

## 6.4.3 Extension of Short-Term Recycling Processing Contract

**Responsible GM:** Peter Benazic  
**Author:** Jacqui Kelly

### Recommendation(s)

That Council:

- Approve the novation, extension and pricing for contract 19/35 for the processing of kerbside recyclables through an initial 3 year contract managed by Metropolitan Waste and Resource Recovery Group with Polytrade Operations Pty Ltd (including any required and approved extensions) from 1 July 2022 or sooner by mutual agreement with the contractor at an estimated amount of \$1.9M per annum providing annual savings of more than \$500,000, and
- Delegate authority to the Chief Executive Officer to finalise negotiations and sign relevant documentation and contracts related to the above resolution.

### Attachments

#### Executive Summary

In June 2021 Council entered into Contract 2019/2 Services Agreement - Short term Recycling Processing arrangements for Councils with Polytrade Pty Ltd. Cardinia Shire joined this arrangement after our previous short-term arrangement ceased. This has also been allocated the Cardinia Shire Council contract number 19/35.

This contract was part of a Panel Contract previously tendered by the Metropolitan Waste and Resource Recovery Group (MWRRG) made available to Councils. It runs until 31 December 2022 and is currently on a month-by-month basis.

Council has been utilising the MWRRG panel contract arrangement whilst it participated in the proposed Recycling Collaborative Procurement (RCP) process managed by MWRRG. However, the state government advised MWRRG and councils that the procurement process will be ceased, reviewed and reconsidered by Recycling Victoria after it commences on 1 July 2022.

The subsequent advice from state government is for councils to seek an extension of current contract arrangements or commence a council-initiated procurement. Council has the option to extend the current agreement as negotiated by MWRRG or to exit the arrangement once a separate procurement has been completed.

Given the timing available to undertake a procurement process, uncertainty on market conditions and the unknown future role of Recycling Victoria, it is recommended that extending the current contract is the best approach for Council.

To facilitate the contract extension and pricing arrangement, Council is required to re-sign its Services Agreement. This new agreement is under the same terms and conditions as the previous agreement, with minimal exceptions being:

- A name change to reflect the new structure of the recycling processor.
- The contract end date will be updated to accommodate the new 3-year term with optional extensions.

- New pricing.

## Background

Cardinia Shire Council is part of the MWRRG Panel Contract arrangement and has a current Service Agreement with Polytrade to 31 December 2022. This report details an extension option and price adjustment for Councils consideration.

MWRRG were planning to undertake a collaborative procurement, known as Recycling Collaborative Procurement (RCP) in late 2021, however, the Victorian Government recently required MWRRG to cease progressing this procurement. It will be re-considered by Recycling Victoria, the new waste authority that commences on 1 July 2022, at the time when the MWRRG will also cease to exist in its current format. Council therefore has the option to either extend the current contract or undertake a separate procurement process.

Both options have been reviewed and it is recommended that council extend the current contract for the following reasons:

- The contract extension options will result in a significantly lower gate fee, which provide annual savings to Cardinia Shire greater than \$500,000 per annum compared to the current arrangement.
- Provides continuity of services in an uncertain environment.
- Based on current market information, it is doubtful that any additional benefit would be achieved if council were to undertake its own procurement.
- Whilst a joint procurement option with other councils is available under Councils procurement policy, a joint procurement will take considerable time and resources to manage the complexity in a changing sector.
- The contract extension provides council time to consider what Recycling Victoria proposes for recycling procurement and participate in the process where appropriate to do so.
- The Minister for Energy, Environment and Climate Change wrote to the CEO of each council on 7 December 2021 advising that MWRRG have been asked to halt implementation of Recycling Collaborative Procurement Projects and to instead assist Councils with extending current contract arrangements.

### *Polytrade merger*

Polytrade has recently announced a merger with Re.Group, which will form a new entity called Polytrade Operations Pty Ltd. The merger will require a novation of the current agreement to the new entity and has provided new pricing options.

MWRRG and the participating councils under the MWRRG panel agreement have negotiated a significantly improved pricing with Polytrade Operations Pty Ltd that would have not been possible under the current arrangement.

## Policy Implications

This contract and direction aligns with the general vision of the Waste and Resource Recovery Strategy (2017-2026), and some of its top priorities:

- increased resource recovery with a particular focus on hard waste service, food within garbage waste, additional kerbside programs and e-waste
- continuing to drive value for money within services
- supporting local community to be responsible and accountable for their waste generation and disposal practices.

## Relevance to Council Plan

### 3.1 We value our natural assets and support our biodiversity to thrive

3.1.2 Actively move towards zero waste through increasing waste recovery and reuse.

### 5.1 We practise responsible leadership

5.1.4 Maximise value for our community through efficient service delivery, innovation, strategic partnerships and advocacy.

## Climate Emergency Consideration

The appropriate management and diversion of waste from landfill can assist in reducing the human impact on climate change. This contract will assist in several ways:

- continuing to divert waste away from landfill by offering and servicing recycling bins across the Shire.
- continuing to support group procurement opportunities to establish and take advantage of efficiencies in the resource recovery sector.

## Consultation/Communication

Updates on recycling industry issues and impacts to Council and ratepayers are made on a regular basis. Council liaise regularly with the relevant State Government authorities and our Local Government counterparts on the state of the industry and group procurement arrangements.

The Metropolitan Waste and Resource Recovery Group, who are contracting parties and contract managers of the arrangement we seek participation in have provided updated communication on contract arrangements and hold regular stakeholder meetings to maintain contract requirements.

Legal advice regarding options for Council have been obtained from the Victorian Governments Solicitors Office (VGSO) and at an individual Council level and will continue to support any contractual alterations.

## Financial and Resource Implications

Current recycling processing services cost Council approximately \$200,000 per month equating to a total contract cost of \$2.4M per annum. This is funded via annual Councils Garbage charge.

The contract extension options will result in a significantly lower gate fee and a resulting annual cost of approximately \$1.9M per annum, providing annual savings of more than \$500,000, compared with current costs.

This new pricing option has been included in the Draft 2022-23 budget calculation.

## Conclusion

Delays and (temporary) cessation of the State Government led procurement of recycling processing services for Victoria together with continuing uncertainty about the future of the RCP project necessitates an extension to the current contract arrangements.

The merger of Polytrade and Re.Group has provided the opportunity to re-negotiate the contract term and pricing arrangements to provide continuity of service in a challenging and uncertain environment.

It is recommended that Council approve the novation, extension and pricing for contract 19/35 for the processing of kerbside recyclables through an initial 3 year contract managed by Metropolitan Waste and Resource Recovery Group with Polytrade Operations Pty Ltd (including any required and approved extensions) from 1 July 2022 or sooner by mutual agreement with the contractor at an estimated amount of \$1.9M per annum providing annual savings of more than \$500,000, and delegate authority to the Chief Executive Officer to finalise negotiations and sign relevant documentation and contracts to facilitate this.