

7. RECOVERED MATERIALS FOUNDATION CONTRACT

Officer responsible City Water and Waste Manager	Author Mike Stockwell, City Water and Waste Manager, DDI 941-8332
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The purpose of this report is to seek approval to negotiate final details of the Christchurch City Council/Recovered Materials Foundation contract and delegate finalisation and contract signing to the City Water and Waste Manager in liaison with the Legal Services Manager.

BACKGROUND

The City Council has a contract with the Recovered Materials Foundation (RMF) to provide various services to the Christchurch City Council. The contract has been in place since 1 July 1997 and expired on 30 June 2002. Since that time it has been rolled over pending the preparation of new contract documents. These new documents are appended in latest draft as Attachment 1.

A previous special meeting of the Sustainable Transport and Utilities Committee on 9 August 2002 considered an earlier (since modified) draft of the contract when it was resolved as follows:

- 1. The Council confirm its policy to retain ownership of recyclables collected on its behalf, for the purpose of optimising recycling opportunities.*
- 2. For the purposes of Section 247E of the Local Government Act, the Council establish as a policy, its current practice not to tender the contract for the processing of recyclables collected on its behalf and for associated research and development and instead continue to contract with the Recovered Materials Foundation for these purposes. The policy rationale for this is the six principles set out in the proposed contract between the Council and the RMF.*
- 3. The Council adopt the proposed contract with the RMF subject to the financial details and schedules to be inserted therein being negotiated between the respective staff of the Council and the RMF for approval by the Council via the September meetings of the Sustainable Transport and Utilities Committee and the Council.*
- 4. The recommendations 1-3, above lie on the table until the September meeting of the Sustainable Transport and Utilities Committee to allow for a more detailed investigation by staff and reporting back at that meeting.*

This report is an update in terms of the above resolution.

VALUE OF CONTRACT

Since the special Sustainable Transport and Utilities Committee meeting on 9 August 2002 the Recovered Materials Foundation budget has been restructured under the RMF's three main activities of Materials Processing, Development and Technology Projects and other Services (eg Supershed, waste exchange, BDF Management).

In addition the funding arrangement by the Council to the Recovered Materials Foundation has been **radically** renegotiated to make the Recovered Materials Foundation almost self-sufficient of Council operational funding. Any Research and Development Project funding will be agreed between the parties as described below. Significant improvements to the funding arrangements are as follows:

- A revenue stream back to the Council from the Recovered Materials Foundation of 10% of the gross sales revenue from the RMF materials processing operations (operations revenue budget \$2.400M for 2002/03). This will yield around \$0.240M per year to the Council and will increase over time as the recyclables quantity increases.
- An immediate reduction starting on 1 July 2003 (ie for the 2003/04 year and onwards) of Council committed funding down from around \$0.850M in 2002/03 to \$0.300M per year. This is for the Development and Technology Project part of the business (\$0.200M) and the Waste Exchange (\$0.100M).
- Linked to (b) the RMF will be able to present various development and technology projects to the Council, each supported by a business plan for further Council funding on annual case by case basis. Each grant (or loan as the case may be) will generate a triple bottom line return for the Council. It should be noted here that the RMF has developed a five-year plan and indicative budget for such projects.

- (d) A likely cost neutral Supershed operation supported entirely by its own business operations at zero cost to the Council.

The net effect of these changes is ongoing guaranteed funding of around \$0.060M/year (ie 0.300 – 0.240) from the Council plus any agreed additional Research and Development project funding.

BUDGET SCRUTINY AND AUDIT COMMITTEE

The above enhancements to the RMF operations and budget have been ongoing over the past few weeks since the new CEO, Mr Richard Lloyd, was appointed. They have been presented to a large extent to a combined seminar of the Sustainable Transport and Utilities Committee and Budget Scrutiny and Audit Committee on 3 September 2002.

SUMMARY

The draft renegotiated Christchurch City Council/Recovered Materials Foundation Contract (Attachment 1) incorporates significant enhancements over the existing contract. A base level of development and technology projects funding and Waste Exchange funding would be ongoing, but this would be offset by a revenue back to Council of 10% of the gross sales revenue from the recyclable materials. Thus the net cost to Council would be around \$0.060M/year ie it makes the RMF almost independent of ongoing committed Council operational funding starting in 2003/04. Any further Council funding (ie above \$0.060M) to the RMF beyond the current 2002/03 year will need to be approved on an agreed business case basis for Development and Technology projects including consideration of a triple bottom line return to the Council.

- Recommendation:**
1. That the Council confirm its policy to retain ownership of recyclables collected on its behalf, for the purpose of optimising recycling opportunities.
 2. That for the purposes of Section 247E of the Local Government Act, the Council establish as a policy, its current practice not to tender the contract for the processing of recyclables collected on its behalf and for associated research and development and instead continue to contract with the Recovered Materials Foundation for these purposes. The policy rationale for this is the six principles set out in the proposed contract between the Council and the RMF.
 3. That this Council approve the attached CCC/RMF draft contract in principle and delegate finalisation and contract signing to the City Water and Waste Manager in liaison with the Legal Services Manager.