

Item 10.**Exemption from Tender - Soft Plastics Processing and Buyback Services**

File No: X127363.003

Expression of Interest No: E-2025-1708

Summary

This report seeks Council approval for an exemption from tender for the Soft Plastics Processing and Buyback Service and approval to enter into a contract with IQRenew Pty Ltd (ABN 57 622 865 365), subject to the contract terms being acceptable to the City.

Soft plastic collection and processing support resource recovery by diverting recyclable material from landfill and reducing contamination in standard kerbside recycling streams. As the current domestic bin recycling system does not accommodate soft plastics, dedicated drop-off locations and a separate processing pathway support circular economy outcomes, improve disposal options for the community, and demonstrate the City's commitment to waste avoidance and responsible resource management.

Following the collapse of REDcycle, soft plastics recycling pathways available to the community were significantly reduced, resulting in increased community interest in alternative collection and processing options. The City has continued to receive enquiries from residents about when soft plastics collection and processing services may commence. In response to these enquiries and ongoing community interest, City staff have continued to work on identifying a viable solution that can support the collection, processing and beneficial reuse of soft plastics collected through City services. The proposed service would provide a managed processing pathway for soft plastics while supporting circular economy outcomes through the local reuse of recycled material in food organics kitchen caddies.

The scope of the Soft Plastics Processing and Buyback Service has 2 connected components: first, the collection, transport and processing of both baled and containerised loose soft plastics stored at City depots and originating from the City's residential recycling services, including Recycle It Saturday, Ultimo Pop-up and the Doorstep Recycling Service; and second, the buy-back of food organics kitchen caddies manufactured using recycled material generated from the soft plastics processing service for purchase by the City.

The buy-back component is not a separate or unrelated purchase. It is intended to support the viability of the soft plastics processing arrangement by creating a practical end market for the recycled material generated from the collected soft plastics. Previous examples, such as REDcycle, have shown that soft plastics processing can fail where there is insufficient purchasing demand for beneficial recycled-content products. Under this arrangement, the City would use its existing need for food organics kitchen caddies to support the reuse of recycled material generated from the collected soft plastics, with the caddies then used locally to support the City's residential food scraps collection service. This approach strengthens the circular economy outcome by linking collection, processing, remanufacturing and local reuse through a single integrated agreement.

The service provider will be required to collect soft plastics from City depots, and transport and process the material into recycled material in accordance with industry best practice and all applicable legislative requirements. The service provider will also be responsible for manufacturing, or arranging the manufacture of, food organics kitchen caddies using recycled material generated from the soft plastics processing service. The buy-back of the caddies will be delivered through the same commercial arrangement as the soft plastics processing service to ensure the processing and reuse components remain connected.

The City's priority for this service is to maximise resource recovery, reduce consumption of products made from virgin materials and support the development of circular economy systems by driving circular change in supply chains and service delivery models.

The objectives for this service are in line with the City's Waste Reduction and Circular Materials Strategy 2026-2035 and:

- demonstrate commitment to sustainable systems of waste management
- maximise the recovery of soft plastics generated from the City's residential recycling services
- support the development of circular economy systems through the buy-back of food organics caddies manufactured using recycled material generated from the soft plastics processing service
- establish and maintain a harmonious and productive relationship between the City and the service provider
- provide ongoing review and improvement in service delivery over the service term
- provide cost-effective and value for money services.

The market for soft plastics processing and recycled-content product buy-back services remains highly specialised and limited. Since the suspension of the national soft plastics collection and processing program in 2022, only a small number of organisations have demonstrated the capability, capacity and commercial maturity required to deliver end-to-end processing and circular economy outcomes, including the manufacture or sourcing of products made using recovered soft plastics.

To assess market capability and capacity, the City undertook an open Expression of Interest process (EOI). The EOI confirmed the limited nature of the market, with only one response being received. The respondent, IQRenew Pty Ltd, demonstrated the capability and capacity to deliver the required services.

On the basis of the market testing undertaken, which demonstrates the limited availability of suitably qualified suppliers, inviting tenders would not achieve a satisfactory result. Accordingly, Council approval is sought for an exemption from tender and approval to enter into a contract with IQRenew Pty Ltd, subject to the contract terms being acceptable to the City.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 to enter into a contract with IQRenew Pty Ltd (ABN 57 622 865 365) for the Soft Plastics Processing and Buyback Service in accordance with the scope, term and maximum total contract value set out in the Confidential Attachment A to the subject report;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because:
 - (i) the Expression of Interest process constituted an open market approach and provided the opportunity for industry participation;
 - (ii) only one Expression of Interest was received, demonstrating the unavailability of additional competitive or reliable tenderers;
 - (iii) the one respondent demonstrated the capability and capacity to meet Council's technical, operational, sustainability and circular economy requirements;
 - (iv) undertaking a selective tender with a single participant would increase administrative effort and procurement costs without increasing competitive tension or improving outcomes; and
 - (v) the proposed engagement is the most efficient, practical and cost-effective procurement pathway available to Council in the current market conditions;
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer (including exercising options, if appropriate) the contract for the Soft Plastics Processing and Buyback Service; and
- (D) Council note that negotiations may not lead to a finalised contract and, if this occurs, Council will be advised of that outcome and next steps via a CEO Update.

Attachments

Attachment A. Financial Implications (Confidential)

Background

1. Soft plastics make up approximately 7% or 3,000 tonnes/year of the waste placed in residential general waste bins in our local area, consistent with averages for our region. Soft plastics cannot currently be managed through standard kerbside recycling systems without contaminating mixed recycling streams or disrupting processing equipment. Dedicated drop-off locations and a separate processing pathway help separate this material at source, improve the quality of other recycling streams and support better environmental outcomes.
2. Establishing a reliable collection and processing arrangement also supports circular economy outcomes by creating opportunities for collected material to be reused in new products, while responding to community expectations for improved recycling options, reducing confusion about disposal pathways and demonstrating the City's commitment to waste avoidance, landfill diversion and responsible resource management.
3. Following the collapse of REDcycle in November 2022, soft plastics recycling pathways available to the community were significantly reduced, resulting in increased community interest in alternative collection and processing options. The City has continued to receive enquiries from residents about when soft plastics collection and processing services may commence. In response to these enquiries and ongoing community interest, City staff have continued to work on identifying a viable solution that can support the collection, processing and beneficial reuse of soft plastics collected through City services.
4. The scope of the Soft Plastics Processing and Buyback Service has 2 connected components. The first component is the collection, transport and processing of both baled and containerised loose soft plastics stored at City depots and originating from the City's residential recycling services. The second component is the buy-back of food organics kitchen caddies manufactured using recycled material generated from the soft plastics processing service.
5. The service provider will collect (from City depots), transport and process soft plastics into recycled material in accordance with industry best practice and all applicable legislative requirements.
6. The service provider will manufacture, or arrange the manufacture of, food organics kitchen caddies using recycled material generated through the soft plastics processing service. The caddies will be used by the City to support the delivery of the residential food organics collection service.
7. The buy-back of food organics kitchen caddies will occur through the same commercial arrangement as the soft plastics processing service to ensure the processing and reuse components remain connected.
8. The buy-back component is intended to support the viability of the soft plastics processing arrangement by creating a practical end market for the recycled material generated from the collected soft plastics. This responds to lessons from previous market failures, including REDcycle, where soft plastics processing was not sustained where there was insufficient purchasing demand for beneficial recycled-content products.

9. The City's priority is to maximise resource recovery, reduce the consumption of virgin materials and support the development of circular economy systems by linking collection, processing, remanufacturing and local reuse through the buy-back of food organics kitchen caddies manufactured using recycled material generated from the soft plastics processing service.
10. The City's objectives for this service are in line with the City's Waste Reduction and Circular Materials Strategy 2026-2035, which aims to:
 - (i) commit to sustainable systems of waste management
 - (ii) maximise the recovery of soft plastics generated from the City's residential recycling services
 - (iii) support the development of circular economy systems through the buy-back of food organics caddies manufactured using recycled material generated from the soft plastics processing service
 - (iv) establish and maintain a harmonious and productive relationship between the City and the service provider
 - (v) provide ongoing review and improvement in service delivery over the contract term and
 - (vi) provide cost-effective and value for money services.
11. Since the suspension of the national soft plastics collection and processing program in November 2022, the soft plastics processing market has continued to evolve at a slow pace. While a number of organisations have announced processing capabilities, the market remains relatively small, specialised and commercially immature, with limited proven processing capacity and limited established end markets for products made using recovered soft plastics.
12. Given the nature of the industry, the City undertook an open Expression of Interest (EOI) process to test the market and identify suppliers capable of delivering the required services.
13. The EOI process confirmed the limited availability of suitable suppliers. Only one response was received, from IQRenew Pty Ltd (ABN 57 622 865 365). The respondent demonstrated the capability and capacity to satisfy the City's technical, operational, sustainability and circular economy requirements, including the processing of soft plastics and the manufacture or sourcing of food organics caddies made using recycled material generated from the soft plastics processing service.
14. The EOU therefore, provided the City with evidence of the current market conditions and confirmed that the supplier market remains limited.
15. Based on the outcome of the EOI, it is considered that undertaking a public tender process is unlikely to attract additional suitably qualified suppliers or achieve a more satisfactory result.

16. Accordingly, it is recommended that Council approve an exemption from tender to enter into a contract with IQRenew Pty Ltd for the provision of the Soft Plastics Processing and Buyback Service in accordance with the scope, term and maximum total contract value set out in the Confidential Attachment A, subject to the contract terms being acceptable to the City.
17. To support negotiation of the contract terms with IQRenew Pty Ltd and assess acceptability of the negotiated contract terms, the City will determine its contractual, commercial and operational requirements, together with any desirable requirements that may further improve service outcomes. This will include confirming the soft plastics collection (from City depots), transport and processing arrangements; food organics caddy buy-back arrangements; recycled-content requirements; pricing; reporting; timing; performance requirements; and any other provisions necessary to ensure the contract delivers the City's resource recovery, circular economy and value for money objectives.
18. As the contract terms remain subject to negotiation with IQRenew Pty Ltd, there is a possibility that negotiations may not lead to a finalised contract. If this occurs, Council will be advised of the outcome and proposed next steps via a CEO Update.

Performance Measurement

19. Performance will be measured through a contract management framework that includes service delivery, soft plastics processing outcomes, reporting requirements, contamination management, compliance obligations, customer service measures, and circular economy outcomes associated with the buy-back of food organics caddies manufactured using recycled material generated from the soft plastics processing service.

Financial Implications

20. Funds for soft plastics transport and processing are included in the draft 2026/27 operating budget and future years' forward estimates.
21. The cost of the food organics kitchen caddies will be included in the future iteration of the long-term financial plan. Any purchases in 2026/27 will need to be funded from the capital contingency, or potentially savings from related capital budgets for cyclical bin replacement.

22.

Relevant Legislation

23. The exemption from tender process has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
24. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
25. Attachment A contains confidential commercial information of the EOI respondent, the proposed contract and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
26. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers. In addition, disclosure of the information provided in the course of the procurement process and the assessment of that information would prejudice the commercial position of the participant in the procurement process.

Critical Dates / Time Frames

27. This is a new service and it is intended that contract execution, subject to the agreement of terms, occur as soon as practicable following Council approval to enable service commencement during the first half of the 2026/27 financial year.

Options

28. An alternative option is to proceed with a selective or public tender process. This option is not recommended because the market testing undertaken through the Expression of Interest process confirmed the limited supplier market and indicates that a further tender process is unlikely to produce a materially different outcome.
29. Another alternative option is to not proceed with the service. This option is not recommended because it would not meet community expectations or support the City's waste reduction, resource recovery and circular economy objectives.

Public Consultation

30. Public consultation is not required, as the proposed approach is expected to benefit residents within the City and is not expected to adversely impact properties or stakeholders.

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