



Item No: 19.2

Date: 17 May 2021

Attachment: A, B

<b>Meeting:</b>	Council
<b>Title:</b>	Extension of Waste Disposal Contract
<b>Responsible Manager:</b>	Chief Executive Officer, Kiki Cristol
<b>Author:</b>	Group Manager Assets & Infrastructure, Ben Clark
<b>Key Pillar:</b>	Financial Guiding Principle 4 – Robust and transparent allocation and prioritisation of resources
<b>Key Focus Area:</b>	Strategic Community Plan Focus area 3- Transparent and accountable local tier of Government
<b>Type of Report:</b>	<b>Decision Required</b>

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(k) of the Act being tenders for the the provision of services and the carrying out of works as it applies to Councils waste disposal contract.

### **Recommendation (Public)**

#### Pursuant to s90 (3) (k)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public except, Chief Executive Officer Kiki Cristol, Group Manager Assets & Infrastructure, Ben Clark, Group Manager Corporate Services Monique Palmer, Group Manager Planning, Environment & Regulatory Services Andreea Caddy, Group Manager Customer Experience Danielle Garvey, Manager Community Development & Engagement Fiona Deckert, Manager Property, Contracts & Strategic Projects Scott Reardon, Communications & Marketing Manager Sarah Spencer and Acting Council Secretariat Rae Pluck be excluded from attendance at the meeting for Agenda Item 19.2 Extension of Waste Disposal Contract.

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 are tenders for the provision of services and the carrying out of works as it applies to Councils waste disposal contract.

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 is commercial in confidence.

## Recommendation (Confidential)

1. That Council agrees to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with IWS (Integrated Waste Services), subject to and in accordance with the following contract variations:
  - the contract term is an initial term 10 years commencing 1 July 2021 with a 10 year right of renewal at the Council's absolute discretion after the expiry of the initial term and the waste disposal rate (Gate Fee) being \$35/tonne (excluding Solid Waste Levy) commencing 1 July 2021, subject to an annual 3% or CPI (whichever is the greater) increase;
  - the contract being expanded to include the disposal of Council's Green Organics at a rate of \$33/tonne commencing 1 July 2021 subject to an annual 3% or CPI (whichever is the greater) increase;
  - a clause being inserted in the contract so that if future technology/innovations significantly reduce the costs of waste disposal, Council will not be disadvantaged by entering into this contract and that IWS is required to adjust its pricing to ensure that the Council is not financially disadvantaged through having entered into the 10-year contract.
2. That Council delegates to the Chief Executive Officer the authority to finalise and sign the contract on behalf of Council.

## Recommendation (Public)

### Pursuant to s.91(7)

That having considered Agenda Item 19.2 Extension of Waste Disposal Contract in confidence under section 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, attachments and minutes relative to this Agenda Item be retained in confidence until the contract has been signed and Council authorises the release of the minutes to substantive party/parties to enable enactment of the resolution and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the power to review and revoke this Order.

and

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* and re-admit the public.

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## Summary

Council's waste disposal contract for residual waste is due to be reviewed / renewed in December 2024. The Town of Walkerville jointly with the City of Campbelltown awarded the contract to Integrated Waste Services (IWS) on 15 September 2014 and subsequently renewed the contract in March 2019. Walkerville and Campbelltown have been given the opportunity to seek further savings from IWS by renewing the contract by a further 10 years.

Campbelltown at its meeting held on 20 April 2021 (in confidence) resolved to extend the current IWS contract by a further 10 years commencing 1 July 2021.

## Background

In March 2014 the seven Constituent Councils of Waste Care South Australia undertook a joint tender for waste disposal services of their residual waste, noting that Waste Care South Australia has since dissolved.

Following the tender process, Council in conjunction with the City of Campbelltown awarded the contract to IWS (Integrated Waste Services) for a period up to 10 years (i.e. 5-year contract with a right of renewal at Council's discretion) at the rate tendered for the 10-year option, effective 1 January 2015.

In March 2019 Council resolved to extend the contract by a further 5 years.

## Discussion/Issues for Consideration

IWS have invested significantly into their waste management business and have been able to increase their resource recovery. As a result of this investment and the partnerships they are forging with third parties (eg Red Centre Enterprises), they are now in a position to offer a very substantial, immediate and ongoing saving to Council in return for a renewed and varied contractual commitment by the Council.

As from 1 July 2021, under the Council's current IWS contract terms, the cost to Council to dispose of its residual waste will be \$43.71/tonne (excluding Solid Waste Levy). Due to the aforementioned improvements in their business model, under a renewed and varied contract (the Revised IWS Contract), IWS are prepared to offer a residual waste disposal rate of \$35/tonne (excluding Solid Waste Levy) to the Council. Like the Current IWS Contract, the residual waste disposal rate under the Revised IWS Contract is adjusted each year by 3% or CPI (whichever is higher). This new offer is subject to the following two main conditions:

1. The current contract term, which ends on 31 December 2024 with a 5-year extension to 31 December 2029, becomes a 10-year term commencing 1 July 2021 and expiring 30 June 2031; and
2. That Council also dispose of their Green Organics material at IWS for the same, revised contract term.

In addition to these conditions Council would have an option to extend the contract term under the Revised IWS Contract in 2031 for a further 10 years if it wished at its discretion.

The proposal represented by the revised IWS Contract provides a significant saving to Council, especially when considering that prior to 2014, through Waste Care, Council was paying \$52/tonne (excluding Solid Waste Levy) for residual waste disposal. If Council agrees to the revised IWS Contract proposal, it will be paying \$35/tonne (excluding Solid Waste Levy and subject to indexation) for residual waste disposal. Furthermore, IWS are offering a further, additional saving to Council of between \$15-\$20/tonne, if and once their new initiative of manufacturing High Grade Fuel (which uses material recovered from Council's waste stream to replace the use of Natural Gas), is implemented. IWS have indicated that this initiative, which is estimated will cost them \$20 million in investment, should be completed and be able to be implemented in early 2023 (the New Initiative).

However, being conservative, Administration have only modelled this additional saving from 1 July 2024 and also modelled scenarios where the additional saving is not realised. The attached modelling confirms that the savings to Council on residual waste disposal over a 10-year period (excluding Solid Waste Levy), compared to the existing Current IWS Contract rate is:

1. Approximately \$129,000 (without the New Initiative)
2. Approximately \$279,000 (with the New Initiative and a \$15 reduction)
3. Approximately \$329,000 million (with the New Initiative and a \$20 reduction).

In addition to modelling these projected savings, Administration have also modelled the additional cost to Council from the Council's new Green Organics disposal rates under the revised IWS Contract. Over the 10-year period, assuming the current contractor does not increase their cost beyond a 2% adjustment each year, the disposal of Green Organics at IWS will be approximately \$18,500 more expensive over the 10-year period.

Therefore, taking that additional cost into account, the savings to Council over the next 10 years (excluding Solid Waste Levy) to proceed with the IWS offer would be:

1. Approximately \$111,000 (without the New Initiative)
2. Approximately \$260,000 (with the New Initiative and a \$15 reduction)
3. Approximately \$310,651 (with the New Initiative and a \$20 reduction).

These are significant savings to Council which will have a significant impact on the Long Term Financial Plan over the next 10 years.

In addition to the financial benefits to the Council from the revised IWS Contract, the delivery of Councils Green Organics to IWS will enable them to revegetate their Dublin dump site, which in turn will support Red Centre Enterprises harvest the native plants and produce products such as bush tucker and soaps.

Furthermore, as part of the revised IWS Contract, IWS are also offering Council mulch free of charge that can be utilised on its Parks and Reserves and Administration believes that this will represent a further, ongoing cost saving to Council.

As Council would be committing for a 10 year contract period, Administration believe that it would be prudent to insert a clause in the revised IWS Contract that protects the Council's financial exposure over the 10 year period. Future technology or practices may significantly reduce waste disposal costs, so Council should negotiate with IWS to ensure that it will not be disadvantaged over the contract term should these new practices emerge and IWS does not adopt these new practices and further reduce residual waste disposal and green waste recycling costs.

Administration recommend that the CEO negotiate to insert a clause in the revised IWS Contract that considers the aggregate cost to Council over the 10 year term and requires that IWS adjust its pricing to ensure that the Council is not financially disadvantaged through having entered into the 10 year contract. The onus will be on the Council to prove to IWS that it could have secured a better financial outcome by disposing of its residual waste and/or green organics with other parties during the revised IWS Contract term, but at least there is this 'protection mechanism' for the Council should things evolve and change drastically over the next 10 years.

Preliminary discussions / negotiations between Councils CEO and IWS have confirmed that this suggested clause is acceptable.

In summary, the advantages to Council in agreeing to this contract variation is that Council:

- Receives an immediate cost saving of approximately \$11,327 in the 2021/2022 budget;
- Locks in its maximum residual waste disposal rates (excluding Solid Waste Levy) for the next 10 years;
- Has the opportunity on expiry of the revised IWS Contract to renew the contract for another 10 years at its sole discretion;
- Enables IWS to foster their partnerships with Red Centre Enterprises to support Aboriginal and Torres Strait Islander Communities and continue to invest in the New Initiative which could potentially further reduce the Council's residual waste disposal costs over the contract term and any further term;
- Receives free mulch to use on its Parks and Reserves.

## Options for Consideration

### Option 1

1. That Council agrees to exercise its right of renewal to extend the existing contract for the receipt and disposal of Council's kerbside collected residual waste with IWS (Integrated Waste Services), subject to and in accordance with the following contract variations:
  - the contract term is an initial term 10 years commencing 1 July 2021 with a 10 year right of renewal at the Council's absolute discretion after the expiry of the initial term and the waste disposal rate (Gate Fee) being \$35/tonne (excluding Solid Waste Levy) commencing 1 July 2021, subject to an annual 3% or CPI (whichever is the greater) increase;
  - the contract being expanded to include the disposal of Council's Green Organics at a rate of \$33/tonne commencing 1 July 2021 subject to an annual 3% or CPI (whichever is the greater) increase;
  - a clause being inserted in the contract so that if future technology/innovations significantly reduce the costs of waste disposal, Council will not be disadvantaged by entering into this contract and that IWS is required to adjust its pricing to ensure that the Council is not financially disadvantaged through having entered into the 10-year contract.
2. That Council delegates to the Chief Executive Officer the authority to finalise and sign the contract on behalf of Council.

### Option 2

That Council continues with the currently agreed contract for Council's kerbside residual waste with IWS until 2024 and the Green Organics with Jeffery's as per the current agreement through East Waste.

## Analysis of Options

### Option 1

This option will provide immediate estimated savings in the 2021/22 budget of \$7.44 per tonne for simply renewing the current contract with IWS. This option will also provide access for the Town of Walkerville to free mulch as an additional saving. This option also includes potential further savings of \$15-20 per tonne should IWS new initiatives come to fruition.

### Option 2

This option will maintain the status quo. We will continue to be charged at a rate of \$43.71 per tonne excluding the solid waste levy (includes estimated 3% increase as at 1 July 2021). Council will not realise any further savings.

## Financial Implications

There are ongoing savings to Council by exercising its right of renewal early. This arrangement will see the new disposal rate of \$35.00 per tonne excluding the solid waste levy.

## Community Implications

The community will benefit with reduced costs and ongoing savings and budget pressures in the delivery of waste management services.

## Governance Implications

While this is an amendment to an existing contract to realise significant savings for Council, the Council is extending the overall contract term by 18 months and the minimum contract term by 6 and a half years.

The Council is not approaching the broader market because it is dealing with an existing supplier, it has improved the contract value for Council against the existing contract and it will require a clause in revised IWS Contract that ensures the Council will not be disadvantaged by taking up the offer over the contract term. As referenced above, IWS have confirmed that this suggested clause is acceptable.

The residual waste disposal market is a very limited market and by being an early-mover the Council is securing a better deal than the current market rates on offer - with further potential for further upside against current market rates - but building in flexibility and protections should market rates change radically over the contract term.

Having regard therefore to the limited market for residual waste disposal, the fact that that Council is dealing with an existing, long term supplier and extending and varying an existing contract, that the market for the procurement is well known and that the risks associated with the procurement will be mitigated by the new contract terms, it is recommended that Council deals directly with IWS in terms of this procurement.

There is no requirement for a Section 48 prudential report as a result of Council entering into this contract as the relevant thresholds and criteria are not met by the Council entering into the revised IWS Contract.

Administration, jointly with the City of Campbelltown, has relied on legal input to the issues discussed in this report and will jointly use legal advisers to support the documentation of the revised IWS Contract consistent with the matters resolved by Council.

## Preferred Option & Reasoning

Option 1 is the preferred option. Council will realise savings in the order of \$7.44/tonne, from 1 July 2021 for simply exercising its right to renew its current contract. Further savings in the order of an additional \$15-20/tonne could be realised should the new initiatives come to fruition.

## Attachment/s

Attachment A	Letter of offer from IWS
Attachment B	Waste Contract Options Analysis





## **Integrated Waste Services**

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Wingfield, South Australia, 5013  
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[www.iwsgroup.com.au](http://www.iwsgroup.com.au)  
ABN 23 043 564 833

6 May 2021

Town of Walkerville  
Mrs Kiki Cristol  
66 Walkerville Terrace  
GILBERTON SA 5061

### **PRIVATE & CONFIDENTIAL**

Dear Kiki,

#### **Re: Contract No T2014/0210**

I would like to thank you and the Town of Walkerville for your continued support and partnership throughout the period of our existing contract.

As you are aware, the above contract is due to expire on 31<sup>st</sup> December 2024, with a further extension term of 5 years.

The past 18 months has seen Integrated Waste Services (IWS) invest significantly into our Waste Management business. The investment has successfully achieved IWS' objective in achieving increased diversion in Resource Recovery.

Due to this success, IWS is able to offer revised changes to Contract No T2014/0210 which we feel is beneficial to the Town of Walkerville.

IWS propose the following Variations to Contract T2014/0210:

1. Revised Gate Rate – Effective 1/7/2021 from \$42.44 to \$35.00 + EPA SWL\* + GST per tonne (based on your current tonnes of c. 1,300 tonnes, this is a saving of approximately \$9,700 per annum based on the current rate)  
*\*SWL is the SA EPA Metro Solid Waste Levy*
2. Green Organic tonnes generated from the Town of Walkerville to be disposed of at IWS at a Gate Rate of \$33.00 + GST per tonne.
3. Construction & Demolition (C&D) Waste – Roads, Footpaths & Other Civil Works from Town of Walkerville at a Gate Rate of \$20.00 + GST per tonne.

The Proposed Variation is subject to the following:

- Revised Contract Start Date with a 10-year Term (Revised Contract Date: 1/7/2021 – 30/6/2031) + 10 Year Extension Option, at the Councils discretion.
- MSW Annual Gate Rate – Increase by the greater of 3% or CPI.
- EPA SWL charges passed on to the Council.
- Green Organics Annual Gate Rate – Increase by the greater of 3% or CPI.
- C&D Annual Gate Rate – Increase by the greater of 3% or CPI.
- Amendment to Clause 25.1 of Original Contract, to include the words “the contract cannot be unreasonably withheld for assignment”.

### **Future Benefits**

IWS is in the process of investing a further \$20 Million to undertake a new division of our business which uses the Non-Organic Two-Dimensional material that is recovered from the processing of MSW.

The recovered material will be used to manufacture a High Grade Fuel, replacing Natural Gas in high use applications, such as Cement Kilns.

Upon implementation (scheduled completion of early 2023), IWS will pass on further savings from the SWL to the Town of Walkerville of between \$15-\$20 per tonne on MSW volumes.

### **IWS & Organics**

In 2020 IWS formed a partnership with a wholly owned First Nations Australians business – Red Centre Enterprises, with the focus to ethically, responsibly and respectfully commercialise resources of First Nations Australians.

IWS has partnered with Red Centre to use Organics that are both, recovered from the MSW Recovery process and collected from Council Kerbside Green Organics, to revegetate our Dublin facility.

IWS will plant and grow Australian Native plants for Red Centre to harvest and use to produce Native products such as bush tucker and soaps. Red Centre will commercially on sell these products to support the Aboriginal and Torres Strait Islander communities.

IWS prides itself on being at the forefront of Waste Management Industry in both South Australia and Australia. We continue to expand and strengthen our Resource Recovery initiatives by investing in ways to ultimately ensure that we Minimise Waste sent to Landfill.

### **Additional Benefits**

#### **Mulch -**

- IWS produce an A-Grade Mulch from trees and shrubs disposed of at IWS.
- Councils such as City of Campbelltown, are currently using the Mulch for their parks and gardens.
- The Town of Walkerville are invited to utilise the Mulch produced for your own parks, garden & recreation areas.
- IWS will provide this benefit at no cost to the Council.

#### **Education Program -**

- IWS has recently completed development of a \$500,000 purpose-built Education Centre to partner with KESAB to provide both Council Communities and Schools with the ability to undertake Waste Management Education Tours.
- We invite the Town of Walkerville Staff and Community with the opportunity to be part of this Education Program.

#### **Bulk Green Organics Residents Program -**

- The Council can offer their Residents a Service similar to that offered by City of Port Adelaide Council, where Residents can drop off Green Waste at no charge to the Resident (up to 2 disposals per year) with the charge covered by the Council's Green Organics Disposal Rate, invoiced to the Council.

Again, IWS thank the Town of Walkerville for its partnership and have no doubt that together we can continue to maintain our commitment to the Waste Management Industry.

I look forward to continuing to work with you, if you would like IWS to present to Council a presentation that accompanies this proposal, I would be delighted to present it to you.

Kind Regards,

**Joe Borrelli**

Chief Executive Officer  
Integrated Waste Services



**ATTACHMENT B**

As at 1 July		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 TOTAL	
<b>General Waste - 1,300 tonnes per annum</b>												
\$42.44	3% index from 2021	\$ 43.71	\$ 45.02	\$ 46.38	\$ 47.77	\$ 49.20	\$ 50.68	\$ 52.20	\$ 53.76	\$ 55.37	\$ 57.04	
		\$ 56,827.16	\$ 58,531.97	\$ 60,287.93	\$ 62,096.57	\$ 63,959.47	\$ 65,878.25	\$ 67,854.60	\$ 69,890.24	\$ 71,986.95	\$ 74,146.55	\$ 651,459.70
\$35.00	3% index from 2021	\$ 35.00	\$ 36.05	\$ 37.13	\$ 38.25	\$ 39.39	\$ 40.57	\$ 41.79	\$ 43.05	\$ 44.34	\$ 45.67	
		\$ 45,500.00	\$ 46,865.00	\$ 48,270.95	\$ 49,719.08	\$ 51,210.65	\$ 52,746.97	\$ 54,329.38	\$ 55,959.26	\$ 57,638.04	\$ 59,367.18	\$ 521,606.51
<b>\$42.44 vs \$35.00</b>		-\$ 8.71	-\$ 8.97	-\$ 9.24	-\$ 9.52	-\$ 9.81	-\$ 10.10	-\$ 10.40	-\$ 10.72	-\$ 11.04	-\$ 11.37	
		-\$ 11,327	-\$ 11,667	-\$ 12,017	-\$ 12,377	-\$ 12,749	-\$ 13,131	-\$ 13,525	-\$ 13,931	-\$ 14,349	-\$ 14,779	-\$ 129,853
\$35.00	Index, \$15 reduction in 2024	\$ 35.00	\$ 36.05	\$ 37.13	\$ 23.25	\$ 23.94	\$ 24.66	\$ 25.40	\$ 26.16	\$ 26.95	\$ 27.76	
		\$ 45,500	\$ 46,865	\$ 48,271	\$ 30,219	\$ 31,126	\$ 32,059	\$ 33,021	\$ 34,012	\$ 35,032	\$ 36,083	\$ 372,188
<b>\$42.44 vs \$35.00 then \$15 reduction in 2024</b>		-\$ 8.71	-\$ 8.97	-\$ 9.24	-\$ 24.52	-\$ 25.26	-\$ 26.01	-\$ 26.79	-\$ 27.60	-\$ 28.43	-\$ 29.28	
		-\$ 11,327	-\$ 11,667	-\$ 12,017	-\$ 31,877	-\$ 32,834	-\$ 33,819	-\$ 34,833	-\$ 35,878	-\$ 36,955	-\$ 38,063	-\$ 279,271
\$35.00	Index, \$20 reduction in 2024	\$ 35.00	\$ 36.05	\$ 37.13	\$ 18.25	\$ 18.79	\$ 19.36	\$ 19.94	\$ 20.54	\$ 21.15	\$ 21.79	
		\$ 45,500	\$ 46,865	\$ 48,271	\$ 23,719	\$ 24,431	\$ 25,164	\$ 25,918	\$ 26,696	\$ 27,497	\$ 28,322	\$ 322,382
<b>\$42.44 vs \$35.00 then \$20 reduction in 2024</b>		-\$ 8.71	-\$ 8.97	-\$ 9.24	-\$ 29.52	-\$ 30.41	-\$ 31.32	-\$ 32.26	-\$ 33.23	-\$ 34.22	-\$ 35.25	
		-\$ 11,327	-\$ 11,667	-\$ 12,017	-\$ 38,377	-\$ 39,529	-\$ 40,715	-\$ 41,936	-\$ 43,194	-\$ 44,490	-\$ 45,825	-\$ 329,077
<b>As at 1 July</b>												
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 TOTAL	
<b>General Organics - 1,200 tonnes per annum</b>												
\$33.85	2% index from 2021	\$ 34.53	\$ 35.22	\$ 35.22	\$ 35.92	\$ 35.92	\$ 36.64	\$ 36.64	\$ 37.37	\$ 37.37	\$ 38.12	
		\$ 41,432.40	\$ 42,261.05	\$ 42,261.05	\$ 43,106.27	\$ 43,106.27	\$ 43,968.39	\$ 43,968.39	\$ 44,847.76	\$ 44,847.76	\$ 45,744.72	\$ 435,544.06
\$33.00	3% index from 2021	\$ 33.00	\$ 33.99	\$ 35.01	\$ 36.06	\$ 37.14	\$ 38.26	\$ 39.40	\$ 40.59	\$ 41.80	\$ 43.06	
		\$ 39,600.00	\$ 40,788.00	\$ 42,011.64	\$ 43,271.99	\$ 44,570.15	\$ 45,907.25	\$ 47,284.47	\$ 48,703.01	\$ 50,164.10	\$ 51,669.02	\$ 453,969.62
<b>\$42.44 vs \$35.00</b>		-\$ 1.53	-\$ 1.23	-\$ 0.21	\$ 0.14	\$ 1.22	\$ 1.62	\$ 2.76	\$ 3.21	\$ 4.43	\$ 4.94	
		-\$ 1,832	-\$ 1,473	-\$ 249	\$ 166	\$ 1,464	\$ 1,939	\$ 3,316	\$ 3,855	\$ 5,316	\$ 5,924	\$ 18,426
										<b>Including Green Organics Cost</b>		
										\$42.44 vs \$35.00	-\$ 111,427.64	
										\$42.44 vs \$35.00 then \$15 reduction in 2024	-\$ 260,845.65	
										\$42.44 vs \$35.00 then \$20 reduction in 2024	-\$ 310,651.66	