

6.2 Recycling Receipt Contract

Author's Title:	Coordinator Waste Management
General Manager:	Chris Pike, General Manager
Department:	Environment & Sustainability
Division:	Place Making and Environment
Attachments:	Nil

Officer Conflict of Interest: No officer declared a conflict of interest under the *Local Government Act 2020* in the preparation of this report.

Status: Pursuant to sections 3(1) and 66(5) of the *Local Government Act 2020*, the information contained in this report is confidential because it contains Council business information being information that would prejudice the Council's position in commercial negotiations.

Executive Summary

Following the collapse of SKM Recycling Pty Ltd (SKM) in 2019, Council entered into a short-term agreement with Cleanaway Pty Ltd (Cleanaway) under a Ministerial exemption.

The Cleanaway agreement with councils enabled a receipt facility to be established in Geelong. This facility remains the only facility capable of taking the volumes of recyclable material generated from the council kerbside collection systems.

Cleanaway currently accepts kerbside collected recyclables from Surf Coast, Golden Plains and Queenscliffe Councils to that facility under monthly purchase order arrangements.

A tender process is required for a more secure long-term contract for the receipt of mixed recycling services. To reduce the risk to council, a short-term contract is required with Cleanaway whilst that tender process is undertaken. As Cleanaway is the only facility currently set up in the Geelong region, the short-term contract needs to be of sufficient duration to attract new entrants and allow time for a new facility to be established.

Council's procurement policy permits directly entering into contracts if there is only one supplier. If the value of the contract is \$350,000 or higher, Council approval is required.

Outcome Statement

By entering into an agreement with Cleanaway as proposed, Council will increase service delivery security for both parties in the shorter term and enable a competitive process to be undertaken that will provide greater confidence that Council is purchasing a competitive, cost effective, high quality and sustainable service in the longer term.

<i>Key benefits</i>	<i>Key risks</i>
Entering into a contract with Cleanaway provides greater security to ensure Council's mixed recycling material collected via the kerbside yellow lid bin is processed for recycling and kept out of landfill	Commencing a tender process without locking in an agreement with Cleanaway exposes Council to risk should Cleanaway not be successful through the tender process.
A two-year contract would align timelines with other Councils in the Geelong region.	Not allowing sufficient time for a new facility to be established through the tender process will limit opportunities for new entrants into the Geelong region.
A two-year contract would enable sufficient time for a tender process to be undertaken and give a new operator time to establish in Geelong and obtain the necessary approvals.	

Finance and Resource Implications

Gate fees are dependent on contamination and compaction of the delivered material. Annual costs are dependent on recycling tonnages collected and delivered to the receipt facility. The draft 2022-23 budget has allowed for expected increases to the current gate fees and assumes existing contamination rates. Based on the proposed schedule of rates from Cleanaway, the total cost over the full two-year period is estimated to be \$1,220,000 (exclusive of GST).

Community Engagement

Not applicable.

Recommendation

That Council:

1. Notes that due to the events that have unfolded since the collapse of SKM Recycling Pty Ltd in 2019, Council is in a position where:
 - a. There is only one option for the receipt of kerbside collected mixed recyclables in the Geelong region.
 - b. No formal contract or agreement is in place with Cleanaway Pty Ltd for receipt of mixed recyclables.
 - c. To attract interest from additional businesses to participate in a competitive tender, 12 to 24 months is required to complete the process and enable sufficient time for a new receipt facility to be established.
2. Enters into a schedule of rates contract with Cleanaway Pty Ltd for a one-year period with the option for a further one-year extension for an estimated total cost of \$1,220,000 (exclusive of GST).
3. Authorises the Chief Executive Officer to sign the contract and any other documents required by, or to give effect to, the terms of the agreement on behalf of Council.
4. Authorises the Chief Executive Officer or delegate to deem this resolution is no longer confidential at their discretion.
5. Notes that Council officers will continue to work collaboratively with other Geelong region councils to develop and undertake a competitive tender process for the acceptance of mixed recyclables.

Council Resolution

Moved Cr Barker, Seconded Cr Gazzard

That Council:

1. Notes that due to the events that have unfolded since the collapse of SKM Recycling Pty Ltd in 2019, Council is in a position where:
 - a. There is only one option for the receipt of kerbside collected mixed recyclables in the Geelong region.
 - b. No formal contract or agreement is in place with Cleanaway Pty Ltd for receipt of mixed recyclables.
 - c. To attract interest from additional businesses to participate in a competitive tender, 12 to 24 months is required to complete the process and enable sufficient time for a new receipt facility to be established.
2. Enters into a schedule of rates contract with Cleanaway Pty Ltd for a one-year period with the option for a further one-year extension for an estimated total cost of \$1,220,000 (exclusive of GST).
3. Authorises the Chief Executive Officer to sign the contract and any other documents required by, or to give effect to, the terms of the agreement on behalf of Council.

4. Authorises the Chief Executive Officer or delegate to deem this resolution is no longer confidential at their discretion.
 5. Notes that Council officers will continue to work collaboratively with other Geelong region councils to develop and undertake a competitive tender process for the acceptance of mixed recyclables.
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For	Against	Abstained
Cr Allen	Nil	Nil
Cr Barker		
Cr Bodsworth		
Cr Gazzard		
Cr Hodge		
Cr Pattison		
Cr Schonfelder		
Cr Stapleton		
Cr Wellington		

Alternative Options

Alternative Option 1 – Not enter into a formal contract with Cleanaway Pty Ltd whilst undertaking a tender process.

This option is not recommended by officers as it exposes Council to an unacceptable risk of Cleanaway choosing to cease accepting Council’s material or make unreasonable alterations to services. There are currently no other options within the Geelong region set up to receive mixed recyclable material.

Alternative Option 2 – Enter into a shorter-term (i.e., less than one-year) contract with Cleanaway Pty Ltd whilst undertaking a tender process.

This option is not recommended by officers as there are there are no other options currently available within the Geelong region. Tender responses would therefore likely be limited if insufficient time was allowed for a new site and operator to be established.

Report

Background

Following the collapse of SKM in 2019, Council entered into a short-term agreement with Cleanaway under a Ministerial exemption. The Ministerial exemption allowed councils to directly engage recycling services for a period up to two years without undertaking a competitive process.

The agreement with Cleanaway was undertaken with Geelong, Golden Plains and Queenscliffe councils enabling a receipt facility to be established in Geelong. This

facility remains the only facility capable of taking the volumes of recyclable material generated from the council kerbside collection systems.

In May 2021, a further Ministerial exemption was granted allowing Council, and the other Geelong region councils, to extend the agreement with Cleanaway to 30 June 2022. Cleanaway signed the agreement with Geelong Council; however, did not sign with Surf Coast, Golden Pains or Queenscliffe Councils. Cleanaway continued to accept kerbside collected recyclables from the unsigned councils under monthly purchase order arrangements.

In 2021 the Metropolitan Waste and Resource Recovery Group (MWRRG) commenced development of tender documents to undertake a collaborative procurement on behalf of councils within Victoria. Tenders were to be completed with a panel of contractors engaged with services commencing in 2022. Council entered into a formal agreement to participate in the MWRRG tender in November 2021. In December 2021 a Ministerial direction was given to cease the MWRRG collaborative tender process. No official reason has ever been received for why this direction was given.

Discussion

Due to the events that have unfolded since the collapse of SKM in 2019, Council has been forced into a position where:

- There is only one option for the acceptance of kerbside collected mixed recyclables in the Geelong region.
- No formal contract or agreement is in place with Cleanaway for receipt of mixed recyclables.
- To attract interest from additional businesses to participate in a competitive tender, 12 to 24 months is required to complete the process and enable sufficient time for a new receipt facility to be established.

Outcome Analysis

A contract of up to two years will:

- Reduce the risk to Council whilst a tender process is undertaken.
- Align Surf Coast with other Geelong region councils.
- Enable a competitive tender process in collaboration with other Geelong region councils to be undertaken ensuring Council is receiving the best value for money.
- Enable the impacts of the Container Deposit Scheme commencing in 2023 to be known and incorporated into a longer-term contract.
- Enable the commencement of the new waste authority, Recycling Victoria, on 1 July 2022 and potentially be involved with future procurement activities.

Financial and Resource Impact Analysis

Cleanaway's gate fees are dependent on contamination and compaction of the mixed recyclable material delivered to their facility in South Geelong. Annual expenses are dependent on recycling tonnages collected from the kerbside yellow lid recycle bin. Gate fees are also reviewed annually to allow for changes to CPI on the base fee and also increases to the Environment Protection Authority waste levy for the contamination component of the recycling.

The draft 2022/23 budget has allowed for expected increases to the current gate fees and using the existing contamination rates. Based on the proposed schedule of rates the total cost over the full two-year period is estimated to be \$1,220,000 (exclusive of GST).

Council Plan Assessment

Theme Three - Environmental Leadership

Strategy 9 - Divert more material from the waste stream.

Securing a two-year contract with Cleanaway will ensure valuable resources contained within the mixed recyclables collected from the kerbside system are kept out of landfill and sorted for further processing.

Relevant Legislation, Policy, Strategies and Plans

Council's SCS-019 Procurement Policy section 9.8 states:

Council staff may seek an approval for an exemption to the procurement thresholds when the procurement is undertaken in the follow circumstances:

- *An absence of competition. There is one or a limited number of available tenderers in the market or suppliers able to submit quotations.*

If the value is \$350,000 or greater, approval via council resolution is required.

Previous Councillor and Audit and Risk Committee Consultation

This item was discussed at the following Councillor briefings prior to being presented to Council for consideration. Councillor attendance at each briefing was as follows:

Councillor Briefing Date: 14 June 2022

<i>Councillor name</i>	<i>In attendance (Y/N)</i>	<i>Councillor name</i>	<i>In attendance (Y/N)</i>
<i>Cr Gary Allen</i>	<i>Y</i>	<i>Cr Liz Pattison</i>	<i>Y</i>
<i>Cr Paul Barker</i>	<i>Y</i>	<i>Cr Adrian Schonfelder</i>	<i>Y</i>
<i>Cr Mike Bodsworth</i>	<i>N</i>	<i>Cr Libby Stapleton</i>	<i>Y</i>
<i>Cr Kate Gazzard</i>	<i>N</i>	<i>Cr Heather Wellington</i>	<i>N</i>
<i>Cr Rose Hodge</i>	<i>Y</i>		