

23 April 2013

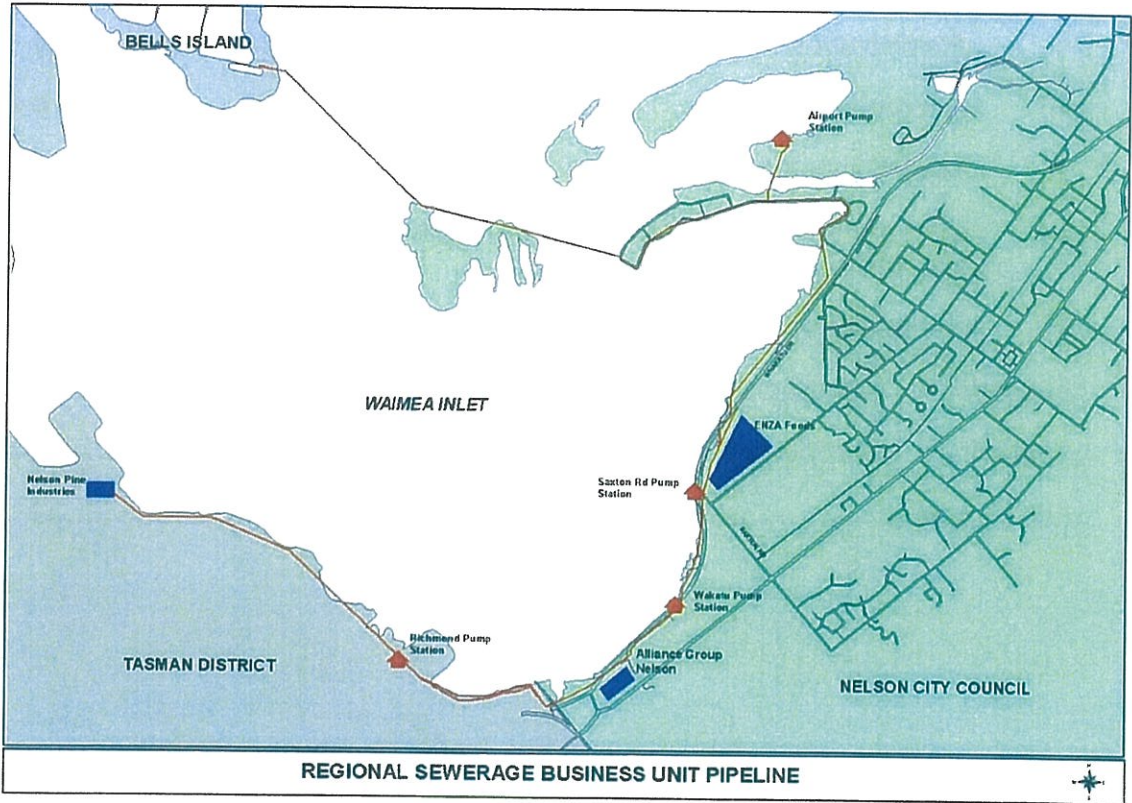
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<u>Acc No</u>	<u>Name</u>	<u>Activity</u>	<u>Dec 12 Balance</u>	<u>Background Clause</u>	<u>Description / Comment</u>	<u>Recommendation</u>
25309920	New Book Reserve	Nelson Library	36,634	3.3	From Sale of Library books.	Use to repay library debt
25309978	City Library Donations Reserve	Nelson Library	55,243	3.3	General (mainly large print books)	Use to repay library debt
25309982	Children Library Donations Res	Nelson Library	1,361	3.3	Furniture in Childrens section	Use to repay library debt
25309979	Stoke Library Donations Reserv	Stoke Library	88,342	3.3	General (mainly books)	Use to repay library debt
25309980	Nightingale Donations Reserve	Tahuna Library	6,744	3.3	General (mainly large print books)	Use to repay library debt
25309992	MV Cemetery Maintenance Trust	Marsden Cemetery	268,234	3.3	Orignally Plot fees for maintenance. Income should be used for maintenance	Use to repay Cemetary debt
25309993	Wakapuaka Cemetery Maintenance Trust	Historic Cemeteries	3,464	3.3	Orignally Plot fees for maintenance. Income should be used for maintenance	Use to repay Cemetary debt
25309950	Cafe Asset/Civic House Reserve	Civic House	42,292	3.3	Balance from Tenants funds	Repay Civic House Debt
25309930	Festival Reserve	Festivals	2,422	3.3	Interest from 2004 Surplus	Fund Lantern cancelation 2011/2
25309905	Loan Repayment Reserve	Balance Sheet - Equity	-9,711,001	3.3	Activity Funding Reserve	Close to Equity
25309926	Tahunanui Dunes Restoration	Esplanade Reserves	338	3.4	Ex Motels green miles	Transfer to Espanade & Foreshore
25309986	Aldinga Park Donation Fund	Neighbourhood Reserves	25,963	3.4	Aldinga Park	Transfer to activity as park developed
25309988	Maitai Valley Trust	Neighbourhood/Esplanade	6,243	3.4	Maitai Valley / Branford park	Transfer to activity as park developed
25309977	Kain Bequest	Nelson Library	19,154	3.4	Services for elderly	Transfer to activity as services provided
25309996	RB Jackson Bequest	Play Facilities	16,550	3.4	Childrens Playgrounds	Transfer to activity as playgrounds provided
25309995	FM Knight Bequest	Shrubs and trees	21,087	3.4	Capital \$9,645. No restriction	Transfer to Hoticultural Parks as services provided
25309976	Millar Bequest	Stoke Library	38,584	3.4	Wide purpose. Capital \$20,251	Use to repay Stoke Library debt
25309952	Good Driving Incentive Reserve	Transport	313	3.4	Spot prizes for MOT	Transfer to Road Safety
25309989	Marsden Rec Trust	Sports parks	2,975	3.5	Marsden Rec. Capital \$1754	Transfer to Sports Parks
25309924	Plunket Land Sales Fund	Free Toilets (or Parks)	128,602	3.6	Toilet Facilities Capital Work	Use to rfund new toilet development 1903 site.
25309994	Hamilton Bequest	Beautifying Nelson	61,262	3.7	Historically income for Isel.	Transfer to Civic Trust
25309973	Rudman Bequest	Nelson Beautifying Society	312,830	3.7	For Permanent beautifying the City \$106,734	Transfer to Civic Trust
25309975	Walker Bequest	Parks & Reserves	60,843	3.8	Southern Stoke Play area,seating for elderly and Landscaping	Use towards Community Housing Seating and balance to Play Facilities
25309972	Bartell Bequest	Nelson Library	4,034	3.9	Bequest to Nelson Institute Capital \$1,700	Use Income
25309981	Tui Endowment Reserve	Nelson Library	3,796	3.9	ex Nelson Institute Capital \$1,600	Use Income

Nelson Regional Sewerage Business Unit

**ANNUAL REPORT
2011/2012**



1448078

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Adopted

1 Introduction

- 1.1 This Annual Report is a review of what has been achieved by the Nelson Regional Sewerage Business Unit in the 2011/12 financial year and its level of performance against Key Performance Indicators.

2 The Year in Review

- 2.1 With the commissioning of all the components upgraded under the Regional Pipeline Upgrade project the Nelson Regional Sewerage Business Unit is now better placed to mitigate overflows at regional pump stations. The improved flexibility built into the network through the duplication of high capacity pumps at the three major pump stations, the installation of permanent generators at the pump stations and the duplication of the pipeline from Monaco to Bell Island, ensure improved continuity of service.
- 2.2 Following the commissioning of the duplicate pipeline the three joints on the existing pipeline that could not be located during the 1994 upgrade were located and fitted with cathodic protection.



Figure 1 Remedial work to gibault damaged during location

- 2.3 The results of the energy audit carried out by an independent energy consultant confirmed that the Wastewater Treatment Plant at Bell Island is operated in a very energy efficient way.

"The site was found to be highly energy efficient in regards to the operation of existing processes, and would fit in the top 1% of Energy Audits we have done for operating efficiency". (Level 2 Energy Audit.)

- 2.4 The Bell Island Wastewater Treatment Plant's open day for Best Island residents was attended by eight residents. During the year tours of the

Nelson Regional Sewerage Business Unit facilities were conducted with a group of students from the Teachers Training College and two groups of students from Nelson College.

- 2.5 The restoration work around the Bell Island Spit area by the Bell Island Spit Restoration Group is continuing.



Figure 2 Bell Island spit restoration

- 2.6 The group uses the project to encourage College students to become involved with environmental restoration projects in the Nelson/Tasman area.
- 2.7 Health and Safety continues to be a priority. Two Health and Safety audits were conducted during the year and no issues were identified.



Figure 3 The installation of the booster pump on the outfall pipeline doubles the peak capacity of the outfall

- 2.8 The Coastal Permit limit for BOD₅ concentrations were exceeded on a number of occasions during the last two years. An initial assessment indicated that the increase in BOD₅ was associated with vigorous algae growth in the maturation ponds following the treatment plant upgrade.

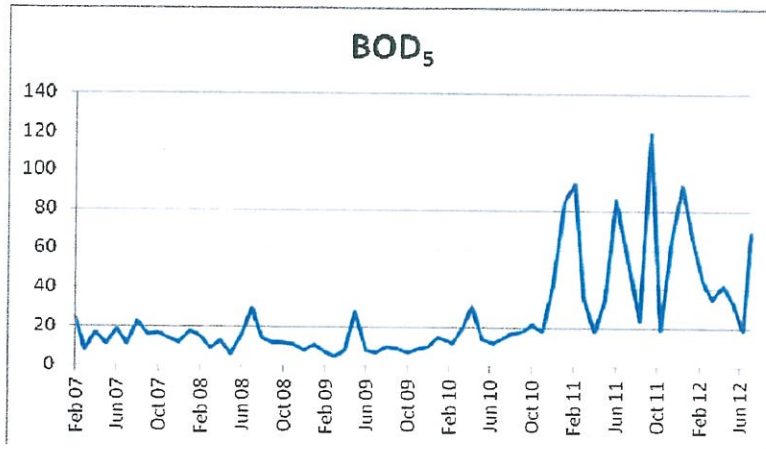


Figure 4 Increase in Biological Oxygen Demand in effluent following construction work and installation of booster pump on outfall pipeline

- 2.9 The BOD₅ has trended lower during the period following the construction activity but continues to be of concern.
- 2.10 Filtered BOD₅ tests, have demonstrated that the increased biological oxygen demand is associated with algae. Dissolved oxygen tests carried out downstream of the discharge point have not indicated oxygen depletion in the estuary. Further investigation into the matter is programmed.

3 Level of Service Performance

3.1 The levels of service recorded over the past three years have stayed reasonably consistent. The pump station overflows were associated with extreme wet weather conditions and a mechanical failure at a pump station associated with upgrade work activities.

Table 1 Level of Service Summary

Level of Service	Function	Category	Target Technical Level of Service	Level of Service Compliance			
				2008/09	2009/10	2010/11	2011/12
Environmental Impacts	Treatment & Disposal	RMA Consent - Wastewater Discharge to Coastal Marine Area	100% compliance with consent conditions	Yes	Yes	No	No
		RMA Consent – Discharge of Contaminants to Air	100% compliance with consent conditions	Yes	No	Yes	Yes
		RMA Consent - Discharge of Contaminants to Land	100% compliance with consent conditions	Yes	Yes	Yes	Yes
		Equipment Failure of critical components within the treatment and disposal system	No equipment failures that impact on compliance with resource consent conditions	Yes	Yes	Yes	Yes
	Pump Stations	Odour complaints from pump stations	No odour complaints originating from pump stations	Yes	No 2 events	No 2 events	No 1 event
		Pump station wet weather overflows	No overflow events occurring for the contracted contributor flows	No 3 events	No 2 events	No 7 events	No 2 events
		Pump station overflows resulting from power failure	No overflow events occurring	Yes	No 1 event	Yes	Yes
		Pump station overflows resulting from mechanical failure	No overflow events occurring	Yes	No 2 events	No 1 event	No 1 event
	Pipelines	Reticulation Breaks	No reticulation breaks	Yes	Yes	Yes	No
		Air valve malfunctions	No air valve malfunction that result in wastewater overflows	Yes	Yes	Yes	Yes
Capacity	Treatment & Disposal	Overloading system capacity	Treatment and disposal up to all contracted loads and flow	Yes	Yes	Yes	Yes
	Pump Stations	Overloading system capacity	No overflows for all pump stations	No 3 events	No 2 events	No 7 events	No 2 events
Reliability	Treatment & Disposal Pump Stations Pipelines	Equipment failure of critical components	No equipment failures that could lead to non-compliance with resource consent conditions	Yes	No	Yes	Yes
				Yes	Yes	Yes	Yes
				Yes	Yes	Yes	Yes
Responsiveness	Treatment & Disposal	Speed of response for emergency and urgent maintenance works	Achievement of Response times specified in Maintenance Contract	Yes	Yes	Yes	Yes
	Pipelines	Speed of response for routine and programmable maintenance works	Achievement of Response times specified in Maintenance Contract	Yes	Yes	Yes	Yes
Key Contributor Relationships	Treatment & Disposal Pump Stations Pipelines	Overall satisfaction	Agreed levels of service provided to all Contributors.	Yes	Yes	Yes	Yes
			Robust charging structure is put in place	Yes	Yes	Yes	Yes
			Contributors are satisfied with Sewerage Scheme	Yes	Yes	Yes	Yes

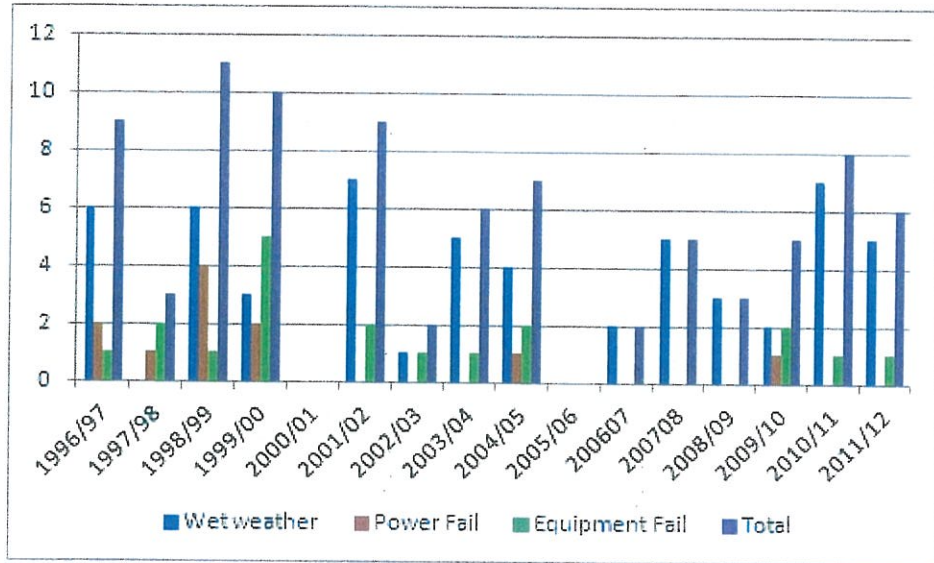


Figure 5 Pump Station Overflow Causes

3.2 The number of pump station overflows has shown a declining trend over the last decade for all categories. Three of the overflows were associated with the flooding event that occurred in December 2011. All the wet weather overflows occurred before the regional pipeline upgrade project was fully completed. It is anticipated that the capacity improvements completed as part of the regional pipeline upgrade project will improve the capacity to manage future overflows at pump stations.

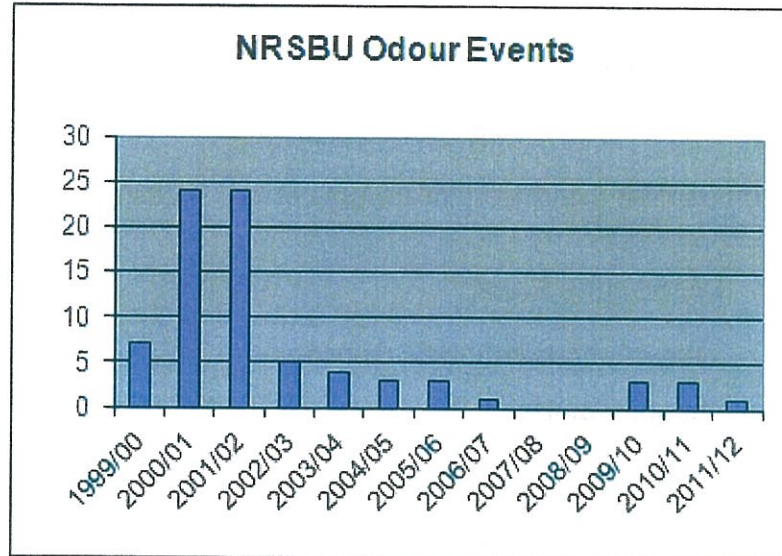


Figure 6 Odours

3.3 Odour events that occurred during the last three years were all associated with the septage reception facility at Beach Road. Following a number of improvements implemented following the partnering meeting with users of the facility in December 2011 there have been no further odour complaints from this location.

4 Customer Group

4.1 Four Customer group meetings were held during the year. The results of the Customer Survey reflect difficulties experienced with customer flow metering.

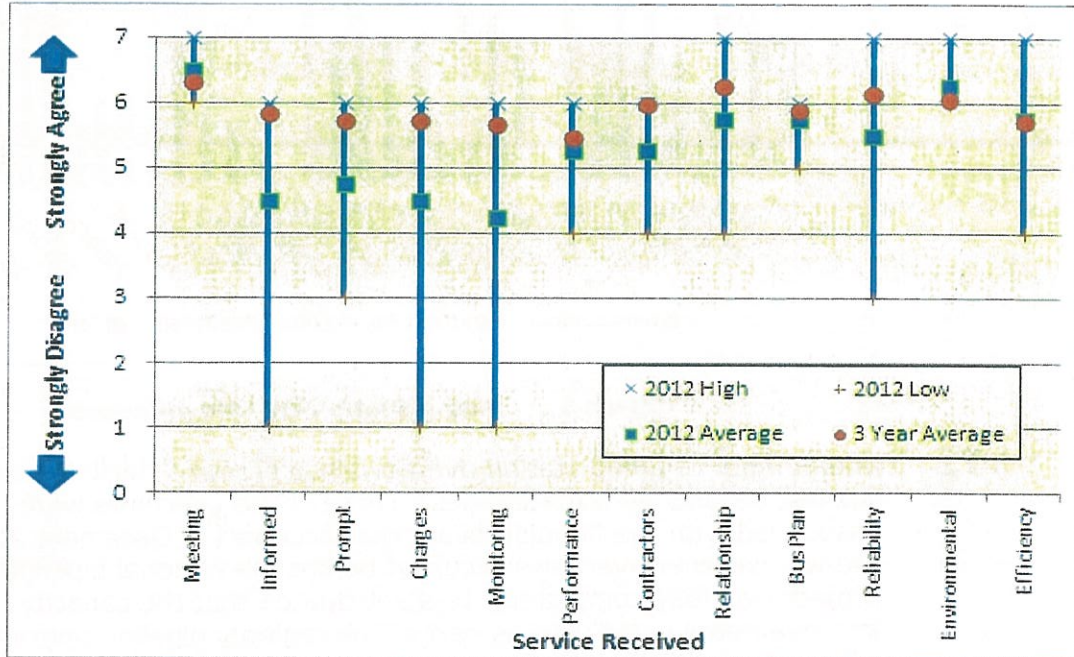


Figure 7 Customer Survey Results 2011/2012

5 Business Improvement Plan

Business Improvement Objectives

5.1 The business improvement objectives are separated into four Key Result Areas namely:

- Collection System
- Waste Treatment and Disposal
- Management
- Customer Relations

5.2 Each of these Key Result Areas is supported by objectives for which there are several strategies and Key Performance Indicators.

6 Collection System

Collection System – Capacity	KPI	Performance
Liaise with TDC and NCC regarding peak flows and promote strategies for reducing storm water inflow.	No overflows due to design wet weather flows	Achieved.
Adopt strategy and design for pipeline renewal and upgrade	Confirm pipeline upgrade strategy, design and costing Implement pipeline renewal within budget.	Achieved. On track.
Collection System – Reliability	KPI	Performance
Routinely assess the condition of pipelines and renew or upgrade before there is a risk of failure in sensitive locations	No overflows due to power, system or equipment failures	Not achieved. One overflow occurred following a mechanical failure at a pump station.
Maintain and operate equipment in accordance with manufacturer's specifications Routinely assess maintenance history and condition of major equipment to ensure timely and cost effective maintenance and renewal of assets	Reactive maintenance is restricted to non-critical components which cannot affect the prescribed levels of service	Achieved.

7 Treatment and Disposal

Treatment and Disposal - Resource Consent	KPI	Performance
Routine inspection and maintenance of all odour mitigation equipment Routine inspection and awareness of potential sources of odour, install odour mitigation equipment as required Ensure all odours, other than those associated with normal seasonal fluctuations of oxidation pond operation, are investigated and mitigated or eliminated	No objectionable odour beyond the boundaries of the treatment plant as required by the resource consent for discharges to air	Achieved
Routine monitoring of influent to the plant and treatment plant operation to ensure that appropriate mitigation action can be taken if necessary	Compliance with all limits and conditions in the resource consents	Not achieved. The Coastal Permit limit for BOD ₅ concentrations were exceeded on a number of occasions during the last two years.

<p>Staff are suitably trained and experienced, as prescribed in the operations and maintenance contract, to operate the treatment plant</p> <p>Carry out routine monitoring of the quality of discharges and of the receiving environment</p>		
Treatment and Disposal – Capacity and Sustainability	KPI	Performance
<p>Identify equipment and environmental limits of the treatment plant</p> <p>Analyse load and flow trends annually to confirm programmed upgrades are appropriate</p> <p>Analyse outputs from the plant and project future outputs to ensure that the estuarine receiving environment will not be adversely affected by discharges</p> <p>Limit total of all Customer contract commitments to plant and reticulation capacity</p> <p>Investigate all opportunities to minimise inputs to the reticulation system and treatment plant</p> <p>Determine disposal requirements of biosolids annually, prior to the start of each financial year, and ensure sufficient land is available for a three year cycle based on load and flow projections to the treatment plant on Bells Island</p>	<p>That the estuarine environment is not adversely affected by discharges</p> <p>Report flow and load trends in annual report.</p> <p>Report on medium term load and flow projections in the annual report</p> <p>Six monthly and annual report contains information on input into regional minimisation initiatives</p> <p>Sufficient land is available for the beneficial disposal of all biosolids</p>	<p>Achieved.</p> <p>Included in this report.</p> <p>Included in this report.</p> <p>Achieved.</p> <p>Achieved. The highest daily average nitrogen application is less than 75% of the capacity of the forest at Rabbit and Bell Island.</p>
Treatment and Disposal – Beneficial re-use	KPI	Performance
<p>Investigate opportunities for beneficial reuse of biosolids (possibly together with other putrescible waste)</p> <p>Investigate opportunities for the re-use of treated wastewater currently discharged to the Waimea Estuary, such as for pastures, golf courses and sport field irrigation</p>	<p>All biosolids produced at the Bells Island plant are applied to plantation forest or reused in other beneficial ways</p> <p>Report back on progress to the Board and Owners annually</p>	<p>Achieved.</p> <p>Included in this report.</p>

8 Management

Management – Planning	KPI	Performance
Record asset details, maintenance history and equipment performance on the Hansen asset management system	Asset Management Plan Levels of Service are achieved consistently	Achieved.
Investigate and implement benchmarking if feasible	Prepare benchmarking proposal for consideration by the Board in June 2012	Not achieved. Independent assessment of energy use implemented with positive report. Further investigate benchmarking opportunities.
Investigate asset renewal and upgrade strategies to ensure timely and cost effective replacement		
Review the NRSBU Asset Management Plan, which identifies levels of service and incorporates risk, demand and life cycle management strategies, annually	Report to the Board in June 2012	Asset Management Plan adopted in December 2011.
Rewrite Asset Management Plan at least 3 yearly in accordance with International Infrastructure Management Manual	Circulate the Asset Management Plan in July 2011 for comment by Board members	Achieved. Asset Management Plan adopted in December 2011
Management – Contracts	KPI	Performance
Unless approved by the Board, all contracts are competitively tendered	No significant variances from approved budgets and agreed deadlines	Achieved.
Long term contracts are reviewed annually for performance		
Contracts are completed on time and within approved budgets		
Management - Financial	KPI	Performance
Operate within the annual budget	O&M expenditure is not greater than the budget projection.	Achieved.
Provide for maintenance and capital expenditure in accordance with the Asset Management Plan	Capital expenditure does not exceed budget without owner's (NCC and TDC) approval	Achieved.
Fully fund the depreciation in accordance with the audited asset valuations	Clear audit of annual accounts	Achieved.
Fund the loan repayment programme, which provides for the repayment of loans over a thirty year period		

Report to the Board any event which might have a significant impact on the budget or operations	The Board are provided with current financial information monthly and quarterly reports on the operations and projects	Achieved.
Report to the owners within two months after the end of each quarter with the following un-audited information Summarised statement of financial performance disclosing actual and budgeted revenue and expenditure Summarised statement of financial position at the end of the period Brief commentary on the results for the period, noting any factors that could affect the results for the rest of the year Adequate liquidity Maximum return on funds invested Minimum cost of funds	Draft annual accounts, as at 30 June, are presented to the Board for approval by the 31 August Unqualified audited annual report is presented to the Councils by the 30 September. All reports to owners are delivered within the specified timeframes.	Achieved Not achieved. Audit delayed due to delay in completion of valuation report. Achieved.
Ensure valuations of assets are reviewed annually with full variance analysis on changes in valuations	Valuation review, as at 30 June, is reported to the Board at their first meeting of the financial year	Not achieved. Delay in completion of valuation report.
Management – Cost Recovery	KPI	Performance
Implement charging formula, included in Customer contracts, for all contributors to the scheme Annual calibration of all monitoring equipment in June Annual review of sampling and test procedures in June Annual analysis of flows and loads from Customers and into the treatment plant on a mass balance basis	Costs of operating the scheme are recovered Monitoring of Customer waste streams is accurate	Achieved. Not achieved. Issues around flow monitoring being reviewed.
Management – Risk	KPI	Performance
Identify risks and assess the likelihood and consequences of events and complete a risk rating of critical assets	Risk review to be completed annually by 31 March	Achieved.

Management – Contingency Plans	KPI	Performance
<p>Ensure that the NRSBU has a succession plan for the Engineering Adviser</p> <p>Ensure that each of the major Customers has a contingency plan for a disruption to service</p> <p>The rising Main Failure Contingency Plan is updated at least annually</p> <p>Keep current all operational contingency plans and business continuity plans for Avian Flu or other pandemic events</p>	<p>All contingency plans for the NRSBU are current</p>	<p>Achieved.</p>
Management – Keeping Current	KPI	Performance
<p>Board, Staff and Contractors attend presentations, conferences and/or training as appropriate to update knowledge</p> <p>Subscribe to relevant industry publications</p> <p>Engineering Adviser is actively involved in networking through the NZWWA and Water Services Managers' Group</p> <p>Appropriate use of experts and consultants</p>	<p>Staff, Board and Operators attend conferences and/or training annually</p> <p>Operators are qualified to the standard identified in O&M contract</p>	<p>Achieved.</p> <p>Achieved.</p>

9 Stakeholder relationships

Stakeholder – Relationships	KPI	Performance
<p>Ensure all Customer Contracts are signed and implemented, including for Customers who discharge directly to the treatment plant</p>	<p>All Customer contracts are renegotiated and signed before proceeding with upgrade projects</p> <p>Uninterrupted service at contracted loads is provided to Customers</p>	<p>Under review in consultation with customers.</p> <p>Achieved.</p>
<p>Maintain contact, at least annually, with neighbours of the treatment plant and follow up any issues as and when they arise</p> <p>Consult stakeholders on issues that may impact on them</p>	<p>Stakeholders are generally supportive of the actions taken by the NRSBU</p>	<p>Achieved.</p>

Stakeholder – Information	KPI	Performance
Maintain regular contact with Industry representatives	Convene quarterly major Customer's meetings Advise Customers of monitoring results monthly	Achieved. Achieved.
Undertake an annual survey of customer satisfaction	Major Customers are satisfied with the management and operation of the regional sewerage scheme	Achieved.
Issue media releases as and when appropriate that reflect positively on the NRSBU	At least four media releases are issued annually.	Achieved.
Include information on the NRSBU on the NCC and TDC web sites, including performance information, plans and up to date information about beneficial re-use and sustainability initiatives	Web site is up-dated at least quarterly and all information is accurate.	Achieved.
Publish updates on NRSBU projects in Council publications	Good rating in Council surveys, and positive outcomes from consultations, and resource consents processes	Achieved.

10 Capital Expenditure 2011/12

Renewal Plan (\$,000)	Budget	Actual	Comments
Miscellaneous	20	0	Scada implementation delayed
Pump Stations and Rising Mains	22	0	Funded replacement of Variable Speed Drive at Saxton Road Beach Road through regional pipeline upgrade project.
Inlet, Aeration Basin, Clarifier and Ponds	85	0	Condition assessment of flow meter and pumps indicated their useful life can be extended.
Solids Handling	35	0	Repaired the mixer as part of operation and maintenance budget.
Rabbit Island	20	0	Renewal of tank three delayed.
Roads	190	0	Improved condition of road as part of operating cost.
Total	372	0	

Upgrade Plan (\$,000)	Budget	Actual	Comments
New Rising Main and Pump Station upgrade. Richmond to Bell Island	13,320	4,824	Project expected to achieve practical completion at the end of September 2012. Budget retained until condition of existing pipeline is evaluated.
Primary Clarifier	391	92	Surplus carried forward to allow for installation of launder covers and centrifuge if required.
Outfall Capacity Upgrade	498	66	Project completed.
Forest Bell Island	30	23	Replanting completed.
Expand Biosolids Treatment	1,000	0	Project restructured and programmed for 2012/13.
Resource Consent	15	0	Programmed to follow completion of Regional Pipeline Upgrade.
Purchase of land	150	0	Land purchase will be completed in 2012/13.
Total	15,404	5,005	

11 Scheme Capacity Trends

Treatment Plant

- 11.1 The increased peak month average and daily average inflow into the Bell Island Wastewater Treatment Plant is associated with the increase in the capacity of the network following the regional pipeline upgrade project. This increased flow is likely to change the behaviour of the ponds at Bell Island. The increased flows will require more attention to the management of the buffer storage at Bell Island as increased peak flows are anticipated.

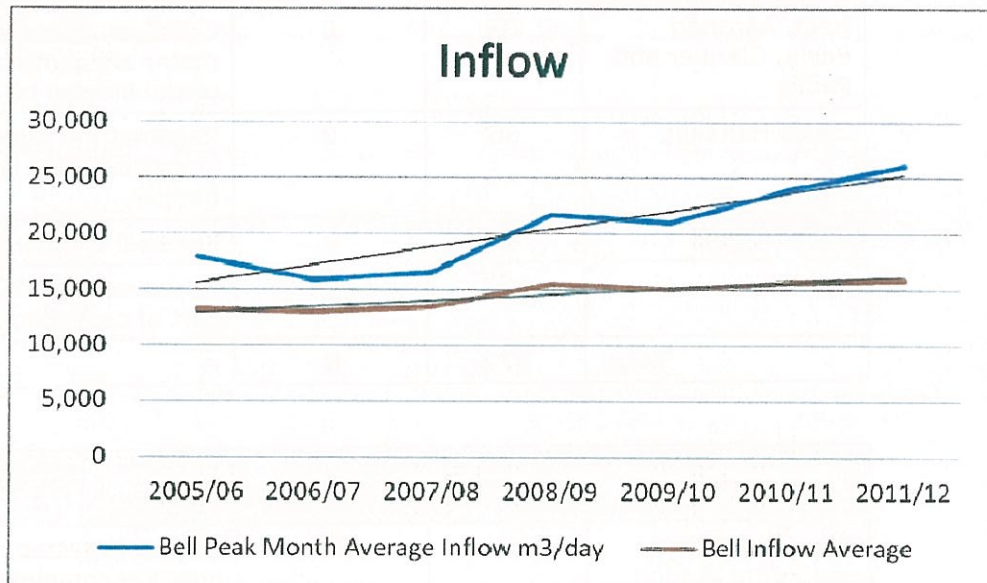


Figure 8 Showing the increased inflows into Bell Island

- 11.2 The increase in the capacity of the outfall pipeline following the installation of the booster pump will provide improved flexibility to manage the ponds levels.

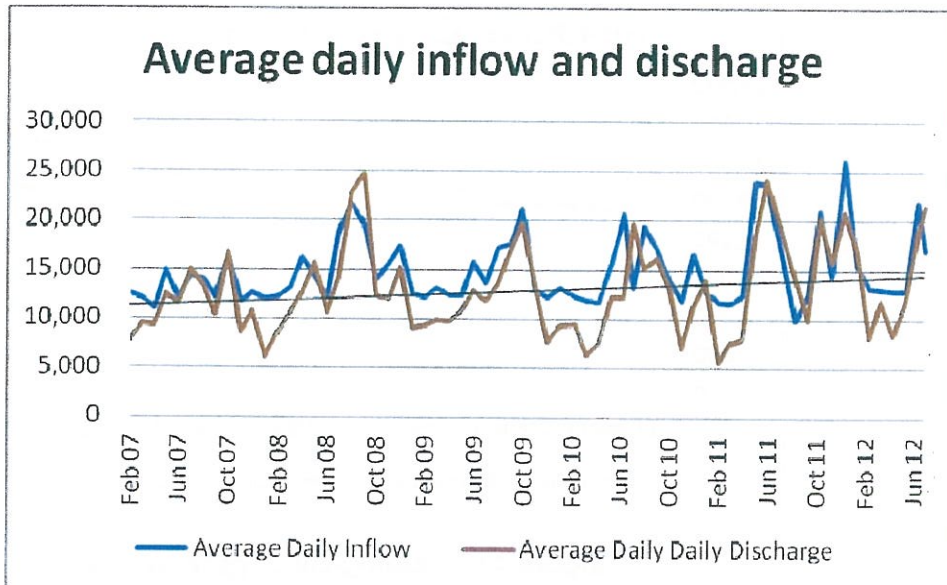


Figure 9 Average inflow and discharge

11.3 The total suspended solids discharging to Bell Island has shown a significant decrease since the new disposal of trade waste agreements were put in place. It is considered that this decrease results from the improved on site wastewater treatment by the three industrial contributors leading up to the implementation of the new customer contracts that were signed in 2007.

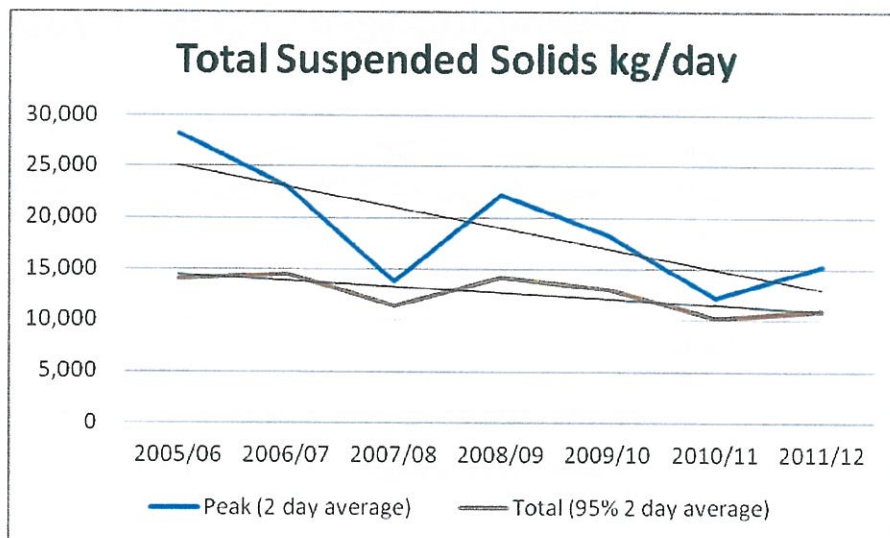


Figure 10 Decrease in suspended solids following the signing of the Disposal of Trade Waste Agreement

11.4 An analysis of the loads discharged to Bell Island indicates that the projected flows used during the review of the capacity of the plant during 2006 have not occurred. The analysis strongly suggests that the load discharging to the plant has probably decreased compared to the actual loads recorded during the time leading up to the 2006 capacity review of the plant. The biological oxygen demand in the inflow has remained reasonably constant over the last few years.

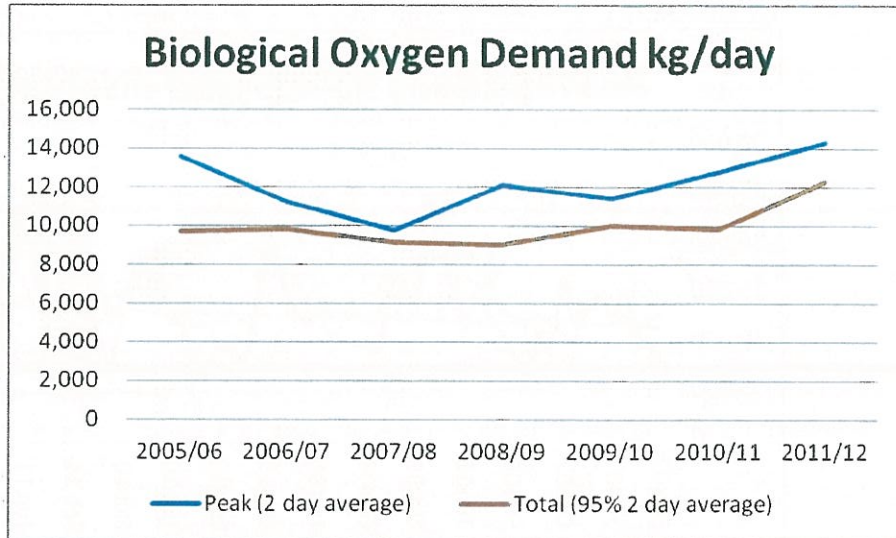


Figure 11 Biological oxygen demand

11.5 The chemical oxygen demand (figure 12) is clearly trending lower and it is considered that the peak loads are likely to grow moderately from present levels. Future demand projections should be adjusted to these base levels as it is considered that the decrease in loads are related to the implementation of the new disposal of trade waste agreements in 2007. These agreements provided incentives to industrial customers to improve on site treatment of waste water.

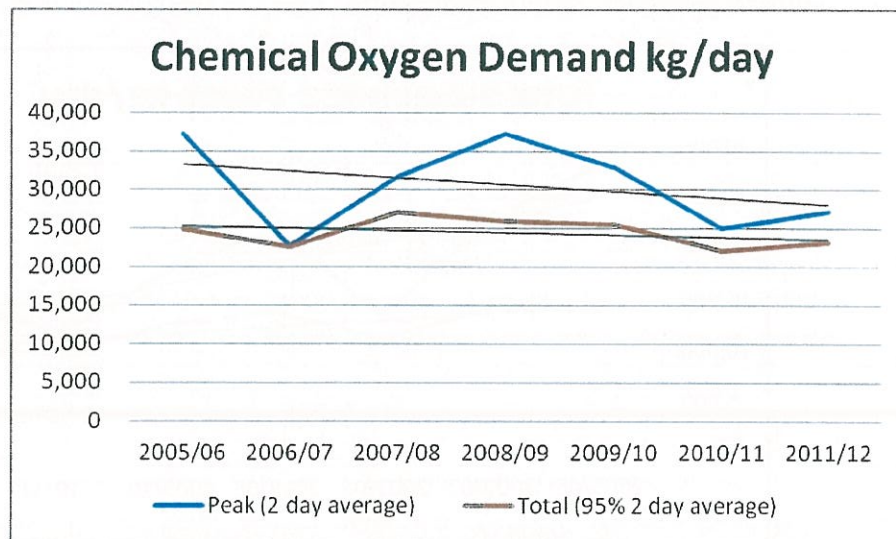


Figure 12 Shows the decrease of peak chemical oxygen demand since the implementation of the Disposal of Trade Waste Agreement in 2007

- 11.6 Datasets collected for chemical oxygen demand and total suspended solids are considered more reliable indicators for determining the load trends than the limited dataset for biological oxygen demand.
- 11.7 The total Kjeldahl nitrogen and total phosphorous graphs show a decrease in demand. There appears to be a slight increase in the nutrients discharged from Bell Island.

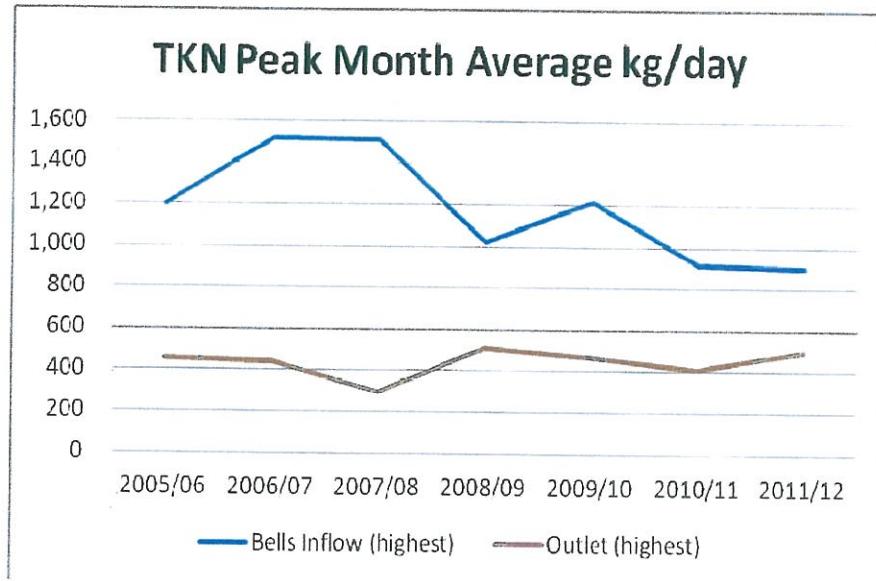


Figure 13 Shows a decrease in the nutrients discharging to Bell Island

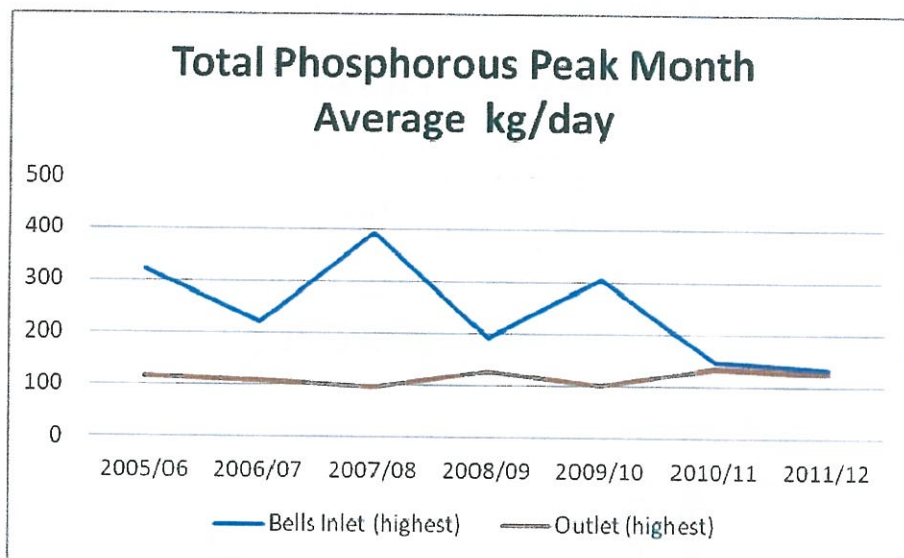


Figure 14 Shows a decrease in the nutrients discharging to Bell Island

- 11.8 With average total nitrogen and total phosphorous loads discharging from Bell Island at around 50% of the resource consent limits it is likely that the nutrient removal projects included in the asset management plan will be deferred.
- 11.9 The capacity of sludge treatment at Bell Island has long been considered a serious constraint. Investigations during the past year have demonstrated that there is adequate capacity to deal with average loads and that the plant was only constrained during times when biosolids spraying at Rabbit Island had to be curtailed due to extended wet weather periods and when biosolids storage was fully utilised. Further investigation into the management of sludge will continue in the 2012/13 year.

11.10 The graph below shows that the daily application of nitrogen at Bell Island is less than 70% of the capacity of the forests at Rabbit and Bell Island. This demonstrates that there is adequate land available for biosolids application at the current rate of biosolids production.

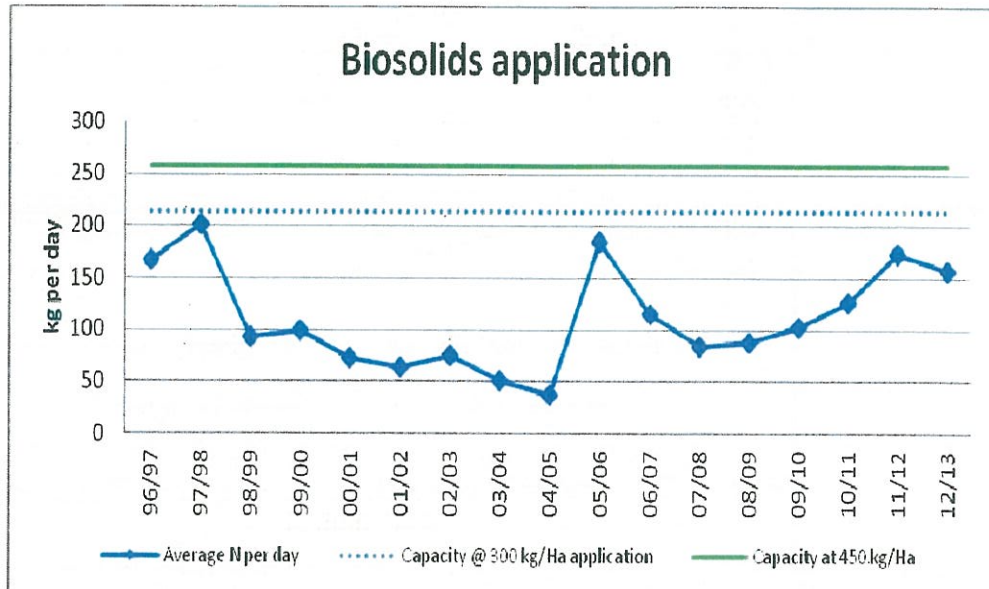


Figure 15 Average daily biosolids application

11.11 The diversion of solids away from the ponds since the completion of the primary clarifier upgrade is significant. This will allow further flexibility in the management of sludge treatment at Bell Island without compromising the ponds.

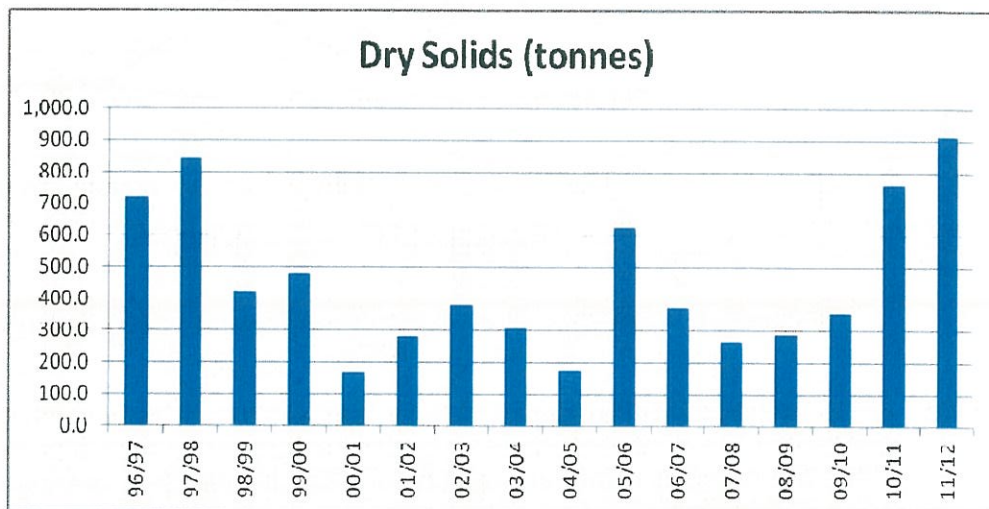


Figure 16: Dry solids diverted to pine plantations

Contributors

- 11.12 A substantial volume of storm water continues to enter Bell Island. Nelson Regional Sewerage Business Unit will continue to work with the two Councils to determine a long term strategy to reduce inflow and infiltration under the management and control of the two Councils.

Conclusion

- 11.13 The analysis of the scheme capacity trends confirms that there is adequate capacity within the system to treat waste discharged to Bell Island.

12 Financial Performance

Explanations for major variations from the Nelson Regional Sewerage Business Unit's 2011/12 Business Plan are as follows:

Statement of Comprehensive Income

- 12.1 Total Expenses are \$233,000 less than budget due to \$520,000 less interest being incurred as a result of lower than budgeted interest rates and capital expenditure, and Operation and Maintenance expenditure is \$371,000 less than budget due to lower reactive maintenance expenditure. Depreciation is \$226,000 more than budget due to the June 2010 and 2011 revaluations and there were \$194,000 of assets abandoned as a result of the pipeline upgrade as well as increased Biosolid, Consultancy, Sundry and Derivative expenses.

The net surplus is \$201,000 more than budget due to the reduced net expenditure.

The annual revaluation this year is \$2,507,000.

Statement of Financial Position

- 12.2 The revaluation reserve has increased by \$8,490,000 compared to budget principally due to increased prices in both 2011 and 2012 years.

Due to the delays in upgrades the operating cashflows have been used to fund the capital expenditure rather than increasing borrowings.

Inter-entity trade payables are \$326,000 over budget due the timing of payments.

Property, plant and equipment is \$4,272,000 greater than the budget due to the 2010 and 2011 revaluations less savings in capital expenditure.

Signed: Donna Hiser

Date: 23/1/13

Donna Hiser

Chair

Nelson Regional Sewerage Business Unit

Appendix A Discharge Consent Compliance

Regional Sewerage Scheme - Coastal Permit RCAC 0431 Bells Island - Effluent Test Results (Current)										
Month	Average Daily Inflow	Average Daily Discharge			BOD5	Suspended Solids	Total Nitrogen	Total Phosphorous	Feacal Coliforms	Enterococci
	m3/day	hrs/day	m3/day	Meter Diff (%)	g/m3	g/m3	kg/day	kg/day	MPN/100ml	MPN/100ml
Limit	20,000		20,000	5.00	50	150	600	150	100,000	
Jul 11	17,526	3.3	17,099		33	23	239	43	1,400	40
					37	21	239	48	1,200	40
					17	28	239	39	740	20
					35	29	256	44	1,400	120
					18	34	274	44	520	20
Aug 11	9,902	4.0	14,100		24	46	212	34	1,200	140
Sep 11	12,529	3.3	9,887		120	120	198	41	480	60
Oct 11	21,027	5.2	20,224		19	69	425	93	60,000	520
Nov 11	14,323	5.0	15,767		67	49	252	69	5,200	40
Dec 11	26,164	4.8	20,726		93	45	497	126	520	80
Jan 12	15,479	4.1	16,949		66	63	458	66	1,700	80
Feb 12	13,168	2.0	8,040	3.00	44	86	145	35	520	200
Mar 12	13,066	2.9	11,808		35	92	224	76	6,400	80
Apr 12	12,914	2.2	8,319		42	82	191	53	3,200	300
May 12	12,875	3.2	11,880		33	83	261	59	400	260
Jun 12	21,860	5.3	18,662		19	68	448	101	1,600	100
	15,903		14,455	5.00%	35	56	246	51	1300	80

Test	Results	Limits	Comments
Median Faecal Coliform Count	1.30E+03 /100ml	<20,000 /100ml	O.K
No of samples over 100,000/100ml	0	<6.25%	O.K
Median BOD5	35 g/m3	<40 g/m3	O.K
No of samples over 50 g/m3	3	<6.25%	Over Limit
Median Suspended Solids	56 g/m3	<100 g/m3	O.K
No of samples over 150 g/m3	0	<6.25%	O.K
1 April - 31 July			
Median Total Nitrogen	248 kg/day	<500 kg	O.K
No of samples over 600 kg	0	<12.5%	O.K
1 Aug - 31 March			
Maximum Total Nitrogen	497 kg/day	<600 kg	O.K
No of samples over 500 kg	0	<12.5%	O.K
Maximum Total Phosphorous	126 kg/day	<180 kg	O.K
No of samples over 150 kg	0	<6.25%	O.K
Mean Daily Flow	14,455 m3	<20,000	O.K

Appendix B Contributor Heavy Metal Results

2010-11

Heavy Metals & Other Substances	Alliance 11/08/2010	ENZA 11/08/2010	Saxtons 11/08/2010	Richmond 11/08/2010	Alrport 11/08/2010	Mapua 11/08/2010	NPI 11/08/2010	Wakatu 11/08/2010	Trade Waste Bylaw Limit
Cadmium	<0.0005	<0.005	<0.0005	<0.0005	<0.0005	<0.0005	<0.0005	<0.0005	0.5
Copper	0.14	0.092	0.083	0.089	0.035	0.009	0.062	0.11	5
Nickel	0.009	0.006	0.005	0.007	0.003	<0.002	0.022	0.005	5
Zinc	0.33	0.19	0.15	0.27	0.12	<0.01	0.26	0.16	5
Chromium	0.005	0.015	0.006	0.01	0.014	<0.001	0.014	0.005	5
Lead	<0.003	<0.003	<0.003	<0.003	<0.003	<0.003	0.004	<0.003	5
Boron	0.1	0.35	0.11	0.21	0.09	<0.05	0.18	0.06	25
Arsenic	<0.01	0.02	0.02	0.01	0.01	<0.01	0.02	<0.01	1
Fluoride	0.07	0.13	0.08	0.12	0.07	0.07	0.08	0.09	5
Sulphide									1
Sulphates(SO4)	27	160	75	150	47	38	66	32	200
Phenols	0.750	0.030	0.170	0.080	0.250	0.070	0.47	0.270	50
Oil and Grease	9	<3	37	15	16	14	24	95	
Mercury	<0.0002	<0.0002	<0.0002	<0.0002	<0.0002	<0.0002	<0.0002	<0.0002	0.05
pH	7.5	6.5	8.3	6.5	7.2	8.3	7	7.7	
Pesticides									
Cyanide	0.002	<0.001	0.002	<0.001	0.016	0.007	0.001	<0.001	5

Audit Report

Independent Auditor's Report**To the readers of
Nelson Regional Sewerage Business Unit's
financial statements
for the year ended 30 June 2012**

The Auditor-General is the auditor of Nelson Regional Sewerage Business Unit (the Business Unit). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Business Unit on her behalf.

We have audited the financial statements of the Business Unit on pages 3 to 16, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and the statement of accounting policies and notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Business Unit on pages 3 to 16:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Business Unit's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date;

Our audit was completed on 14 December 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Business Unit's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Business Unit's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Business Unit's financial position, financial performance and cash flows; and

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Business Unit.



Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

NELSON REGIONAL SEWERAGE BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2012

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Representatives for year ended 30 June 2012

Representing Tasman District Council

Cr G Glover

Mr M Higgins

Representing Nelson City Council

Cr D Shaw

Cr P Matheson

Independent Member

Ms D Hiser (Chair)

Principal Administration Office

C/- Nelson City Council

110 Trafalgar St

Nelson

Auditor

Audit New Zealand on behalf of the office of the Auditor-General

Bankers

Westpac New Zealand Ltd

Queen St

Richmond

Solicitors

Duncan Cotterill

197 Bridge St

Nelson

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Accounting policies

For the year ended 30 June 2012

Reporting Entity

The Nelson Regional Sewerage Business Unit is a Joint Committee of Nelson City Council and Tasman District Council, under Section 48 of the Local Government Act 2002.

The primary purpose of the Nelson Regional Sewerage Business Unit is to manage the treatment facilities and network in a cost efficient and environmentally sustainable manner rather than making a financial return. Accordingly, the Business Unit has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The financial statements of the Business Unit are for the year ended 30 June 2012. The financial statements were authorised for issue by the Board on the 14th December 2012.

Basis of Preparation

Statement of compliance

The financial statements of the Business Unit have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been consistently applied to all periods presented in the financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land, infrastructural assets and biological assets.

Functional and presentation currency

The financial statements have been prepared in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Business Unit is New Zealand dollars.

Changes in Accounting Policies

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Business Unit is that certain information about property valuations is no longer required to be disclosed.

Amendments to NZ IFRS 7 Financial Instruments: Disclosures – The amendment reduces the disclosure requirements relating to credit risk.

Accounting Policies

The following particular accounting policies which materially affect the measurement of results and financial position have been applied:

a) Revenue

Revenue is measured at the fair value of consideration received.

b) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

c) Financial Instruments

The Business Unit is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, receivables, payables and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Surplus or Deficit.

Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

d) Derivative financial instruments

The Council uses derivative financial instruments (interest rate swaps) to minimise its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to the surplus or deficit for the year. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

e) Cash and Cash equivalents

Cash and Cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

f) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables.

g) Financial Assets

Investments in bank deposits are measured at fair value.

h) Income tax

As a Joint Committee of Nelson City Council and Tasman District Council the Business Unit is taxable in the two Councils. However, the Business Unit operations are a non-taxable activity for each Council.

i) Goods and Services Tax

The financial statements have been prepared exclusive of goods and services tax (GST) with the exception of trade receivables and payables, which are stated with GST included.

j) Property, Plant and Equipment

There are three categories of Property, Plant and Equipment:

- Freehold land
- The Infrastructural Network – incorporates pipelines, pump stations, ponds, aerators, clarifiers, odour control unit, power supply and buildings
- Work in Progress

i) Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2009 by QV Valuations.

ii) Infrastructural assets are valued annually at depreciated replacement cost with assets optimised using least cost alternative by CPG NZ Ltd as at 30 June 2012.

Vested infrastructure assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services

Depreciation is provided on a straight line basis which will write off the cost/valuation of the assets over their useful lives. The useful lives of the major classes of infrastructural assets have been estimated as follows:

Buildings	50 years
Ponds and Channels	
- earthworks	not depreciable
- wave bands, electromechanical	25 years
- pipelines, chambers, aeration basin outfall	50 – 80 years
Aerators	25 years
Power Supply	25 years

j) Property, Plant and Equipment continued

Clarifier	
- earthworks	not depreciable
- civil works	50 years
- pipes	50 – 60 years
- pumps	10 – 25 years
- other	10 – 25 years
Odour Control Unit	10 – 50 years
Pump Stations	
- pumps	15 years
- variable speed drive units	10 years
- pipes and civil works	50 years
- other	25 years
Pipelines	
- pipes	45 – 80 years
- air valves	25 years
Aeration Basin Upgrade	10 years

The Business Unit has implemented an activity management plan for the continuing replacement and refurbishment of components to ensure that conveying, treatment and disposal systems are maintained to provide a satisfactory service on an ongoing basis.

iii) Work in progress is valued at cost of construction. Depreciation is applied at time of commissioning.

k) Biological Assets

Forestry consisting of 18 hectares planted on Bells Island adjacent to the ponds is revalued annually by P F Olsen and Company Ltd to Market Value. The latest valuation available is at 30 June 2012.

The movement in the Forestry valuation is recorded in the Surplus or Deficit.

l) Revaluation Reserves

The results of revaluing land and infrastructural assets are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve for any class of asset, this is expensed in the Surplus or Deficit. To the extent that increases in value offset previous decreases debited to the Surplus or Deficit, the increase is credited to the Surplus or Deficit.

m) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Business Unit would invest as part of its day to day cash management.

Operating activities include cash received from participants and all other sources and records the cash payments made for the supply of goods and services.

Investment activities are those activities relating to the acquisition and disposal of non current assets.

Financing activities comprise the change in equity and debt capital structure of the Business Unit.

n) Budget figures

The budget figures are those approved by the Board at the beginning of the year in the Business Plan. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Board for the preparation of financial statements.

o) Critical accounting estimates and assumptions

In preparing these financial statements the Business Unit has made estimates and assumptions concerning the future. The key assumptions relate to the valuation of the Business Unit's property, plant and equipment. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including estimates and expectations of future events that are believed to be reasonable under the circumstances.

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Comprehensive Income For the year ended 30 June 2012

	Notes	Actual 2011/12	Budget 2011/12	Actual 2010/11
Income		\$	\$	\$
Contributions		7,399,478	7,396,000	6,812,447
Other Recoveries		160,069	195,000	430,981
Interest		217	1,000	605
Total Income		<u>7,559,764</u>	<u>7,592,000</u>	<u>7,244,033</u>
Less Expenses				
Management		114,908	128,600	125,774
Audit Fees		14,000	10,000	14,582
Members Fees	7	27,959	5,000	5,000
Interest Paid		795,398	1,315,000	646,909
Insurance		55,688	25,000	15,085
Depreciation	5	1,897,052	1,671,000	1,586,052
Abandoned Assets		194,175		
Electricity		692,336	754,000	790,860
Operations & Maintenance		1,498,451	1,869,600	1,406,381
Monitoring		211,500	215,000	133,257
Biosolids Disposal		507,525	426,800	433,935
Consultancy		112,979	50,000	10,658
Sundry		111,845	62,000	123,563
Forestry Costs		-	-	104,770
Loss/(Gain) in Fair Value of Forestry	6	(10,900)	-	78,300
Revaluation Derivative Instruments		75,992	-	-
Total Expenses		<u>6,298,888</u>	<u>6,532,000</u>	<u>5,475,125</u>
Net Surplus		<u>1,260,876</u>	<u>1,060,000</u>	<u>1,768,908</u>
Other Comprehensive Income				
Revaluation of Fixed Assets		2,506,596		5,983,917
Total Comprehensive Income		<u><u>3,767,472</u></u>	<u><u>1,060,000</u></u>	<u><u>7,752,825</u></u>

Statement of Changes in Equity For the year ended 30 June 2012

	Notes	Actual 2011/12	Budget 2011/12	Actual 2010/11
Equity at the start of Year		\$	\$	\$
Opening Equity				27,467,421
Effect of Restatement	1 (c)			<u>(411,291)</u>
Restated Opening Equity		33,040,047	27,467,000	27,056,130
Plus Total Comprehensive Income		3,767,472	1,060,000	7,752,825
Less Owners Distribution		1,119,752	1,060,000	1,768,908
Equity at the end of Year		<u><u>35,687,766</u></u>	<u><u>27,467,000</u></u>	<u><u>33,040,047</u></u>

The attached notes form part of and should be read in conjunction with these financial statements

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Financial Position
as at 30 June 2012

	Notes	Actual 2012	Budget 2012	Actual 2011
Equity		\$		\$
Retained earnings	1(a)	15,769,477	16,039,000	15,628,354
Contingency reserve		100,000	100,000	100,000
Revaluation reserve	1(b)	19,818,289	11,328,000	17,311,693
Total Equity	1	<u>35,687,766</u>	<u>27,467,000</u>	<u>33,040,047</u>
This was represented by:				
Current Assets				
Cash and cash equivalents		76,066	100,000	93,559
Trade receivables		58,685	106,000	236,089
Inter-entity trade receivables	5	-	-	-
Total Current Assets		<u>134,751</u>	<u>206,000</u>	<u>329,648</u>
Current Liabilities				
Trade and other payables		593,132	66,000	655,209
Inter-entity trade payables	5	2,034,761	1,709,000	3,539,982
Total Current Liabilities		<u>2,627,893</u>	<u>1,775,000</u>	<u>4,195,191</u>
Net Working Capital		<u>(2,493,142)</u>	<u>(1,569,000)</u>	<u>(3,865,543)</u>
Non Current Assets				
Property, plant and equipment	4	55,296,000	51,024,000	49,905,589
Forestry assets	6	10,900	115,000	-
Total Non Current Assets		<u>55,306,900</u>	<u>51,139,000</u>	<u>49,905,589</u>
Non Current Liabilities				
Term loans	2	17,050,000	22,103,000	13,000,000
Derivative Financial Instruments	3(e)	75,992	-	-
Total Non Current Liabilities		<u>17,125,992</u>	<u>22,103,000</u>	<u>13,000,000</u>
Net Assets		<u>35,687,766</u>	<u>27,467,000</u>	<u>33,040,047</u>

For and on behalf of the Nelson Regional Sewerage Business Unit



Chairman

Date 14 December 2012



The attached notes form part of and should be read in conjunction with these financial statements

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Cash Flows
For the year ended 30 June 2012

	Notes	2011/12 \$	2010/11 \$
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		7,736,951	7,099,162
Interest received		217	605
		<u>7,737,169</u>	<u>7,099,767</u>
Payments to suppliers		(3,100,183)	(3,583,381)
Interest paid		(840,982)	(570,460)
Net GST paid		-	-
		<u>(3,941,165)</u>	<u>(4,153,841)</u>
Net Cash Flows from Operating Activities	3	<u>3,796,003</u>	<u>2,945,925</u>
Investing Activities			
Purchase of property, plant and equipment		(6,094,589)	(5,387,900)
Sale of plant		-	-
Net Cash from Investing Activities		<u>(6,094,589)</u>	<u>(5,387,900)</u>
Financial Activities			
Owners Distribution		(1,768,908)	(961,600)
Loan repayment		-	0
Loan raised		4,050,000	3,000,000
Net Cash from Financing Activities		<u>2,281,092</u>	<u>2,038,400</u>
Net Increase/(Decrease) in cash		(17,493)	(403,575)
Add Opening Cash and cash equivalents		93,559	497,134
Closing Cash and cash equivalents		<u>76,066</u>	<u>93,559</u>

The attached notes form part of and should be read in conjunction with these financial statements

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Notes to and forming part of the Financial Statements
for the year ended 30 June 2012

	2011/12 \$	2010/11 \$
1 Equity		
The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council.		
1(a) Retained Earnings		
Opening Balance	15,628,353	16,039,644
Prior period adjustment	-	(411,291)
Net Surplus	1,260,876	1,768,908
Distribution to Owners	(1,119,752)	(1,768,908)
Closing Balance	15,769,477	15,628,353
1(b) Revaluation Reserve		
Opening Balance	17,311,693	11,327,776
Revaluation Movements		
Land revaluation	-	-
Infrastructure revaluation	2,506,596	5,983,917
Total Revaluation Movement	2,506,596	5,983,917
Closing Balance	19,818,289	17,311,693
Balance held as follows:-		
Land	1,679,500	1,679,500
Buildings	174,853	151,669
Sewerage network	17,895,305	15,413,998
Plant & Equipment	68,631	66,526
Total Revaluation Reserve	19,818,289	17,311,693

1(c) Correction of prior period error

During the 2011/12 financial year the Business Unit discovered an error in calculating the 2009/10 charges to its major customers resulting in a \$411,291 overcharge. This overcharge has been brought into the 2011/12 accounts as a deduction in the prior year opening equity and adjustments to the balances owed/owing to the affected customers. The financial statements for 2011, which are presented as comparative information in the 30 June 2012 financial statements, have been restated to correct the error. The effect of this restatement is as follows.

	Previously Reported	Adjustment	Restatement
Opening Retained earnings as at 1 July 2010	16,039,645	(411,291)	15,628,354
Trade receivables	328,740	(92,651)	236,089
Inter-entity trade payables	3,221,342	318,640	3,539,982
Retained earnings 30 June 2011	16,039,645	(411,291)	15,628,354

2 Term Loans

A \$25m multi-option facility exists that is secured over rates revenue of the Tasman District and Nelson City which expires 30th June 2014.

Interest rates payable range from 3.58% to 5.9% with a weighted average of 4.40%. (For 2010/11 the range was 3.75% to 7.10% with a weighted average of 5.5%).

Total Loans	17,050,000	13,000,000
Less Current Portion	-	-
Term Portion	<u>17,050,000</u>	<u>13,000,000</u>
1 to 2 years	-	-
2 to 5 years	<u>17,050,000</u>	<u>13,000,000</u>
	<u>17,050,000</u>	<u>13,000,000</u>

3 Reconciliation of Net Surplus with Net Cash Flow from Operating Activities

Net Surplus	1,260,876	1,768,908
Add back non cash items		
Depreciation	1,897,052	1,586,052
Abandoned Assets	194,175	-
Gain (Loss) in fair value of forestry	(10,900)	78,300
Revaluation gain (loss) derivative instruments	75,992	-
Movements in Working Capital		
(Increase)/Decrease in receivables	177,404	(222,566)
(Increase)/Decrease in fixed asset related payables	1,119,548	(1,083,520)
Increase/(Decrease) in payables	(1,567,298)	1,626,059
Items classified as financing activities		
(Increase)/Decrease in owner distribution accrual	649,154	(807,308)
	<u>3,796,003</u>	<u>2,945,925</u>

4 Property, plant and equipment

	Land	Sewerage Network	Buildings	Plant & Equipment	Total
Valuation / Cost					
Balance June 2010	2,169,000	36,602,398	237,385	27,521	39,036,304
Additions 2011		6,471,420			6,471,420
Revaluation 2011		5,954,161	896	28,858	5,983,917
Revaluation transfer		(1,569,866)	(6,889)	(9,297)	(1,586,052)
	2,169,000	47,458,113	231,394	47,082	49,905,589
Additions 2012		4,975,042			4,975,042
Abandoned Assets		(194,175)			(194,175)
Revaluation 2012		2,481,307	23,184	2,105	2,506,596
Revaluation transfer		(1,861,865)	(19,487)	(15,720)	(1,897,052)
Balance June 2012	2,169,000	52,858,422	235,111	33,467	55,296,000
Accumulated Depreciation					
Balance June 2010	-	-	-	-	-
Depreciation charge 2011		1,569,866	6,889	9,297	1,586,052
Revaluation transfer		(1,569,866)	(6,889)	(9,297)	(1,586,052)
Balance June 2010	-	-	-	-	-
Depreciation charge 2012		1,861,865	19,487	15,720	1,897,052
Revaluation transfer		(1,861,865)	(19,487)	(15,720)	(1,897,052)
Balance June 2012	-	-	-	-	-
Carrying amounts					
Balance June 2011	2,169,000	47,458,113	231,394	47,082	49,905,589
Balance June 2012	2,169,000	52,858,422	235,111	33,467	55,296,000

5 Transactions for Related Parties

For the year ended 30 June 2012, Nelson Regional Sewerage Business Unit -

	2011/12	2010/11
Purchased the following from:		
Tasman District Council:		
- Treasury Services	-	1,626
- Rates & Water	24,524	40,482
- Consent & Monitoring Fees	5,790	17,620
Nelson City Council:		
- Management, Engineering Secretarial and Accounting Services	125,088	141,393
- Rates & Water	4,193	2,855
- Engineering Services Capitalised	20,942	-
- Consent & Monitoring Fees	3,450	-
Nelmac		
- Maintenance and capital work	6,547	-
Provide bulk sewage services to:		
- Tasman District Council	2,536,806	2,254,613
- Nelson City Council	2,951,846	2,700,770
- Tasman District Council 2009/10 overcharge (note 1c)	(146,335)	-
- Nelson City Council 2009/10 overcharge (note 1c)	(172,305)	-
At year end the Business Unit owed related parties as follows:		
- Nelson City Council	1,435,227	2,833,066
- Tasman District Council	599,535	706,916
The following was owed by related parties to the Business Unit for bulk services		
- Tasman District Council	-	-

6 Forestry Assets

The Biological Assets are valued at Market Value. Any movement in the valuation is recorded in the Profit and Loss Account.

	2012	2011
Current Market Value (NZ IFRS)	10,900	0
Current increase (decrease) in Market Value	10,900	(78,300)

7 Members Fees

Remuneration and other benefits paid or due and payable to directors, for services as members during the year ending 30 June 2012, are as follows:

- Donna Hiser	27,500	5,000
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8 Financial Instruments

The Nelson Regional Sewerage Business Unit is party to financial instrument arrangements as part of its every day operations. These financial instruments include accounts receivable, accounts payable, loans and investments.

a) Credit Risk

Financial instruments which are potentially subject to credit risk consist of bank balances, accounts receivable and short term deposits.

	<u>2012</u>	<u>2011</u>
Bank Balances	76,066	93,559
Accounts Receivable	58,685	236,089

No collateral is held on the above accounts

b) Concentration

Concentrations of credit risk with respect to accounts receivable are high, with Nelson City Council, Tasman District Council and three private users as major customers. However, all are considered high credit quality entities.

c) Currency Risk

Nelson Regional Sewerage Business Unit has no currency risk as any financial instruments it deals with are all in New Zealand dollars.

d) Financial Instruments

The Business Unit is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and cash equivalents, accounts receivable and payable, investments, and loans which have all been recognised in the financial statements. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

e) Derivative financial instruments

	<u>2012</u>	<u>2011</u>
Non-Current liability portion	75,992	-

Fair value

The fair value of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present values. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the council are \$16 million (2011 \$ nil). At June 2012, the fixed interest rate swaps varied from 2.77% to 3.83% (2011 n/a)

Sensitivity analysis

The table below illustrates the potential profit and loss impact for reasonably possible market movements, with all other variables held constant, based on the Business Unit's derivative financial instrument exposures at balance date

+100bps	602,174	-
-100bps	(808,254)	-

9 Statement of Contingent Assets and Contingent Liabilities

The Business Unit has a contingent asset for liquidated damages on a contract which has been disputed by the contractor and the claim is ongoing and no contingent liabilities as at 30 June 2012. (2011 There was a contingent liability as a result of a dispute with a customer. This dispute was resolved in the current year.)

10 Statement of Commitments

The Business Unit has capital commitments as at 30 June 2012 of \$607,546. (2011 \$5,347,663).

11 Post Balance Date Events

There are no significant events after Balance date. (2011 Nil).

12 Explanation of major variances against budget

Explanations for major variations from the Nelson Regional Sewerage Business Unit's 2011/12 Business Plan are as follows:

Statement of Comprehensive Income

Total Expenses are \$233,000 less than budget due to \$520,000 less Interest being incurred as a result of lower than budgeted interest rates and capital expenditure, and Operation and Maintenance expenditure is \$371,000 less than budget due to lower reactive maintenance expenditure. Depreciation is \$226,000 more than budget due to the June 2010 and 2011 revaluations and there were \$194,000 of assets abandoned as a result of the pipeline upgrade as well as increased Biosolid, Consultancy, Sundry and Derivative expenses.

The net surplus is \$201,000 more than budget due the reduced net expenditure.

The annual revaluation this year is \$2,507,000

Statement of Financial Position

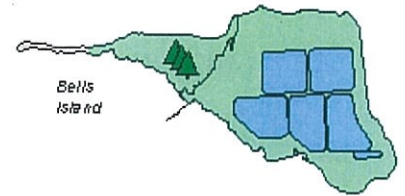
The revaluation reserve has increased by \$8,490,000 compared to budget principally due to increased prices in both 2011 and 2012 years.

Due to the delays in upgrades the operating cashflows have been used to fund the capital expenditure rather than increasing borrowings.

Inter-entity trade payables are \$326,000 over budget due to the timing of payments.

Property, plant and equipment is \$4,272,000 greater than budget due to the 2010 and 2011 revaluations less savings in capital expenditure.

Nelson Regional Sewerage Business Unit



**BUSINESS PLAN
2013/14**



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Nelson Regional Sewerage Business Unit

BUSINESS PLAN

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APPENDICES

- A. Strategic Plan 2012-2015
- B. Board Planning/Meeting Timetable
- C. Levels of Service
- D. Business Improvement Plan
- E. 10 Year Plan Operations, Maintenance and Capital Expenditure
- F. Treatment Plant Schematic

*Prepared by: Johan Thiart
Engineering
Adviser*

*Nelson Regional
Sewerage
Business Unit
Approval:*

Cover photograph: *Songer Street Pump Station*

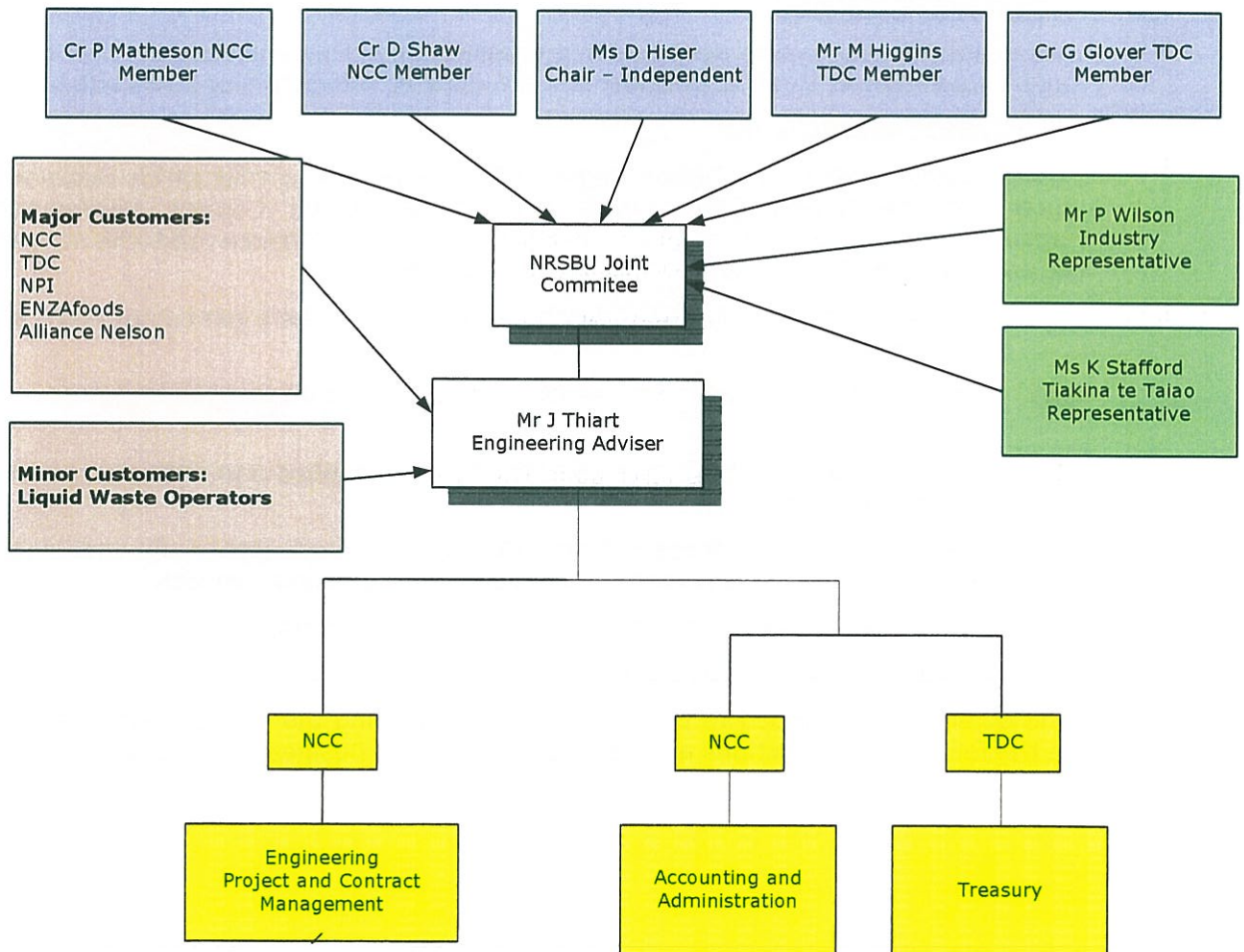
1. INTRODUCTION

This document describes the Nelson Regional Sewerage Business Unit Business Plan for the 2013-2014 year. The Business Plan defines the projects and initiatives to be undertaken during the year, the funds required to undertake those activities, and the ways in which performance will be measured. The purpose of the plan is to establish management goals and plans to improve the effectiveness and efficiency of the Nelson Regional Sewerage Business Unit in line with its strategic goals.

The Business Plan is based on the Nelson Regional Sewerage Business Unit Strategic Plan 2012-2015 (Appendix A) and the Asset Management Plan 2012-2015. It incorporates the business objectives and performance targets (Section 4) and the 3 year financial forecasts (Section 6), both of which require the approval of shareholding Councils and form the basis for external reporting. The targeted service levels set by the Asset Management Plan (Appendix C), the internal business improvement plan (Appendix D), the 10 year financial plan (Appendix E) and a schematic layout of the Nelson Regional Sewerage Business Unit operations (Appendix F) are also provided.

2. BACKGROUND

The structure of the Nelson Regional Sewerage Business Unit is as follows:



The Nelson Regional Sewerage Business Unit was established in July 2000, replacing the former Nelson Regional Sewerage Authority established in the 1970s.

During 2011/12 the Nelson Regional Sewerage Business Unit reviewed the Strategic Plan and conducted a number of internal workshops to develop a new strategic direction for the Nelson Regional Sewerage Business Unit.

The Asset Management Plan was reviewed during 2011 and provides direction to the Nelson Regional Sewerage Business Unit in the future management of its assets.

A major treatment plant upgrade project commenced on site in October 2008 and was completed in June 2010 although two components of the upgrade were deferred pending further analyses. The installation of covers over the primary clarifier launder was deferred until after odours generated around the primary clarifier have been monitored/observed over the first two summer periods following the upgrade of the plant and the covers will not be installed if odours prove not to be a problem. A review of the biosolids produced at the plant and the capacity of the Radiata pine plantations on Bell Island and Rabbit Island has demonstrated that the land available for the disposal of biosolids is adequate for the medium term. The installation of a centrifuge that was required to dewater excess sludge produced at Bell Island has therefore been removed from the work programme.

With all components of the Wastewater Treatment Plant and reticulation network now capable of managing the loads and flows discharged to the regional sewerage scheme for the next five to ten years the Nelson Regional Sewerage Business Unit can focus on strategic planning that will provide a sound platform to improve on the delivery and efficiency of services to our customers.

3. MISSION STATEMENT

To identify the long term wastewater processing and reticulation needs of our customers and to meet current and future needs in the most cost effective and sustainable manner.

4. STRATEGIC OBJECTIVES

The strategic goals of the Nelson Regional Sewerage Business Unit which incorporate the intent of the Nelson City Council and Tasman District Council Memorandum of Understanding, are used to set the basis for the performance and the longer term strategies of the Nelson Regional Sewerage Business Unit.

- 4.1** Wastewater reticulation, treatment and disposal services meet customers' long term needs.
- 4.2** The costs of wastewater reticulation, treatment and disposal services are minimised.
- 4.3** Risks associated with the services provided are identified and mitigated to a level agreed with customers.
- 4.4** Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental impact.
- 4.5** Good relationships are maintained with all stakeholders.
- 4.6** All statutory obligations are met.

The objectives developed to progress towards achieving the strategic goals are recorded in the following two sections and Level of Service and Business Objectives.

5. BUSINESS OBJECTIVES

This section sets out the 2013-2014 performance objectives developed to work towards achieving the strategic goals of the Nelson Regional Sewerage Business Unit.

Goal 1: Wastewater reticulation, treatment and disposal services meet customers' long term needs	
Objectives	Key Performance Indicator
Sufficient reticulation, treatment and disposal capacity is available for loads received.	The Nelson Regional Sewerage Scheme has adequate capacity to deal with flow and loads.
Intergenerational equity is maintained.	Loans are repaid over 30 years (the average life of the assets).
Customers are encouraged to engage with the organisation and are satisfied with the service.	All customer representatives attend at least 75% of customer meetings. Customer surveys show an average score of at least 5 out of 7 on satisfaction with services.
Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all major contractors.
Goal 2: The cost of wastewater reticulation, treatment and disposal services are minimised	
Objectives	Key Performance Indicator
The costs of reticulation, treatment and disposal processes are minimised.	Total reticulation, treatment and disposal costs per population equivalent are maintained at current levels or reduced when adjusted for Consumer Price Index. All capital projects are delivered within budget.
The economic lives of all assets are optimised.	A 3 yearly independent audit of asset management practices confirms this.
Customers understand the benefits of demand management and the costs, risks and environmental implications of increasing demand.	Demand management policy is developed by December 2013**. Customer contracts are reviewed by March 2014** to ensure that charging mechanisms support the demand management policy. Report on Nelson City Council and Tasman District Council progress towards implementing their own load management policies and plans by June 2013.
Technology choices are well understood and are proven to be stable and cost effective.	Technology choices are supported by cost benefit analysis, independent peer review, energy efficiency analysis, risk analysis and, where appropriate, by other users of those technologies.

** Changes to target dates in Nelson Regional Sewerage Business Unit Strategic Plan 2012-15

Goal 3: Risks associated with the services provided are identified and mitigated to a level agreed with customers.	
Objectives	Key Performance Indicator
Risk management plans include all significant environmental, cultural, social economic and contractual risks.	Zero unidentified events which impact the agreed levels of service occur.
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually.
Customers engage with the risk assessment process, understand and accept the important risks and the level of mitigation provided.	Customer representatives review and approve the risk management plan annually and following any incidents which require activation of the plan.
Goal 4: Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental impact	
Objectives	Key Performance Indicator
Energy efficiency at the plant is increased.	Targets are set for reductions in energy use by June 2013 and are reported on from that date.
Reuse of outputs from the scheme is regularly considered and implemented where there are benefits.	Current capacity to utilise beneficial application of biosolids to land is sustained. Beneficial reuse of treated waste water is maintained or increased.
Goal 5: Good relationships are maintained with all stakeholders	
Objectives	Key Performance Indicator
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	All strategic and business plans are approved by shareholders. All budget projections are met.
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed promptly. All applications for resource consents are approved. Up to date information on activities and achievements is publically available. All stakeholders are identified and reporting, communication and consultation targets are set and met by June 2013.

Goal 6: All statutory obligations are met	
Objectives	Key Performance Indicator
All statutory obligations are identified and met and are included in contracts with suppliers.	Full statutory compliance requirements are identified by June 2013, reporting mechanisms defined and reporting mechanism implemented for the 2014/15 financial year.
All resource consents requirements are met.	Compliance with resource consent conditions.

6. THREE YEAR CAPITAL EXPENDITURE FORECAST (\$'000)

Renewal Plan (\$,000)	Budget 12/13	Proj 12/13	1 13/14	2 14/15	3 15/16
Miscellaneous	20	20	20	20	20
Pump Stations and Rising Mains	16			114	134
Inlet, Aeration Basin, Clarifier and Ponds	187	78	203	288	252
Solids Handling	349	354	362	136	422
Rabbit Island		20		151	39
Roads		100			
Total =	572	572	585	736	866
Upgrade Plan (\$,000)	Budget & Carryover 12/13	Proj 12/13	1 13/14	2 14/15	3 15/16
Regional Pipeline Upgrade	1,396	1,396			
Outfall Capacity Upgrade	144	144			
Primary Clarifier	788	788 ¹			
Biosolids Treatment Facilities	1,000	1,000			
Sludge Management					5,000 ²
Pond desludging					1,140
Resource Consent	15	15			
Purchase of land	150	210 ³			
TOTAL	3,494	3,554	0	0	6,140

Note 1 Installation of centrifuge and covers at Primary Clarifier.

Note 2 Sludge treatment.

Note 3 Purchase of 4 Saxton Road (revised cost estimate based on valuation).

7. FINANCIAL PLAN

Nelson Regional Sewerage Business Unit Budget Summary for 2013 to 2016

	Projection	Budget		
	12/13	13/14	14/15	15/16
Income				
Contributors	7,827	8,212	8,093	8,309
Interest	1	1	1	1
Other Recoveries	187	187	187	187
Total Income	8,015	8,400	8,281	8,497
Expenditure				
Operations & Maintenance	3,487	3,519	3,470	3,467
Interest	1,105	908	842	1,025
Insurance	60	60	60	60
Depreciation	1,849	2,004	2,004	2,004
Total Operating Cost	6,501	6,491	6,377	6,557
Surplus/Deficit	1,514	1,909	1,904	1,940
Use of Funds				
Loan Repayment	1,277	1,419	1,268	1,138
Renewals	572	585	736	866
Owners Distribution	1,514	1,909	1,904	1,940
Upgrades	3,554	0	0	6,140
	6,917	3,913	3,908	10,084
Sources of Funds				
Surplus/Deficit	1,514	1,909	1,904	1,940
Depreciation	1,849	2,004	2,004	2,004
New Loans	3,554	0	0	6,140
	6,917	3,913	3,908	10,084

8. LONG TERM FINANCIAL STRATEGY

The long term financial strategy (Appendix D) is a complete picture of the operations and maintenance costs and capital projects to be undertaken over the next 10 years. This strategy is based on the Nelson Regional Sewerage Business Unit Asset Management Plan 2012-2015.

**NELSON REGIONAL SEWERAGE BUSINESS UNIT
STRATEGIC PLAN 2012-2015**

1. Mission Statement

The Nelson Regional Sewerage Business Unit mission statement is:

"To identify the long term wastewater processing and reticulation needs of our customers and to meet current and future needs in the most cost effective and sustainable manner."

2. Strategic Goals

- 2.1. Wastewater reticulation, treatment and disposal services meet customers' long term needs
- 2.2. The costs of wastewater reticulation, treatment and disposal services are minimised
- 2.3. Risks associated with the services provided are identified and mitigated to a level agreed with customers.
- 2.4. Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental impact.
- 2.5. Good relationships are maintained with all stakeholders.
- 2.6. All statutory obligations are met.

All strategic goals are important and no one goal will be pursued at the expense of another.

3. Strategic Objectives and Performance Measures

The objectives below describe the long term aims of the business unit. Performance measure targets and dates (where they are not specified below) will be set annually in the Business Plan along with performance measures for projects identified in the Asset Management Plan. Performance will be reported on quarterly to the Nelson Regional Sewerage Business Unit Joint Committee and annually or six monthly, as appropriate, to the shareholding Councils.

1. Wastewater reticulation, treatment and disposal services meet customers' long term needs	
Long Term Objectives	Key Performance Measures to be set in annual business plans to measure objectives
Sufficient reticulation, treatment and disposal capacity is available for loads received.	Loads do not exceed the capacity of system components.
Intergenerational equity is maintained.	Loans are repaid over 30 years (the average life of the assets).
Customers are encouraged to engage with the organisation and are satisfied with the service.	All customer representatives attend at least 75% of customer meetings. Customer surveys show an average score of at least 5 out of 7 on satisfaction with services.

Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all major contractors.
2. The cost of wastewater reticulation, treatment and disposal services are minimised	
Objectives	Key Performance Measures to be set in annual business plans to measure objectives
The costs of reticulation, treatment and disposal processes are minimised.	Total reticulation, treatment and disposal costs per population equivalent are maintained at current levels or reduced when adjusted for CPI. All capital projects are delivered within budget.
The economic lives of all assets are optimised.	Independent audit of asset management practices confirms this.
Customers understand the benefits of demand management and the costs, risks and environmental implications of increasing demand.	Demand management policy is developed by December 2012. Customer contracts are reviewed by December 2012 to ensure that charging mechanisms support the demand management policy. Nelson City Council and Tasman District Council implement their own load management policies and plans by June 2013. Loads do not exceed the capacity of the components of the system. Peak storm water inflows are reduced by 10% by 2020 and that this target is reviewed over the next 12 months.
Technology choices are well understood and are proven to be stable and cost effective.	Technology choices are supported by cost benefit analysis, independent peer review, energy efficiency analysis, risk analysis and, where appropriate, by other users of those technologies.
3. Risks associated with the services provided are identified and mitigated to a level agreed with customers.	
Objectives	Key Performance Measures to be set in annual business plans to measure objectives
Risk management plans include all significant environmental, cultural, social, economic and contractual risks.	Zero unidentified events which impact the agreed levels of service occur.
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually.
Customers engage with the risk assessment process, understand and accept the important risks and the level of mitigation provided.	Customer representatives review and approve the risk management plan annually and following any incidents which require activation of the plan

4. Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental impact	
Objectives	Key Performance Measures to be set in annual business plans to measure objectives
Energy efficiency at the plant is increased.	Targets are set for energy efficiency improvements by June 2013 and are reported on from that date.
Reuse of outputs from the scheme is regularly considered and implemented where there are economic and environmental benefits.	Current capacity to utilise beneficial application of biosolids to land is sustained. Beneficial economic and environmental reuse of treated waste water is maintained or increased.
5. Good relationships are maintained with all stakeholders	
Objectives	Key Performance Measures to be set in annual business plans to measure objectives
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	All strategic and business plans are approved by shareholders. All budget projections are met.
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed promptly. All applications for resource consents are approved. Up to date information on activities and achievements is publically available. All stakeholders are identified and reporting, communication and consultation targets are set and met by June 2013.
6. All statutory obligations are met	
Objectives	Key Performance Measures to be set in annual business plans to measure objectives
All statutory obligations are identified and met and are included in contracts with suppliers.	100% compliance with all statutory obligations.
All resource consent requirements are met.	100% compliance with all resource consents.

NELSON REGIONAL SEWERAGE BUSINESS UNIT JOINT COMMITTEE PLANNING/MEETING TIMETABLE 2013-14

Date	Activity	Papers required
23 August 2013	Review draft Annual Report and Financial Statement.	Draft annual report and financial statement.
September 2013	Deliver annual financial statement to Councils.	Financial Statement.
13 December 2013 Board meeting	Review board planning/meeting timetable. Adopt draft business plan for presentation to JSC. Review and update Interests Register. Adopt business continuity plan.	Planning/meeting timetable. Business Plan. Interests Register. Draft business continuity plan.
February/March 2014 Joint Shareholders' Committee meeting	Present Annual Report.	Annual Report.
March 2014 Board meeting	Review board performance Review governance policy Review Demand Management Plan Receive report on Contingency Plan review by customer representatives. Receive report on Risk Management review by customer representatives.	Checklist for board effectiveness. Governance Policy Draft Demand Management Plan. Report on Contingency Plan review by customer representatives. Report on Risk Management review by customer representatives.
March 2014 Joint Shareholders' Committee meeting	Present Business Plan to Joint Shareholders Committee meeting.	Business Plan.
April 2014 Board Workshop	Update on waste industry changes and trends Lunch or dinner with Board	Guest Speaker
June 2014 Board meeting	Review customer satisfaction survey results Annual review of Strategic Plan Adopt Energy Conservation Plan	Customer survey report. Strategic plan. Energy Conservation Programme.

LEVELS OF SERVICE

The following levels of service are included in the Nelson Regional Sewerage Business Unit Asset Management Plan 2012-15 and monitoring of compliance demonstrates progress towards achieving the Strategic Goals:

ENVIRONMENTAL		
	Category	Level of Service
Treatment & Disposal	RMA Consent - Wastewater Discharge to Coastal Marine Area	100% compliance with consent conditions
	RMA Consent - Discharge of Contaminants to Air.	100% compliance with consent conditions
	RMA Consent - Discharge of Contaminants to Land	100% compliance with consent conditions
	Equipment Failure of critical components within the treatment and disposal system.	No equipment failures that impact on compliance with resource consent conditions.
Pump Stations	Odour complaints from pump stations	No odour complaints originating from pump stations
	Pump station wet weather overflows	No overflow events occurring for the contracted contributor flows
	Pump station overflows resulting from power failure	No overflow events occurring
	Pump station overflows resulting from mechanical failure.	No overflow events occurring
Pipelines	Reticulation Breaks	No reticulation breaks.
	Air valve malfunctions	No air valve malfunctions that result in overflows
CAPACITY		
	Category	Level of Service
Treatment & Disposal	Overloading system capacity	Treatment and disposal up to all contracted loads and flows
Pump Stations	Overloading system capacity	No overflows for all pump stations for the contributor flows
RELIABILITY		
	Category	Level of Service
Treatment & Disposal Pump Stations Pipelines	Equipment failure of critical components	No equipment failures that could lead to non-compliance with resource consent conditions

RESPONSIVENESS		
	Category	Level of Service
Treatment & Disposal	Speed of response for emergency and urgent maintenance works	Achievement of response times specified in the maintenance contract
Pump Stations		
Pipelines	Speed of response for routine and programmable maintenance works	Achievement of times specified in the maintenance contract
KEY CUSTOMER RELATIONSHIPS		
	Category	Level of Service
Treatment & Disposal	Customer satisfaction	Agreed levels of service provided to all Customers
Pump Stations		
Pipelines		Robust charging structure is in place

BUSINESS IMPROVEMENT PLAN

This section describes initiatives to improve the efficiency and effectiveness of the Business Unit and is based on the Nelson Regional Sewerage Business Unit Strategic Plan (Appendix A).

Description of activity	Target date
Consider benefits of succession planning and how it might be implemented once governance issues (Tasman District Council & Nelson City Council) are resolved.	September 2013
Consolidate all known natural disaster events information and report to the board on the implications for the operation.	September 2013
Draft Business Continuity Plan.	December 2013
Review treatment plant capacity. Requirement under new Operation and Maintenance Contract.	December 2013
Determine Asset Management level required for Nelson Regional Sewerage Business Unit operation and obtain Board approval	December 2013
Adopt Energy Conservation Plan	March 2014
Carry out a risk assessment at component level and maintain Asset Risk Schedules with reviewing and reporting on an annual basis to the Board	March 2014
Develop demand management plan	June 2014

10 YEAR PLANS
OPERATIONS, MAINTENANCE AND CAPITAL EXPENDITURE

NELSON REGIONAL SEWERAGE BUSINESS UNIT
10 Year Operations and Maintenance Plan
(\$,000)

	Budget	Proj	1	2	3	4	5	6	7	8	9	10
	12/13	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Total Management	162	168	162	142	142	162	142	142	162	142	142	162
Total Financial	1209	1105	908	842	1025	1125	1049	1208	1282	1844	2825	3282
Depreciation	2062	1849	2004	2004	2004	2261	2261	2261	2352	2352	2352	2352
Total Electricity	754	784	754	754	754	612	612	612	612	612	612	612
TP Maintenance	1302	1258	1349	1399	1399	1399	1399	1399	1399	2389	2389	2389
PS & RM Maintenance	386	411	421	421	421	421	421	421	421	421	421	421
Total Monitoring	167	167	168	139	136	181	136	119	168	139	196	121
Consultancy	100	100	75	25	25	25	25	25	25	25	25	25
Insurance	42	60	60	60	60	60	60	60	60	60	60	60
Rates & Rental	33	35	28	28	28	28	28	28	28	28	28	28
Water Charges	22	22	22	22	22	22	22	22	22	22	22	22
Forestry	1	20	1	1	1	1	1	1	1	1	1	1
Biosolids Disposal	456	501	520	520	520	520	520	520	520	520	520	520
Telephone/Computers	21	21	21	21	21	21	21	21	21	21	21	21
Total Expenses	6718	6501	6491	6377	6557	6837	6696	6838	7072	8575	9613	10015

2019/20: Nitrogen and phosphorous removal

NELSON REGIONAL SEWERAGE BUSINESS UNIT

10 Year Renewal Plan (\$,000)	Budget 12/13	Proj 12/13	1 13/14	2 14/15	3 15/16	4 16/17	5 17/18	6 18/19	7 19/20	8 20/21	9 21/22	10 22/23
Miscellaneous	20	20	20	20	20	20	20	20	20	20	20	20
Pump Stations and Rising Mains	16			114	134	51	52	65			183	356
Inlet, Aeration Basin, Clarifier and Ponds	187	78	203	288	252	414	676	260	256	241	554	30
Solids Handling	349	354	362	163	422	313	24	633	197	912	366	657
Rabbit Island		20		151	39			45	53		31	11
Roads		100									57	
Beach road septage reception									65			
Consents							223		277			
Total =	572	572	585	736	866	798	994	1,023	867	1,173	1,211	1,074

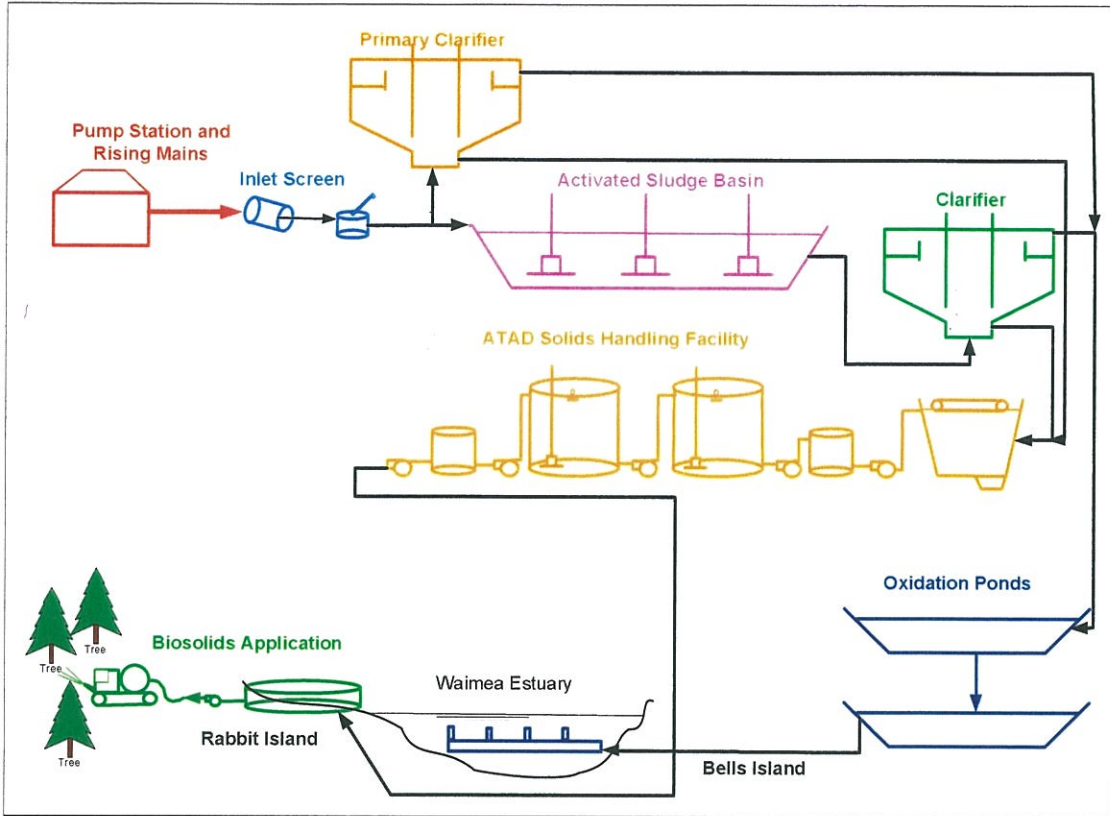
10 Year Upgrade Plan (\$,000)

	Total For 10 Years	Actual up to 11/12	Budget & C/O 12/13	Proj 12/13	1 13/14	2 14/15	3 15/16	4 16/17	5 17/18	6 18/19	7 19/20	8 20/21	9 21/22	10 22/23
Pump Stations & Rising Mains														
Regional Pipeline Upgrade	0	11,154	1,396	1,396										
Richmond Regional Pipeline	34,500	1									500	17,000	17,000	
Bells Island Treatment Plant														
Outfall Capacity Upgrade	0	546	144	144										
Primary Clarifier	0	2	8,312	788										
Expand Biosolids Treatment Facilities	0	3	0	1,000										
Sludge management	5,000	4					5,000							
Nitrogen Removal	3,990	5								3,990				
Phosphorus Removal	570	5								570				
Pond Desludging	1,140	6					1,140							
	0													
Biosolids Facility														
Forest Planting (Bells)	0		0											
Resource Consent	0		15	15										
Purchase of land	0		150	210										
TOTAL	45,200	20,012	3,494	3,554	0	0	6,140	0	0	4,560	500	17,000	17,000	0

Note: PROJECT COSTS ARE ESTIMATES ONLY

- 1 Pipeline from Beach Road to Bell Island and new Tasman pump station. Growth in Tasman District and improved flexibility for regional outfall.
- 2 The installation of the primary clarifier launder and installation of the centrifuge were deferred until a further assessment of the necessity to include these items in the treatment plant upgrade can be carried out.
- 3 Additional sludge treatment capacity required to accommodate growth.
- 4 Once ATAD tanks have reached the end of their economic lives the opportunity exists to investigate other options for sludge treatment which may be more sustainable.
- 5 Removal of nitrogen and phosphorous to ensure compliance with coastal permit and to ensure that adequate land is available for biosolids application.
- 6 Build up of sludge in ponds is monitored annually as it affects the effectiveness of the waste treatment process.

BELL ISLAND TREATMENT PLANT SCHEMATIC



TASMAN BAYS HERITAGE TRUST – Half Year Report 2012-13

REPORT TO STAKEHOLDERS OF NELSON CITY COUNCIL AND TASMAN DISTRICT COUNCIL (JSC)

Half Year Period 1 July 2012 – 31 December 2012

REPORT FROM THE TRUST BOARD

TASMAN BAYS HERITAGE TRUST – Half Year Report 2012-13

STATEMENT OF COMPREHENSIVE INCOME For the Period 1 July – 31 December 2012

	Actual 2012	Budget 2012	Actual 2011
Revenue	972,130	1,027,171	1,106,897
Less Direct Costs	607,917	693,829	572,314
Gross Profit	364,213	333,342	534,583
Less Expenses	185,370	179,922	181,917
Operating Profit	178,843	153,420	352,666
Less Depreciation	185,575	173,988	129,307
Net Surplus / (Deficit) for Period	(6,732)	(20,568)	223,359

TASMAN BAYS HERITAGE TRUST – Half Year Report 2012-13

STATEMENT OF FINANCIAL POSITION For the Period 1 July - 31 December 2012

	2012	2011
<u>Assets</u>		
Cash & Bank	51,787	132,091
Debtors	483,867	474,613
Investments	199,251	190,189
Prepayments – Ins/ACC	24,313	23,099
Stock on Hand	5,079	4,671
Non Current Assets	20,358,870	19,908,397
Total Assets	21,123,166	20,733,060
<u>Liabilities</u>		
Creditors	28,526	22,545
GST	56,721	55,992
Grants Received in Advance	420,662	413,224
Accruals – Annual Leave	53,562	41,990
Term Liabilities	3,116,679	3,401,884
Total Liabilities	3,676,150	3,935,635
Net Assets	17,447,016	16,797,425
<u>Equity</u>		
Retained Earnings	17,453,748	16,574,066
Current Year Earnings	(6,732)	223,359
Total Equity	17,447,016	16,797,425

Notation:

Grants Received in Advance are the Council Operating Grants Invoiced for the 3rd Quarter.

TASMAN BAYS HERITAGE TRUST – Half Year Report 2012-13

STATEMENT OF CASH FLOWS For the Period 1 July – 31 December 2012

Cash Flows from Operating Activities

Council Operating Grants	841,324	
Contracts	41,095	
Interest Received	7,238	
Receipts from Other Revenue	83,579	
Payments to Suppliers & Employees	(819,491)	
Interest Paid	(29,268)	
Goods and Services Tax (Net)	6,908	
Net Cash from Operating Activities		131,385

Cash Flows from Investing Activities

Purchase of Property, Plant and Equipment	(38,503)	
Purchase of Investments	(4,298)	
Net Cash from Investing Activities		(42,801)

Cash Flows from Financing Activities

Repayment of Borrowings	(194,826)	
Net Cash from Financing Activities		(194,826)

Net Increase (Decrease) in Cash		(106,242)
Opening Cash Balance at 1 July 2012		158,029
Closing Cash Balance at 31 December 2012		51,787

1 Introduction

This statement is submitted by the Tasman Bays Heritage Trust (the Trust) as a Council Controlled Organisation of Nelson City Council and Tasman District Council (the stakeholders), and in terms of Section 64 of the Local Government Act, 2002, and sets out the intentions and expectations of the Trust for the period **1 July 2013 - 30 June 2014**. This is the lead document and is accompanied by the Strategic Plan agreed by the Board of Trustees.

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2 Principal Objectives

The aim of the Trust shall be to:

NELSON CITY COUNCIL
Customer Service

- 2.1 foster, promote and celebrate a sense of history and awareness of the importance of the Nelson and Tasman region's heritage and identity and the relationship of the Tangata Whenua as kaitiaki of taonga Maori within the rohe of Te Tau Ihu; and
- 2.2 be a good employer; and
- 2.3 exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- 2.4 conduct all trading affairs in accordance with sound business practice.

3 Governance Statement

3.1 Structure, Function and Obligations of the Board.

3.1.1 The Role of the Board

- To set policy.
- Ensuring the Trust meets its objectives approved in the Deed of Trust, Statement of Intent and Memorandum of Understanding with the two Council stakeholders.
- Ensuring the Trust complies with all its lawful obligations.
- Ensuring sound financial management of the Trust.
- Ensuring the stakeholders are kept well informed on all relevant issues, and that there are no surprises on matters likely to cause community or political concern.
- Encouraging the stakeholders to take an active and positive role in ensuring that the museum meets its objectives and continues to aim for sustainable growth within the community
- Employing the Chief Executive (including entering into a performance management agreement, reviewing performance and setting remuneration).

3.1.2 Composition of the Board

- The Board is made up no more than seven, nor less than five, non-executive Trustees.
- The appointment, rotation and removal of Trustees shall be in accordance with the procedures defined in the Deed of Trust.
- Two new Trustees were appointed in 2012 and two Trustees resigned their positions at the Annual Meeting. The process for selecting another member was initiated
- Te Tai Ao Komiti nominated a new Iwi representative who was confirmed prior to the end of 2012.

3 Governance Statement continued

3.2 Guidance and Resources Provided to Board Members

3.2.1 Resources available to Board members to carry out their duties:

Sound financial management systems that provide Board reports as follows:

- Statement of Financial Position for the preceding month and year to date.
- Statement of Financial Performance for the preceding month and year to date.
- Statement of Cash Flow for the preceding quarter and forecast for next quarter.
- Schedule of Fixed Assets for the preceding quarter and year to date.
- Chief Executive's report addressing issues related to the Trust and Museum performance against objectives (financial and non-financial).

3.2.2 The Board will ensure that relevant training opportunities and an induction kit are made available to Trustees.

3.2.3 Code of Conduct:

- All Board members shall observe the Governance Charter, 2008.
- All Board members will be required to comply with the New Zealand Institute of Directors "Code of Proper Practice for Directors".
- All Board members will apply their best endeavours to ensure the Trust achieves the financial, cultural, social and environmental objectives defined in Section 2 of this document.
- All Board members will apply their best endeavours to ensure the Trust complies with the requirements of its Deed of Trust, Memorandum of Understanding and the statutory compliance of the annual Statement of Intent and Strategic Plan.
- All Board members will apply their best endeavours to ensure the Trust complies with the Museums Aotearoa Code of Ethics.

3.3 Significant Policies in Place for Accountability

3.3.1 The Board shall ensure the Trust complies with the reporting requirements outlined in Section 7 of this document.

3.3.2 Risk Management Policies:

- The Board shall ensure that appropriate insurance is maintained on all insurable risks of the Trust, and in particular public liability insurance.
- The Board shall ensure that the Trust has systems in place to achieve compliance with the Health & Safety in Employment Act 1992 and subsequent amendments.
- The Board shall review appropriate security measures to safeguard assets (cash, collection, archives) and staff handling of such assets.

3.3.3 Remuneration

- Trustees may with the prior approval of both Councils, and in accordance with the Terms of the Deed of Trust, resolve to pay themselves an annual remuneration.

4 Nature and Scope of Activities

The objects for which the Trust is established are detailed in the Deed of Trust:

- To manage and operate the Museum in accordance with the Strategic Plan, to manage the Trusts assets and facilities, and acquire and manage the collections, including research collections of archives, library and photographs, and to operate them for the benefit of the residents of the region and the public generally, in accordance with the Strategic Plan;
- To recognise the special nature of the history of the region and the role of Tangata Whenua as kaitiaki of taonga Maori and special contribution to the heritage and identity of Te Tau Ihu;
- To support the strategic direction and policies of Nelson City Council and Tasman District Council in relation to cultural heritage issues and to enhance the special character of the region by protecting and celebrating its heritage and promoting it as a destination for cultural tourism (in association with Nelson Tasman Tourism, other regions and Tourism NZ);
- To foster support from a wide network including employees, volunteers, iwi, life associates, ratepayers and residents, educational providers, domestic and international visitors, heritage and other interest groups, corporate sponsors, private donors and supporters, philanthropic / funding agencies, Museums Aotearoa and departments of the New Zealand government;
- To foster effective participation with the community on heritage matters;
- To develop exhibition programmes and education policies for the Trust facilities and Museum services, with a view to maximising public utilisation of these facilities and services at TA445 in Nelson City and the Research Facility at Isel Park.
- To provide services which relate to the education of the residents of the Nelson and Tasman region, the rohe of Te Tau Ihu, and the wider community generally, relating to the region's past history and heritage issues relating to the present time; via exhibitions, our website and direct and electronic access to collections;
- To collaborate with other museums and facilities within the region to maximise community input into heritage issues;
- To develop and maintain partnership programmes with other Museums;
- To consult with and seek input from the community generally by whatever manner the Trustees deem appropriate to enable the services provided by the Trust and the Museum to be in accordance with the wishes of the community;
- To retain Acquisition, Deaccession, Exhibition and Collection Policies for the Trust;
- To provide all financial, administration, marketing, technology and other services required for the Trust facilities;
- To acquire land and other assets where such land or other assets can be used in conjunction with the Trust facilities or to promote the aims and objectives of the Trust;
- To ensure that all facilities are managed effectively;
- To comply with all relevant legislation and regulations and, where practicable, observe and support all international conventions and treaties as they relate to museums and items held by museums;
- To protect and manage for the benefit of the Museum all intellectual property, including trademarks, copyright and any reproduction rights;

Generally to do all acts, matters and things that the Trustees consider necessary or conducive to further or attain the objects and aims of the Trust set out above.

5 Accounting Policies

The reporting entity is Tasman Bays Heritage Trust. The financial year is the treasury year from 1 July until 30 June. The financial statements will be presented in accordance with NZ International Financial Reporting Standards [NZ IFRS] NZ GAAP and the NZ Financial Reporting Act 1993.

5.1 Measurement Base

The financial accounting policies recognised which materially affect the measurement of financial performance and financial position will be applied.

5.2 Good and Services Tax

The financial statements will be prepared so that all components are stated exclusive of Goods and Services Tax.

5.3 Fixed Assets

Tasman Bays Heritage Trust has the following classes of assets:

- Land, Buildings and Improvements
- Plant and Equipment
- Exhibition Fit Outs – permanent gallery
- Office Furniture and Fittings
- Collections

All fixed assets acquired from the Nelson Provincial Museum [NPM] in 2000-01 were recorded at their previous book value. A revaluation was conducted for audit purposes in 2006. The most recent revaluation will be effective from 1 July 2009. Subsequent additions are recorded at cost. Collection assets donated to, or acquired by, the Trust are recorded and are not subject to depreciation.

5.4 Depreciation

The Trust adheres to its Depreciation Policy. Each asset group has been assigned an appropriate depreciation rate calculated to allocate asset costs over their estimated life. Land and Buildings are assessed on Fair Value. A new schedule was adopted in 2009-10.

5.5 Financial Instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include; bank accounts, short-term deposits, accounts receivable, accounts payable and loans.

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are recognised in the Statement of Financial Position.

5.6 Employee Entitlements

Provision is made in respect of the Trust's liability for annual leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay.

5.7 Audit and Risk Management Committee

This Board sub-committee was established in 2008-9 to consider all financial and accounting information and to identify and assist in the management of the risk framework.

6 Performance Targets

6.1 Annual Objectives

As detailed in the Strategic Plan document.

- Governance, Financial and Strategic Performance Objectives set by the Board
- Service Performance Objectives developed by the CEO with senior staff

6.2 Governance Obligations

- Operate within the annual budget at all times.
- Consult with Te Tai Ao Komiti to assist with kaitiakitanga of taonga Maori.
- Maintain the Research Library and catalogue and care for the NPM collection at Isel Park.
- Prioritise strategies that contribute towards sustainable growth and future certainty.
- Open the Nelson city facility at TA 445 to the public for 363 days per year. Operate within the annual budget at all times.
- Care for the NPM Collection in accordance with Museums standards and legal requirements.

7 Reporting to Stakeholders

Financial reports will be provided to stakeholders in accordance with statutory compliance.

7.1 Draft Statement of Intent (SOI)

The Trust will begin development of the SOI by 30 November in each year. No later than 28 February in each year, the Trust will deliver to the stakeholders a DRAFT Statement of Intent [SOI], Strategic Plan and Budgets which fulfill the requirements of LGA 2002 (Section 64).

7.2 Completion of Statement of Intent (SOI)

The stakeholders' comments on the draft are to be received no later than 30 April. After due consideration, the Trustees will deliver to the stakeholders a FINAL SOI for the stakeholders approval, on or before the 30 June each year.

7.3 Strategic Plan

A Strategic Plan prepared in accordance with Section 29 of the Deed of Trust will be included in the DRAFT and FINAL SOI. The Strategic Plan will include:

Performance objectives and Proposed budget (year 1) and Indicative budgets (years 2 & 3)

7.4 Half Year Report

After the end of the half year (31 December) of the financial year the Trust will deliver to the stakeholders a brief un-audited report containing the following information in respect of the period under review (due no later than 28 February).

- Statement of financial performance disclosing actual & budgeted revenue and expenditure (P&L) and comparative figures from previous half year report.
- Statement of financial position at the end of the period.
- Statement of cash flow.
- A Trust commentary on the results for the period, including progress against objectives in the Statement of Intent and the Strategic Plan. An outlook for the second half year, with reference to any significant factors that are likely to have an effect on performance.

7.5 Annual Report

On or before 30 September, the Trustees shall deliver to the stakeholders an annual report which fulfils the statutory requirements of LGA 2002 (Section 67) and prepared to comply with NZ International Financial Reporting Standards (IFRS) and audited financial statements in respect of the financial year containing at least the following information:

- A report including a summary of the financial results, a review of operations and comparison of performance in relation to objectives in the Statement of Intent and the Strategic Plan.
- Statement of financial performance disclosing actual and budgeted revenue and expenditure and comparative figures from previous annual reports.
- Statement of financial position at the end of the year.
- Statement of cash flows.
- Auditor's report on the above statements and the measure of performance in relation to the declared objectives.
- The annual report is to be available for public inspection (on the NPM website).

8 Procedure for Acquisition of Other Interests

If the Trustees believe that Tasman Bays Heritage Trust should invest in or otherwise acquire any interests in any other organisation, or property, they will obtain the approval of both stakeholding Councils. This will require a resolution passed by each Council.

9 Funding from Local Authorities

An annual funding contribution shall be made to the Trust (NPM) as an operational grant, in accordance with the funding agreement in the Memorandum of Understanding. This grant and other Council funding such as Trustee fees or special funds will be clearly identified by the Trust in the SOI budgets. In addition to the base funding Tasman District Council makes storage space available at Whakatu Estate in a lease arrangement [at an estimated value of over \$65,000pa] and Nelson City Council has made a grant of \$67,000pa available for work on the Collection Inventory project. The confirmation of funding requires the approval of each Council by resolution. Council provisions for the Trust (NPM) will be disclosed in each Council's ten year Long Term Council Community Plan [LTCCP], annual plans and annual reports. The Trust will submit all funding requests to the two Councils in accordance with due process. The Trust will submit to the Councils LTCCP for capital expenditure funding support for development or investment projects.

10 Estimate of the Trusts Value

The estimated net asset worth of Tasman Bays Heritage Trust at **30 June 2012** was **\$17,453,748**. The Trustees note that the collections of the Museum were last valued in 2005 and that some significant value has been applied to recent donations added to the collections. Significant donations are examined by independent valuers and are noted in the annual accounts. The valuation of properties and fixed assets was completed in 2012, the next date for these valuations is 2014.

11 Dividend Policy

As a non-profit charitable trust the Councils are stakeholders rather than shareholders. There is no issue of shares and no mechanism for dividends. However, the Trust anticipates, through delivery of performance objectives, that an annual, non-financial dividend will be returned to our wider community through a contribution to the social and cultural well being of the region.

12 Insurance

On behalf of the Trustees, Tasman Bays Heritage Trust will purchase Trustees' indemnity insurance. The Trustees will in return sign a declaration that such insurance is fair, as required by the Companies Act 1993. The Trust will ensure that appropriate insurance is maintained on all inwards loans, buildings owned by the Trust, and in particular public liability insurance.

Tasman Bays Heritage Trust
Statement of Intent 2013 – 2014

SOI 26 February 2013
STATUTORY REQUIREMENTS

TBHT FINANCIALS	2012-13	2013-14	2014-15	2015-16
Reserve Bank CPI - 31 December	Act. CPI @ 1.8%	Act. CPI @ 0.9%	Est. CPI @ 0.9%	Est. CPI @ 0.9%
REVENUE				
Operating Grant – TDC	807,221	814,486	821,816	829,212
Operating Grant – NCC	807,221	814,486	821,816	829,212
Addnl Op Grant – NCC	68,206	68,820	69,439	70,064
TOTAL COUNCILS	1,682,648	1,697,792	1,713,071	1,728,488
LEOTC Contract (Fixed)	82,190	-	-	-
Project Grants Contra	-	15,000	-	-
Project Grants Exhibitions	92,000	-	-	-
Other	197,510	111,878	112,885	113,901
TOTAL REVENUE	2,054,348	1,824,670	1,825,956	1,842,389
EXPENDITURE				
Staffing	668,952	674,972	681,047	687,176
Education Contractors	82,190	-	-	-
Property	207,987	203,368	205,198	207,045
Other	115,329	115,648	116,689	117,739
DIRECT COSTS	1,074,458	993,988	1,002,934	1,011,960
Project Grants Contra	100,000	45,000	-	-
Project Grants Exhibitions	145,000	-	-	-
NCC Project Grant Contra	68,206	68,820	69,439	70,064
GROSS SURPLUS	666,684	716,862	753,583	760,365
Overheads	255,350	280,212	282,734	285,279
Interest Costs	57,569	36,827	31,952	26,818
Trustee Fees	59,394	59,929	60,468	61,012
TOTAL EXPENSES	372,313	376,968	375,154	373,109
Less DEPRECIATION	347,976	371,886	375,233	378,610
SURPLUS/DEFICIT	(53,605)	(31,992)	3,196	8,646

2013-14 NOTATIONS TO BUDGET

- 31 Dec 2012 CPI rate of 0.9%. The total funding from Councils is for operational costs (including trustee fees).
- Projects Income is tagged to expenditure. Glass Plate Negative Project has accrued income for 2 years (LGB and donations). The additional operating grant from NCC is 'tagged' for Collections work performed by staff on fixed term contracts.
- Other Revenue includes admissions, donations and sponsors that fund the exhibition programme. Projects are by application.
- The Education (LEOTC) contract with the Ministry of Education ceases on 30 June 2013 and its future is uncertain.
- Primary Loan (Westpac) is split with \$300,000 interest only at 30 day bill plus a margin of 1.60%. A Term Loan of \$500,000 commenced on 1st February 2013 at a fixed rate of 5.18% for 5 years and will be fully repaid at the end of that term. The Trust has a total credit facility of \$1,300,000 with approximately \$500,000 of tagged funds not yet drawn.
- Westpac term loan principal repayments for 2014 are estimated at a minimum of \$91,896 (\$96,771 – 2015, \$101,905 – 2016)
- These budgets contain no expectation of capital expenditure or development until the LTCCP, the next LTP 2015-2025.
- Funding Reserve for replacement of short life assets < 5 years expectancy (and depreciation) is \$185,228 for 2014
- The stakeholder loans of \$1.2m per Council reached their maturity date on 30.06.2012. They are unsecured loans.
- It is the commitment of Tasman Bays Heritage Trust to meet capital repayments of \$25,000 to each council, payable 30 June each year, commencing in the 2012/13 financial year.

NELSON CITY COUNCIL

Date _____

TASMAN DISTRICT COUNCIL

Date _____

TASMAN BAYS HERITAGE TRUST

Date _____

STRATEGIC PLAN

This document accompanies the Statement of Intent [SOI] which is the lead document and meets the statutory requirements of the Local Government Act 2002.

TASMAN BAYS HERITAGE TRUST

Board Members:	Terry Horne (Chairman) from 30/10/12	Olivia Hall (Iwi representative) appointed November 2012
	Liz Richards (Deputy Chairman}	Chris Bowater
	Phillip Thomason	Vacancy still to be filled
Chief Executive:	Peter Millward	commenced 2008
Financial Services:	Debbie McCrae	commenced 2007
Trust Secretary:	Angela Craig	commenced 2010
Auditor:	Office of Auditor General	Audit NZ

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NELSON CITY COUNCIL
Customer Service

BOARD OVERVIEW

Tasman Bays Heritage Trust [The Trust] has prepared a statement of intent, strategic plan and proposed budget for the financial year 2013-14. This strategic plan document sets out the financial and strategic direction of the Trust and the service priorities of the Nelson Provincial Museum Pupuri Taonga o Te Tai Ao for three years. The performance objectives are to be progressed in the next twelve months.

The Trust notes the recent report from Opus Consulting which has rated the Research Facility at Isel Park as being earthquake prone. The Trust is currently awaiting a report on the options available to it.

The Trust acknowledges the ongoing support of the council stakeholders at Nelson City Council [NCC] and Tasman District Council [TDC] whose annual operational grants are received quarterly and ensure continuity of core museum services. This baseline funding model consists of the operational grant from council stakeholders, as well as the provision of trustee fees and occasional special purpose grants.

The Trust's revenue is structured as follows:

- Councils Operational Grant to be bulk-funded and annually adjusted (@Reserve Bank CPI 31 Dec.)
- Trustee Fees to be clearly identified and reported, for the purpose of full disclosure.
- Grants and Donations to be outsourced from government, partners, sponsors and charities.
- Proceeds from short term exhibitions, photographic sales, retail, rental and other sources.

	2012-13	2013-14	2014-15
Operational Grants	1,555,048	1,569,043	1,583,164
Trustee Fees	59,394	59,929	60,468
Inventory staffing grant	68,206	68,820	69,439
TOTAL COUNCIL REVENUE	1,682,648	1,697,792	1,713,071

¹ Tasman Bays Heritage Trust – Nelson Provincial Museum Pupuri Taonga o Te Tai Ao 2013-14

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1. STRATEGIC PLAN - Tasman Bays Heritage Trust**INTRODUCTION**

Tasman Bays Heritage Trust is a charitable trust and is registered with the NZ Charities Commission. The Trust was established in 2000 to administer the Nelson Provincial Museum Pupuri Taonga o Te Tai Ao as a regional heritage facility, on behalf of Tasman District Council and Nelson City Council [Deed of Trust 2000]. The Trust is a Council-Controlled Organisation with statutory obligations under the Local Government Act, 2002. Council stakeholding is structured as a 50:50 alliance. The Trust is bound by foundation funding agreements [Memorandum of Understanding 2000, 2009], [MOU Variation 2006], as well as the Long Term Council Community Plan of each Council. The Trust has a partnership contract with the manawhenua iwi of Whakatu, Motueka and Mohua; sometimes referred to as the manawhenua iwi of Whakatu Marae [Memorandum of Understanding 2007, 2010].

The Trust adheres to best practice as specified in its Governance Charter and is held accountable for the financial structure and strategic direction of the Nelson Provincial Museum. The Trust delivers an audited financial Annual Report. The Trust employs a Chief Executive to manage the services, operations and employees. Also, the Trust contracts a Financial Services Officer to manage monthly and annual accounts, and a Trust Secretary to assist with all legal compliance.

The Trust commitment is to create value for the community with our stakeholders support by:

- *Protecting preserving and promoting our taonga / treasures*
- *Educating our visitors - Engaging with our communities - Endowing our future*

BOARD PERFORMANCE OBJECTIVES 2013-14

The Board has identified the following objectives for the Trust to progress in the next twelve months:

GOVERNANCE – FINANCE - STRATEGIC

1. Secure the financial future of Tasman Bays Heritage Trust by fixing and repaying the interest bearing debt of the Trust and by maintaining the debt repayment program agreed with the Councils.
2. Register with the Charities Commission constitutional amendments to the Deed of Trust to align with the Local Government Act 2002 and the Memorandum of Understanding with the Trust's Iwi partners
3. Review the TBHT properties to enhance storage and reduce risk to the collections held at the Nelson Provincial Museum for the medium term (5-7 years) and in line with the Trusts intent to upgrade or replace the collection and research facility at Isel Park.
4. Resolve the issues identified in the Detailed Engineering Evaluation of the Research Facility building at Isel Park to ensure the Collections are protected and that public have access to the research material.

5. To ensure that objectives are achieved within budget
6. To ensure the Asset Register is maintained and that an appropriate asset management plan is put in place

BOARD REPORTS

In accordance with the Local Government Act 2002, the Trust submits a six-month financial report and Annual Report to the stakeholders. Financial statements adhere to NZ IFRS and are audited by the Office of the Auditor General.

The Trust meets monthly and reviews the financial accounts, strategic progress and operational matters. In addition to the one standing sub-committee of the Board, there are 4 Advisory Committees that assist in the delivery and quality of governance:

- | | |
|---|----------------------------|
| ▪ Audit and Risk Management sub-committee | L Richards, T Horne. |
| ▪ Exhibitions Programme | P Thomason, O Hall, (CEO). |
| ▪ Funding Partners | L Richards, C Bowater. |
| ▪ Te Tai Ao Komiti | O Hall, T Horne, CEO |
| ▪ Education Advisory Committee | CEO, Senior Educator |

A special purpose project committee has been formed on an ad hoc basis to deal with the 'earthquake prone' issues at the Research Facility. This is comprised of P Thomason, the CEO and key senior staff.

The Trust partnership with Te Tai Ao Komiti [the Maori advisory committee] is managed by the Chief Executive and Board Chairman.

The Education Advisory Committee is composed of representatives from regional schools and other education institutions. They provide input, guidance and feedback necessary for completion of reports to the Ministry of Education and where necessary to the TBHT. This committee is managed by the CEO and Education staff.

FINANCIAL SOURCES

The stakeholder councils provide an annual operational grant that provides certainty for the provision of staff services and daily operations of the Museum and statutory compliance by the Trust. Since 2007, councils have allocated funds for trustee fees. Funding by applications is a competitive and challenging process. A Lotteries Grant Board application to support the World War 1 Centenary program has been lodged jointly with the Nelson Historical Society. Sponsor partners and donors continue to support our presentation of special exhibitions and programme events. The educational services are funded under a Ministry of Education contract which ends on 30 June 2013. Replacement of this funding is a significant challenge facing the Trust if the system is reviewed or we are unsuccessful in winning a new Contract in the tender round. . At the time of writing there has still been no indication from Ministry of Education about the status of the LEOTC Contract programme which makes educational objectives extremely difficult to forecast.

MUSEUM SERVICES

The Nelson Provincial Museum is a bi-cultural regional museum. The staff deliver collection, research and library services at the Research Facility [Isel Park, Stoke]. The service delivered at this facility is dependent on public access to the facility despite significant efforts to put increasing amounts of material on-line. Access to Collection material is essential for exhibitions curated by Museum staff. Until the access issues to the building are resolved the physical access to Collection material will remain severely restricted.

The exhibitions and educational programmes are delivered at TA445 [Trafalgar Street, Nelson] and advisory services are provided to museums across Nelson city and Tasman district. Objects from the museum collection are on display at the Museum and also in Isel House, Broadgreen and Founders Historic Park and photographs feature in local museums, councils and offices across the region. Images from the collection (photographic and object based) are used locally, nationally and internationally in print and electronic media, in interpretation and public displays. Additional storage is provided for objects considered to be at a low risk under a sub-lease arrangement with the Tasman District Council at Whakatu Estate. The Detailed Engineering Evaluation of the Research Facility building at Isel Park recently undertaken by OPUS and the report will be the basis of another significant body of work in the coming year at both strategic and operational levels and will undoubtedly have significant impact on both. This document is written on an assumption that staff access to the Research Facility at Isel Park will be available during the time period covered by this plan.

The Nelson Provincial Museum provides a diverse range of public services:

- Accession heritage objects and material considered to be of local, regional or national significance. The Museum provides long-term storage, care and preservation under a controlled environment.
- Interpretation and public presentation of our bi-cultural regional heritage in the permanent exhibition.
- Archive and research library of manuscripts, books, maps, documents and records with public access.
- Photographic collection available for research and reproduction, with public access.
- Website presentation of the Museum, its collection and exhibitions provides public access to a wider audience.
- The Educational services (and LEOTC programme) for our regional schools.
- Special exhibitions with heritage or science themes, to appeal, engage and interest the public.
- Museum collection is a basis for research by institutions, academics and the general public.
- Museum staff offer professional assistance and advice to other heritage institutions across the region,
- Museum is in collegial partnership with national institutions for development of a range of digital heritage projects.

2. STRATEGIC PLAN 2013 – 14 NELSON PROVINCIAL MUSEUM PUPURI TAONGA O TE TAI AO

The Board and Chief Executive agree annual objectives and outcomes for the Nelson Provincial Museum. The three year strategic plan differentiates our services by growth, maintenance or capital investment:

1. Capital investment in the care, storage and preservation of the valuable items in the museum collection.
2. Growth in public usage of the public exhibitions and educational programmes at the museum, TA445.
3. Growth in public access to the Museum Collection via museum website.
4. Investigate alternative provision of research services and opportunities based on the Collections on-line and at the TA445 venue.

SERVICE PERFORMANCE OBJECTIVES 2013-14

MUSEUM COLLECTIONS – CARE AND DEVELOPMENT

- Allocate resources to fit out additional storage space at Elms Street in order to transfer objects stored in unstable environmental conditions at Founders Historic Park and containers at the Research Facility. Report half yearly.
- Seek to reduce disruption to staff work and public services caused by the condition of the building and endeavor to find ways of providing access to alternative resources and modes of access.
- Continue to seek advice from Te Tai Ao Komiti in relation to taonga in the care of the Museum prior to Collections Committee meetings. In particular to keep the komiti fully aware of the status of collection stores involving taonga.
- As soon as building issues are resolved to continue the Glass Plate Relocation and Digitisation Project (5,000 images relocated and digitised per quarter) progressively making data available on-line. Report 6 monthly on project targets and budget status.
- To actively work towards resolving building issues so that staff can maintain the care and preservation of collection objects held in storage and on public display following currently accepted museum standards and practices.
- Continue to develop the collection database, Vernon CMS, maintaining the data standards and user manual.
- Process donations according to Standard Operating Procedures and create a record in Vernon CMS for new acquisitions within six months of being accessioned into the permanent collection. Report monthly on accessions, donations, records, research requests and significant changes in records such as the Inventory project.

MUSEUM EXHIBITIONS, EDUCATION AND THE VISITOR EXPERIENCE

NOTE - at the time of writing we are still waiting on an indication from the Ministry of Education about the status of the LEOTC Contract program

- Update the Integrated Exhibition Plan including refreshment of the permanent exhibition gallery, the Forward Exhibition Programme of changing exhibitions in the upstairs gallery and other spaces; and including marketing displays in window spaces and elsewhere. Report quarterly on progress.
- Deliver a Forward Exhibition Programme including both internally produced and externally sourced exhibitions that seeks to meet the needs and interests of a broad audience, aligned with the Exhibition policy.
- Put in place the planning necessary to maximise community engagement with exhibitions and programming associated with the Centenary of World War 1.
- Use the Visitor Survey as a means of ascertaining levels of Visitor Satisfaction with Services, Exhibitions and Programmes [target 80% or better rate their experience as 8,9,10 on a 10 point scale] and the success of campaigns to attract repeat visits from the regional population. Report six monthly and compare annually with data obtained by NCC surveys.
- Invite participation from selected groups of regional and other visitors in a review of the permanent exhibition. Use this input to help prioritise the sections to be worked on in the next three years.
- Seek input from the manawhenua iwi on plans to update the six iwi cases. Seek advice and guidance regarding Maori involvement in World War 1.
- Continue to seek partnerships from the community and other institutions including other regional heritage assets, that add value to the education work of the Museum.. Seek guidance from the Education Advisory Committee and transmit reports from that group to the TBHT.
- Provide education opportunities to regional school students to support their NZ Curriculum studies based on our exhibitions and resources. Target of at least 5000 students.

MUSEUM PUBLIC INFORMATION and ACCESS

- Continue to maximize promotional opportunities by implementing joint marketing strategies with other regional institutions, particularly those supported by our two regional Council stakeholders.
 - Undertake development of the Vernon CMS web browser module to increase its accessibility and usability as part of a longer term strategy to increase and enhance the Museum’s online presence
 - Continue to engage with the community through informative content on the Museum’s website and monthly email newsletter as part of a strategy to increase public awareness of exhibitions, education and public programmes, and the work of staff. Seek to add at least 200 new addresses annually from amongst local and regional visitors.
 - Continue to add content to the Museum’s electronic public access catalogue - Collections Online (500 images and records per quarter). Make this information available through a public kiosk in both venues and on the worldwide web. Enhance the kiosks by adding access to more heritage information websites and databases.
 - Work with our finance and banking service provider to scope an e-commerce capability for selected products and services.
 - Disseminate knowledge of the Museum, its work and the collections, through participation in presentations, workshops and conferences, contributing to the overall development of the Museum’s professional standards and practice, internally and regionally .Brief reports from such activities will be summarized to the TBHT and its committees as appropriate.
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NELSON CITY COUNCIL

_____ Date _____

TASMAN DISTRICT COUNCIL

_____ Date _____

TASMAN BAYS HERITAGE TRUST

_____ Date _____