

Notice is given that an ordinary meeting of the Nelson-Tasman Regional Landfill Business Unit will be held on:

Date: Monday 27 August 2018
Time: 9.30 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Nelson-Tasman Regional Landfill Business Unit

AGENDA

MEMBERSHIP

Members Cr S Walker
Cr S Bryant
Cr C M Maling
Cr I Barker

(Quorum 3 members)

Contact Telephone: 03 543 8524
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Website: www.tasman.govt.nz

A2035458

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.

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AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 PUBLIC FORUM

5 CONFIRMATION OF MINUTES

That the minutes of the Nelson-Tasman Regional Landfill Business Unit meeting held on Friday, 22 June 2018, be confirmed as a true and correct record of the meeting.

6 PRESENTATIONS

Nil

7 REPORTS

7.1 Nelson Tasman Regional Landfill Business Unit - Annual Report - 2017/2018..... 5

7 REPORTS

7.1 NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT - ANNUAL REPORT - 2017/2018

Information Only - No Decision Required

Report To:	Nelson-Tasman Regional Landfill Business Unit
Meeting Date:	27 August 2018
Report Author:	Don Clifford, Acting General Manager; Andrew Bishop, Management Accountant
Report Number:	RRLBU18-08-1
File Reference:	

1 Summary

- 1.1 The Nelson Tasman Regional Landfill Business Unit Annual Report for 2017-2018 is attached.

2 Draft Resolution

That the Nelson-Tasman Regional Landfill Business Unit:

1. receives the Nelson Tasman Regional Landfill Business Unit - Annual Report - 2017/2018; and
2. approves the Nelson Tasman Regional Landfill Business Unit Annual Report - 2017/2018 subject to audit.

3 Purpose of the Report

- 3.1 To consider the performance of the Nelson Tasman Regional Landfill Business Unit Annual Report for the 2017/2018 financial year.

4 Background and Discussion

- 4.1 This Annual Report is a review of what has been achieved by the Nelson Tasman Regional Landfill Business Unit in the 2017/2018 financial year and its level of performance against Key Performance Indicators.

5 Attachments

- | | | |
|----|---|----|
| 1. | Nelson Tasman Regional Landfill Business Unit Annual Report - 2017/2018 | 7 |
| 2. | Nelson Tasman Regional Landfill Business Unit Annual Financial Report | 13 |



Nelson Tasman Regional Landfill Business Unit

Annual Report 2017/18

1. Background

- 1.1 This Annual Report is a review of what has been achieved by the Nelson Tasman Regional Landfill Business Unit (NTRLBU) in the 2017/2018 financial year and its level of performance against Key Performance Indicators.

2. Discussion

- 2.1 The NTRLBU achieved a surplus of \$199,319.00.
- 2.2 Operating and maintenance costs were \$139,892.00 over budget and resulted from the cost of dealing with a higher tonnage of waste.
- 2.3 A milestone achievement has been the preparation and advertising of the Request for Tenders (RFT) for the Operations & Maintenance of the Landfills.
- 2.4 All consent conditions were met during the year except for one infraction at York Valley.

3. Performance Measured Against Strategic Business Objectives

- 3.1 The objectives outlined below describe the long term aims of the business unit. These objectives are from the Draft 2018/2019 Business Plan so they were not in place for the past year. Performance measure targets and dates (where they are not specified below) are set annually in the Business Plan along with performance measures for projects identified in the Asset Management Plan. Performance will be reported quarterly to the Committee and annually or six monthly, as appropriate, to the shareholding councils.

Long Term Objectives	Key Performance Measures	Performance
<i>Landfill capacity is available to receive solid waste generated within the Nelson Tasman region.</i>		

Long Term Objectives	Key Performance Measures	Performance
The development of a new sanitary landfill agreed on by the time that the estimated remaining useful life of the current active landfill is five years.	Reporting the available landfill airspace annually.	Achieved. Current remaining life for York Valley is 14 years
Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all major contractors.	Achieved
<i>The costs of disposal to landfill are affordable</i>		
The cost of disposal to landfill is minimised.	That sum of the landfill surplus/deficit as measured over a five year period does not exceed the value set by the joint committee. (Proposed that the NTRLBU may retain up to \$300,000 of surpluses for the purpose of managing year-by-year income fluctuations)	Costs are being well managed.
The economic lives of all assets are optimised.	Three-yearly internal audit of asset management practices confirms this.	It is only the first year for the NTRLBU. Historically, each council has optimised the individual site assets.
The available airspace at the landfill is used efficiently.	Airspace consumption of 1.23m ³ per tonne of residual waste received is maintained or improved.	Achieved as a measure of whole-of-life landfill density. This target has been added to new O&M contract
New technology choices are well understood and are proven to be reliable, sustainable and cost effective.	All significant 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.	No recent new technology choices have been made.

Long Term Objectives	Key Performance Measures	Performance
<i>Risks associated with the services provided are identified and mitigated to a level agreed with owners.</i>		
Risk management plans include all significant health and safety, environmental, cultural, social, economic and contractual risks.	No event, which impacts on agreed levels of service, occurs that has not been identified in the NTRLBU risk management plans.	A review of current Risk Management Plans is required.
Contingency plans adequately address emergency events.	The effectiveness of the York Valley Landfill Management Plan is reviewed and confirmed following incidents which require activation of the plan.	The Landfill Management Plan has recently been reviewed by an external consultant.
<i>We engage the right people, with the right skills and experience.</i>		
Those engaged with the NTRLBU have the right skills, experience and support to perform well.	Annual staff performance reviews include assessment of the skills and experience required in their role in NTRLBU and their development needs are identified and met. The Joint Committee reviews its performance at least annually.	Ongoing assessment. Work need on role definition and succession planning.
Operation and maintenance manuals reflect best practice for the activity are followed consistently.	An internal audit every three years confirms this.	The new O&M contract will result in improvements to the O&M manuals.
<i>NTRLBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact</i>		
NTRLBU minimises adverse environmental, social and cultural impacts where this is economically viable.	Environmental, social and cultural impacts are considered in all decision making.	Achieved.
<i>Good relationships are maintained with all stakeholders</i>		

Long Term Objectives	Key Performance Measures	Performance
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	All strategic and business plans are approved by shareholders. Budget projections are met.	Both councils have been kept well-informed. Budgets are in surplus.
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 are publically available.	Generally good. A new Resource Consent is required for Eves Valley.
<i>All statutory obligations are met</i>		
All statutory obligations are identified and met and are included in contracts with suppliers.	100% compliance with all statutory obligations.	Achieved.
All resource consent requirements are met.	100% compliance with all resource consents.	One non-compliance at York Valley (after wash down of weighbridge area some sediment went into York Stream).

4. Financial Performance

Commentary on Regional Landfill Financials

- 4.1 The total revenue of \$8,686,547 was \$1,395,325 more than budget as we had 14,581 more tonnes of waste received than budgeted.
- 4.2 Total expenditure of \$8,616,069 was \$1,149,951 more than budgeted for the following reasons:
- An impairment of \$162,564 on the Eves Valley assets as a result of the decision to close this landfill effective 1 July 2017.
 - Increased operations and maintenance costs of \$139,892. The operations contract costs increased under the terms of the contract due to the additional volumes processed.
 - The post-closure cost provision net increase of \$269,695. The Eves Valley provision has increased by \$421,071 due to the inclusion of maintenance of the leachate line A2035458

until stage 3 commences, the costs associated with the heavy rainfall event on 1 July 2017 and costs incurred as a result of delay to capping stage 2. This was partially offset by a reduction of the York Valley provision of \$151,376 due to recognition of increased airspace available as a result of a resurvey.

- Emissions Trading Scheme costs increased by \$248,321 and the Waste Levy increased by \$147,584 as a direct result of the increased waste tonnages received.
- Consultancy costs \$154,170 over budget for the Asset Management Plan and Operations contract tender.

- 4.3 Comprehensive revenue and expenses includes a negative adjustment of \$1,754,501 to the opening valuations of property plant and equipment. The Nelson City Council valuation was found to include \$292,430 of Transfer Station assets. The Remaining Economic Lives (REL) of the assets in both councils' valuations were based on the remaining physical life of the landfill assets. As these assets are cash generating assets they differ from other infrastructural assets in that the REL should be based on the lesser of the physical life or the life they can generate a cash return. The maximum life these assets has is the remaining commercial life of the landfill. At 30 June 2017 the Eves Valley landfill had a one-year life and the York Valley landfill had a 17-year life, being the life left on the consent. For Eves Valley the adjustment for this change of maximum REL was \$1,090,024 and for York Valley it was \$372,047.

Explanation of major variances against budget

- 4.4 Explanations for major variations from the Nelson Tasman Regional Landfill Business Unit's 2017/18 budget are as follows:

From the "Statement of Comprehensive Revenue and Expense"

- Total Revenue is \$1,395,325 more than budget due to higher tonnage of waste received.
 - Total expenses are \$1,149,951 more than budget as a result of increased costs due to the increased tonnage of waste received, additional costs due to the heavy rain event on 1 July 2017, delays in capping stage 2 of Eves valley, impairment of Eves Valley assets due to early closure, recognition of additional post closure costs at Eves Valley and the costs of consultants for the Asset management plan and contract tendering. In addition the amalgamation of the landfill operations resulting in a reduced life of the landfills which has increased the net present value of the post closure cost provision which is expensed.
- 4.5 Comprehensive revenue and expenses includes an adjustment of \$1,754,501 to Property, Plant and Equipment received on 1 July 2017. This reflects an adjustment for assets incorrectly allocated to the landfill activity and an adjustment to the life of the landfill assets reflecting a change in basis from the physical life of the assets to the remaining economic life of the appropriate landfill.

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2018

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Representatives for year ended 30 June 2018

Representing Tasman District Council

Cr C Maling

Cr S Byrant

Representing Nelson City Council

Cr Ian Barker

Cr S. Walker

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

Nelson City Council

110 Trafalgar St

Nelson

Solicitors

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Statement of Accounting policies

For the year ended 30 June 2018

Reporting Entity

The Nelson Tasman Regional Landfill Business Unit (the 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 Business Unit is to manage the landfill facilities 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 financial reporting.

The financial statements of the Business Unit are for the year ended 30 June 2018. The financial statements were authorised for issue by the Committee on the 27th August 2018.

Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies set out below have been consistently applied to all periods presented in the financial statements.

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).

The financial statements of the Business Unit have been prepared in accordance with Tier 2 PBE standards on the basis that the Business Unit does not have public accountability (as defined) and has total annual expenditure of less than \$30 million.

These financial statements comply with Tier 2 Public Benefit Standards Reduced Disclosure Regime.

Measurement base

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

Summary of Significant 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.

Interest income is recognised using the effective value method.

Exchange and non-exchange transactions

An exchange transaction is one in which Business Unit receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are where Business Unit receives value from another entity without giving approximately equal value in exchange.

b) Borrowing Costs

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

c) Trade and other receivables

Trade and other receivables are initially recorded at face value less any provision for uncollectability.

A provision for impairment of receivables is established when there is objective evidence that the Business unit will not be able to collect all amounts due according to the original terms of the receivables. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

d) Trade and other payables

Short term creditors and other payables are recorded at their face value.

e) Provisions

The Business Unit has a legal obligation under the resource consent to provide on going maintenance and monitoring services at the landfill sites after closure. The provision for post-closure costs is recognised as a liability when the obligation for post-closure arises. This provision is measured based on the present values of future cashflows expected to be incurred.

f) Borrowings

Borrowings are initially recognised at the amount borrowed plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

g) Income tax

As a Joint Committee of Nelson City Council and Tasman District Council the Business Unit's surplus is incorporated into the accounts of the two councils. The Business operations are a non-taxable activity for each Council.

h) 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.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

i) Distribution Policy

Any Net Surplus Income, less any retention held for managing year-by-year fluctuations, as decided by the Committee, is returned to the Councils on an equal share basis as a solid waste rebate to be used solely for waste activities. These are exchange transactions.

j) Property, Plant and Equipment

There are four categories of Property, Plant and Equipment:

- Freehold land
- Infrastructure network
- Post Closure Costs
- Work in Progress

Revaluation of property plant and equipment

- 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 2017 by QV Valuations.

- Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2018 based on an internal valuation as at 31 March 2018 plus additions at cost less depreciation. The valuation methodology has been peer reviewed by Opus International Consultants Ltd and revaluations are updated annually. Work in progress is recognised at cost less impairment and is not depreciated.

The results of revaluing land and infrastructural assets are credited or debited to other comprehensive revenue and expense 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.

Post-closure costs

The provision for post-closure costs is recognised as an asset when the obligation for post-closure arises. The historical cost is not revalued and is amortised over the life of the landfill based on the volume of airspace consumed during the year.

Components of the capitalised landfill asset are depreciated over their useful lives.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits will flow to the Business Unit and the cost can be measured reliably.

Work in progress is measured at cost less impairment and is not depreciated.

New Business Unit assets are added between valuations and recorded at cost except when acquired through a non-exchange transaction. Where an asset is acquired through a non-exchange transaction, such as vested assets it is recognised at fair value as at the date of acquisition.

k) Depreciation

Depreciation is provided on a straight line basis on all PPE other than Land and Post Closure Costs at rates which will write off the cost/valuation of the assets over their useful lives. Post Closure Costs are amortised based on volume of airspace consumed. The useful lives of the major classes of infrastructural assets have been estimated as follows:

Class of PP&E	Estimated useful life
Buildings	43 yrs
Improvements	17 yrs
Landfill Network	5-100 yrs
Post Closure Costs	48 yrs

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.

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

l) Other financial assets

Other financial assets including Emissions trading Scheme Credits are initially recognised at cost less any provision for impairment.

m) Budget figures

The unaudited budget figures are those approved by the Committee at the beginning of the year based on the two Council's 2015-25 Long Term Plans. The unaudited budget figures have been using accounting policies that are consistent with those adopted by the Committee for the preparation of financial statements.

n) 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 TASMAN REGIONAL LANDFILL BUSINESS UNIT
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2018

	Notes	Actual 2017/18 \$	Budget 2017/18 \$	Actual 2016/17 \$
Revenue				
Landfill fees		8,686,547	7,270,535	-
Other Recoveries		46,473	57,090	-
Interest		82,368	92,418	-
Total Revenue		8,815,388	7,420,043	-
Less Expenses				
Management costs		270,654	235,015	-
Audit Fees		18,150	-	-
Interest Paid		-	9,293	-
Insurance		9,616	13,979	-
Depreciation	6	215,642	236,263	-
Impairment		162,564	-	-
Operations & Maintenance		974,588	834,696	-
Post-closure provision	4	880,574	610,879	-
Emissions Trading Scheme		1,284,514	1,036,193	-
Waste Levy		760,784	615,000	-
Local Disposal Levy		3,831,250	3,831,250	-
Consultancy		157,269	3,099	-
Sundry		50,463	40,451	-
Total Expenses		8,616,069	7,466,118	-
Net Surplus		199,319	(46,075)	-
Other Comprehensive Revenue and Expense				
1 July adjustment of Property, Plant and Equipment	1(a)	(1,754,501)	-	-
Gain on revaluations of Property, Plant and equipment	1(b)	57,296	-	-
Total Comprehensive Revenue and Expense		(1,497,886)	(46,075)	-

Statement of Changes in Equity
For the year ended 30 June 2018

Equity at the start of Year				
Opening Equity		-	-	-
Plus net assets transferred from owners		8,805,257	-	-
Plus Total Comprehensive Revenue and Expense for the year		(1,497,886)	-	-
Equity at the end of Year		7,307,371	-	-

Explanations of major variances against budget are found in note 10.

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Statement of Financial Position as at 30 June 2018

	Notes	Actual 30-Jun-18 \$	Actual 1-Jul-17 \$
Equity			
Accumulated Funds	1(a)	7,250,075	8,805,257
Revaluation reserve	1(b)	57,296	-
Total Equity		<u>7,307,371</u>	<u>8,805,257</u>
This was represented by:			
Current Assets			
Nelson City Council Current Account		452,843	-
Trade and other receivables from exchange transactions		960,331	-
Inter-entity receivables from exchange transactions		281,430	-
Inter-entity other financial assets		3,318,859	3,236,491
Emissions Trading Scheme (ETS) Credits		2,079,194	692,000
Total Current Assets		<u>7,092,657</u>	<u>3,928,491</u>
Current Liabilities			
Trade Payables from exchange transactions		-	-
Sundry Creditors and other payables from exchange transactions		1,038,122	-
Inter-entity payables from exchange transactions	5	1,235,619	-
Current portion of Provisions		534,200.00	-
Total Current Liabilities		<u>2,807,941</u>	<u>-</u>
Net Working Capital		<u>4,284,716</u>	<u>3,928,491</u>
Non Current Assets			
Property, plant and equipment	6	6,037,845	8,113,257
Total Non Current Assets		<u>6,037,845</u>	<u>8,113,257</u>
Non Current Liabilities			
Provisions	4	3,015,191	3,236,491
Total Non Current Liabilities		<u>3,015,191</u>	<u>3,236,491</u>
Net Assets		<u>7,307,371</u>	<u>8,805,257</u>

As the Nelson Tasman Regional Landfill business unit only came into existence on 1 July 2017 the assets taken over from NCC and TDC are shown as the comparative figures.

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNITStatement of Cash Flows
For the year ended 30 June 2018

	Notes	2017/18 \$	2016/17 \$
Cash Flows from Operating Activities			
Receipts from customers		8,727,918	0
		<u>8,727,918</u>	<u>0</u>
Payments to suppliers		(2,588,944)	0
Payments of Local Disposal levy		(3,831,250)	0
		<u>(6,420,194)</u>	<u>0</u>
Net Cash Flows from Operating Activities	3	<u>2,307,725</u>	<u>0</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		0	0
Purchase of carbon Credits		(1,854,882)	0
Net Cash from Investing Activities		<u>(1,854,882)</u>	<u>0</u>
Cash Flows from Financing Activities			
		0	0
Net Cash from Financing Activities		0	0
Net Increase/(Decrease) in cash and cash equivalents		<u>452,843</u>	<u>0</u>
Cash and cash equivalents at beginning of the year		0	
Cash and cash equivalents at the end of year		<u>452,843</u>	<u>0</u>

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

	2017/18	2016/17
	\$	\$
1 Equity		
The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council.		
1(a) Accumulated Funds		
Opening Balance	0	0
Net Assets assumed 1 July 2017	8,805,257	0
Adjustment 1 July 2017	(1,754,501)	
Net Surplus	199,319	0
Closing Balance	7,250,075	0

The net assets assumed at 1 July 2017 are based on the book values of the net assets allocated to the respective landfills at 30 June 2017. The asset valuations were subsequently discovered to be based on the asset lives rather than their economic lives and some assets belonged to other Council activities.

1(b) Revaluation Reserve		
Opening Balance	0	0
Revaluation Movements		
Land revaluation	0	0
Landfill network revaluation	57,296	0
Total Revaluation Movement	57,296	0
Transfer to accumulated funds on disposal of property	0	0
Closing Balance	57,296	0
Balance held as follows:-		
Land	0	0
Landfill network	57,296	0
Total Revaluation Reserve	57,296	0

2 Term Loans

A core funding facility exists with Tasman District and Nelson City for 110% of the current funding with a constant maturity of no less than five years.

Interest rates payable range was 3.42% to 3.42% with a weighted average of 3.42%. (2016/17 is not applicable).

A working capital facility exists with Nelson City with interest rates payable on the same rate as the core funding facility. At 30 June the facility had a credit balance of \$452,843 (2017 \$Nil).

3 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those it is reasonable to expect the Business Unit would have adopted in dealing with the party at arm's length in the same circumstances.

The Business Unit was formed on 1 July 2017 pursuant to a deed of agreement between Nelson City Council (NCC) and Tasman District Council (TDC). The net assets of the Eves Valley Landfill of TDC and the York Valley Landfill of NCC, as recorded in the respective councils books have been amalgamated as the assets of the Business Unit on 1 July 2017. This represents only part of transaction between NCC and TDC. Whilst the whole transaction was at arm's length the portion included in these accounts are not.

4 Provisions

As operator of the the York and Eves Valley landfills, the Business Unit has a legal obligation to provide ongoing maintenance and monitoring services after closure. This provision is calculated on the basis of discounting closure and post closure costs into present day values. This calculation assumes no change in the resource consent conditions for closure and post closure treatment.

5 Inter-entity payables from exchange transactions

Inter-entity payables from exchange transactions is the amount owing to the Nelson City Council (NCC) in the event that Debtors balances held by NCC are not received.

6 Property, plant and equipment

	Land	Buildings	Landfill Network	Improvements	Post Closure Cost	Total
Valuation / Cost						
Balance 30 June / 1 July 2016	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposal of Assets	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Revaluation transfer	-	-	-	-	-	-
Balance 30 June 2017	-	-	-	-	-	-
Transfer 1 July from NCC & TDC	873,800	15,795	6,747,472	94,324	853,039	8,584,430
Additions 2018	-	-	-	-	-	-
Adjustment 1 July 2017	-	-	(1,754,501)	-	-	(1,754,501)
Impairment Eves valley 1 July 17	-	-	(162,564)	-	-	(162,564)
Revaluation 2018	-	-	57,296	-	-	57,296
Revaluation transfer 2018	-	-	(198,912)	-	-	(198,912)
Balance June 2018	873,800	15,795	4,688,791	94,324	853,039	6,525,749
Accumulated Depreciation						
Balance 30 June / 1 July 2016	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-
Revaluation transfer	-	-	-	-	-	-
Balance 30 June 2017	-	-	-	-	-	-
Transfer 1 July from NCC & TDC	-	-	-	-	471,173	471,173
Depreciation charge 2018	-	2,237	198,912	5,895	8,598	215,642
Revaluation transfer 2018	-	-	(198,912)	-	-	(198,912)
Balance June 2018	-	2,237	-	5,895	479,771	487,904
Carrying amounts						
Balance June 2017	-	-	-	-	-	-
Balance June 2018	873,800	13,558	4,688,791	88,429	373,268	6,037,845
Work in Progress (Included above)						
Property, plant and equipment in the course of construction by class of assets is detailed below						
Balance June 2017	-	-	-	-	-	-
Balance June 2018	-	-	-	-	-	-

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6 Property, plant and equipment continued - further disclosures

There are a number of Estimates and Assumptions exercised when valuing the

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the assets.

- Estimating the remaining useful life over which assets are depreciated. To minimise this risk, infrastructural assets useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of the asset management planning activities, which provides further assurance over useful life estimates.

There are no restrictions on the Business Units' Property, plant and equipment.

7 Financial Instruments

The Business Unit is party to financial instrument arrangements as part of its everyday operations. These financial instruments include 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 Revenue and Expense.

a) Credit Risk

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Nelson City Council Current Account	452,843	0
Accounts Receivable	1,241,761	0
Inter-entity deposits	3,318,859	0
No collateral is held on the above accounts		

b) Concentration

Concentrations of credit risk with respect to accounts receivable is moderate, with Nelson City Council, Tasman District Council and two private users as major customers and 50 minor customers. However, the Councils and major Customers are all considered high credit quality entities.

c) Currency Risk

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

d) Fair value interest rate risk

The Business Unit is exposed to interest rate risk and seeks to minimise this exposure through the adopted treasury policy which provides for an interest rate based on a 3-year market swap rate on the facilities with the two owner councils.

7 Statement of Contingent Assets and Contingent Liabilities

The Business Unit has no contingent asset or contingent liabilities as at 30 June 2018 (2017 Nil).

8 Statement of Commitments

The Business Unit has capital commitments of \$Nil as at 30 June 2018. (2017 \$Nil).

Operating Leases as lessor	<u>2018</u>	<u>2017</u>
Less than one year	-	-
One to Five years	-	-
Over five years	-	-

9 Subsequent events

There are no material adjusting events after balance date.

10 Explanation of major variances against budget

Explanations for major variations from the Nelson Tasman Regional Landfill Business Unit's 2017/18 Budget are as follows:

Statement of Comprehensive Revenue and Expense

Total Revenue is \$1,395,325 more than budget due to higher tonnage of waste received.

Total expenses are \$1,149,951 more than budget as a result of increased costs due to the increased tonnage of waste received, additional costs due to the heavy rain event on 1 July 2017, delays in capping stage 2 of Eves valley, impairment of Eves Valley assets due to early closure, recognition of additional post closure costs at Eves Valley and the costs of consultants for the Asset management plan and contract tendering. In addition the amalgamation of the landfill operations resulting in a reduced life of the landfills which has increased the net present value of the post closure cost provision which is expensed.

Comprehensive Revenue and Expenses includes an adjustment of \$1,754,501 to Property, Plant and Equipment received on 1 July 2017. This reflects an adjustment for assets incorrectly allocated to the landfill activity and an adjustment to the life of the landfill assets reflecting a change in basis from the physical life of the assets to the remaining economic life of the appropriate landfill.