – ADELAIDE HILLS
REGION WASTE MANAGEMENT AUTHORITY**
DATE OF MEETING: **4 SEPTEMBER 2017**
FILE NUMBER: **DOC/17/80151**
ATTACHMENTS: **1 – DOC/17/84548 - TENDER REPORT TO
AHRWMA**

Section 90 (3) (k) Order

Pursuant to Section 90(3)(k)

Moved Councillor Bailey that Council:

1. Pursuant to Section 90(2) of the Local Government Act 1999 the Council orders that all members of the public except the CEO, Deputy CEO / General Manager Infrastructure and Projects, General Manager Council Services, General Manager Planning and Development, General Manager Corporate Services, Minute Secretary be excluded from attendance at the meeting for Agenda Item Confidential Report – for the Adelaide Hills Region Waste Management Authority.

The Council is satisfied that pursuant to Section 90(3)(k) of the Act, the information to be received, discussed or considered in relation to this Agenda item is a tender for the supply of goods.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed has the potential to impact adversely on each of the tenderers as competitive commercial information will be disclosed.

Seconded Councillor Seager

CARRIED
OM20170904.14

Moved Councillor Bailey

2. That as a Constituent Council of the AHRWMA, and in accordance with the Charter of the AHRWMA, Mount Barker District Council approves:

- (1) the purchase by the AHRWMA of a new landfill compactor for the Brinkley Landfill to the value of \$697,780 (ex GST).

- (2) The purchase of a replacement hooklift truck up to the value of \$300,000 (ex GST) subject to the AHRWMA complying with its Purchasing Policy in undertaking this purchase.
- (3) The above purchases and other capital expenditure needs being made from a loan to the value of \$1,200,000 for the AHRWMA's 2017/18 capital items with the loan to be established through the Local Government Finance Authority of South Australia using a variable loan with flexible terms over a 7 year period enabling it to be paid down in an efficient manner to minimise interest payments, on the condition that the AHRWMA shall not use any loan funds for funding operational costs.

Seconded Councillor Buchmann

CARRIED
OM20170904.15

Moved Councillor Buchmann

3. Section 91(7) Order

Pursuant to Section 91(7)

That having considered Agenda Item Confidential Report – Confidential Report – for the Adelaide Hills Region Waste Management Authority in confidence under 90(2) and 3(k) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that the report, attachment, and all minutes be retained in confidence until 6 September 2018 or such lesser period as determined by the Chief Executive Officer and that this order be reviewed every 12 months.

Seconded Councillor Seager

CARRIED
OM20170904.16

MEETING DECLARED CLOSED AT 8.16 PM

MAYOR

DATE