

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

Date: Friday 13 September 2019
Time: 1.30 pm
Meeting Room: Ruma Marama
Venue: Nelson City Council
110 Trafalgar Street
Nelson

Nelson Regional Sewerage Business Unit

AGENDA

MEMBERSHIP

Chairperson Cr Kit Maling (Chairman)
Members Cr Dean McNamara
Cr Tim Skinner
Cr Stuart Walker
Mr F Hippolite

(Quorum 3 members)

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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 Regional Sewerage Business Unit meeting held on Tuesday, 16 July 2019, be confirmed as a true and correct record of the meeting.

6 PRESENTATIONS

Nil

7 REPORTS

7.1 Acting General Manager's Update 5

8 CONFIDENTIAL SESSION

Nil

7 REPORTS

7.1 ACTING GENERAL MANAGER'S UPDATE

Decision Required

Report To:	Nelson Regional Sewerage Business Unit
Meeting Date:	13 September 2019
Report Author:	Don Clifford, Acting General Manager
Report Number:	RNRSBU19-09-1

1 Summary

- 1.1 This is the three-monthly update report from the acting General Manager.
- 1.2 A draft Business Plan 2020/2021 is presented for approval.
- 1.3 The Annual Report 2018/2019 is presented for approval.

2 Draft Resolution

That the Nelson Regional Sewerage Business Unit:

1. receives the Acting General Manager's Update Report, NRSBU19-09-01; and
2. approves the draft NRSBU Business Plan 2020/2021; and
3. recommends the draft NRSBU Business Plan 2020/2021 be presented to the Tasman District Council and Nelson City Council for their feedback; and
4. approves the NRSBU Annual Report 2018/2019; and
5. recommends that the NRSBU Annual Report 2018/2019 be presented to the Tasman District Council and Nelson City Council for their adoption.

3 Purpose of the Report

3.1 This report provides the three-monthly update on activity for the Nelson Regional Sewerage Business Unit (NRSBU).

4 Health and Safety

4.1 A review of health and safety risks will be undertaken soon. The implementation of the earlier improvement plan is ongoing.

4.2 New security gates have been installed at Bell Island to restrict access to the site.

5 Financial Status

5.1 **Attachment 1** includes three financial reports up to the end of June 2019:

- Income Account for the period to 30 June 2019.
- Balance Sheet as at 30 June 2019.
- Detailed Budget – Capital Expenditure.

5.2 Variable income is down and attributed to lower volumes/concentrations received.

5.3 Management costs are up against budget due to the extra inputs and external pricing of the acting General Manager and the acting Operations Manager. However, the operations management costs are down significantly from the February 2019 report due to more appropriate allocation of costs to capital expense categories. The year-to-date variation dropped from \$364,000 to \$294,000.

5.4 Maintenance costs are over budget due to numerous items at Rabbit Island, the pump stations and at Bell Island. The year-to-date variation is \$272,000.

5.5 Sundry costs are up significantly as a result of the use of Tasman District Council supplied water for cleaning the inlet screens. The year-to-date variation is \$31,000.

5.6 The biosolids costs are up due to the arrears payment of escalation to the contractor of \$79,198.58 (for the period July 2014 to September 2018). The year-to-date variation is \$63,000.

5.7 Renewals costs are \$330,000 under budget; it is intended to undertake those works in the current financial year.

5.8 New capital works are over \$3 million below budget due to no sludge removal from ponds and no work on solids treatment facilities. It is intended to undertake some of those works in the current financial year.

6 Contract 3458 – Operations and Maintenance

6.1 There have been several issues with flow meter performance within the NRSBU network during the period. The flow meter supplier visited Nelson to test the flow meters and it was found that there were issues in several meters. Work is required to change the airport outflow meter, the Saxton Road outflow meter and to investigate issues with the Songer

Street outflow meter. One result of these issues is the potential for inaccurate charging to customers.

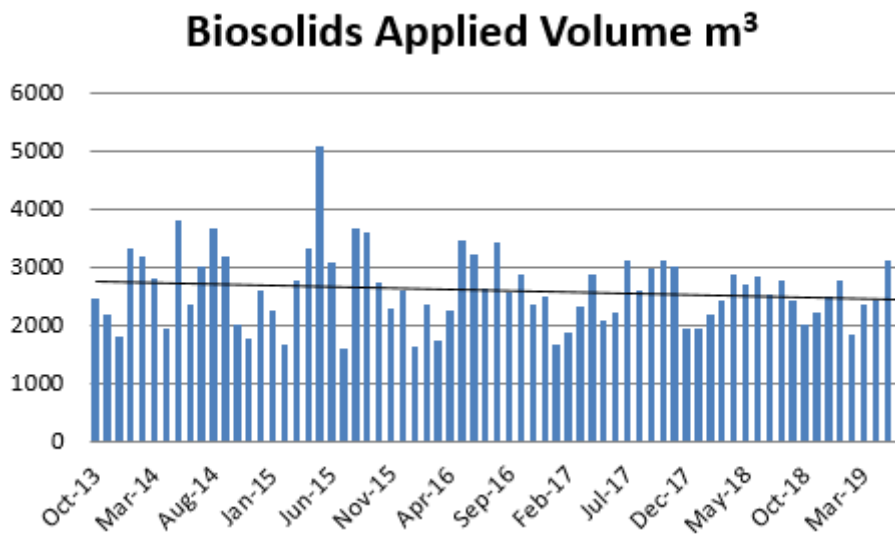
- 6.2 Pumpstation maintenance remains an ongoing concern due in part to very slow response from the pump suppliers. Critical spares lists have been prepared and these will be purchased to allow reduction in parts supply duration.
- 6.3 The review of the pond conditions will be completed by the NRSBU once the sludge assessment review has been completed by the contractor. The report has been delayed so that matters discussed at the pond workshop can be included in the contractor’s report.
- 6.4 The contractor’s team is also working on the review of all operations documents; at the time of writing this report the Odour Management Plan and the Pond Management Plan had been received.

Odour Management

- 6.5 We have achieved some good improvements, however odour management does require ongoing vigilance.

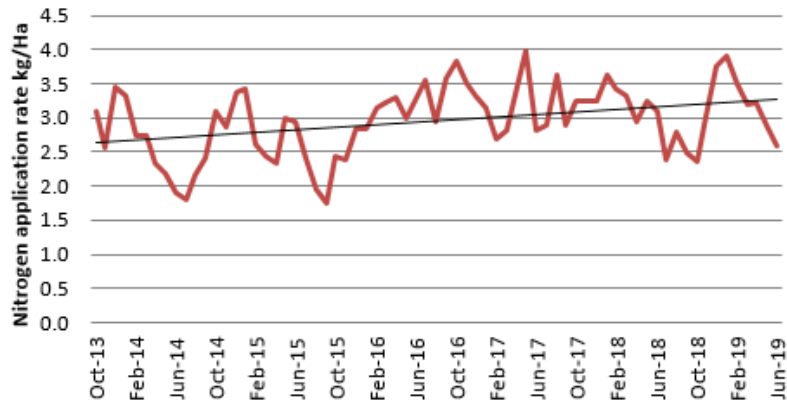
Biosolids Operation

- 6.6 The 12-month rolling average of biosolids sprayed is around 29,000m³. It is considered that the downward trend in production of biosolids is linked to improved process management at Bell Island and that further optimisation of processes at Bell Island may generate further improvement.

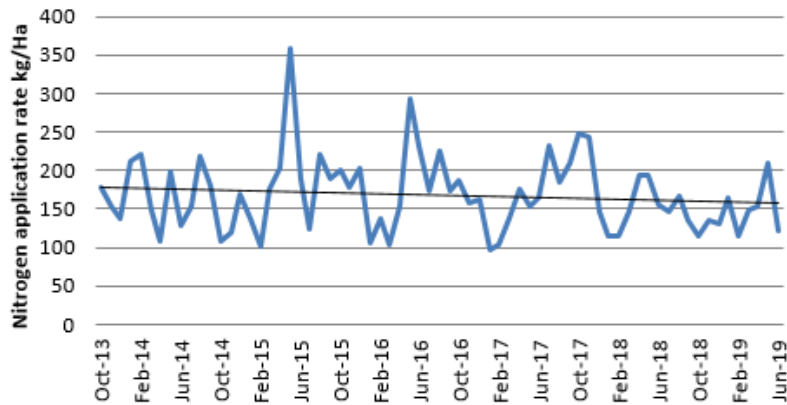


- 6.7 The increase in biosolids concentration and the decrease in nitrogen concentration of the biosolids suggest that the contractor has become more proficient with the management of treating sludge at Bell Island.

Biosolids Concentration

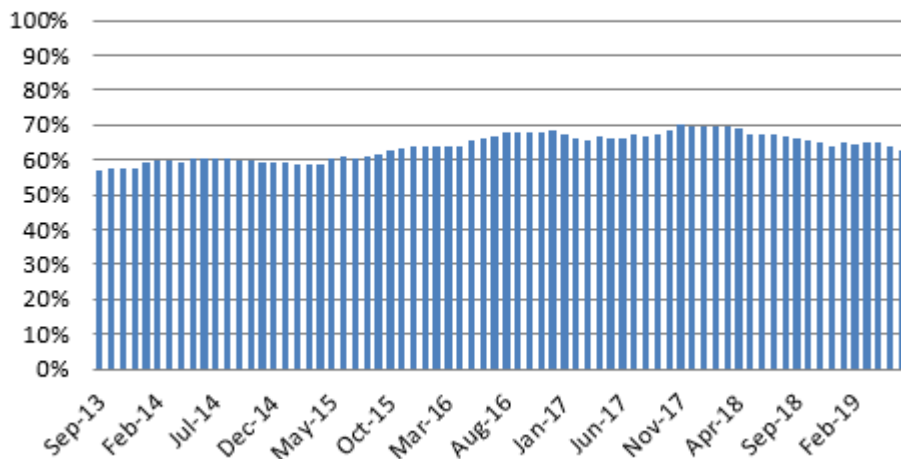


Biosolids: Nitrogen Applied



6.8 The following graph shows the use of nitrogen capacity of Rabbit Island pine plantations and demonstrates that the NRSBU has a buffer of nearly 40%. If the effectiveness of the treatment of sludge at Bell Island can be maintained the land available at Rabbit Island and Bell Island for the disposal of biosolids will be adequate for the foreseeable future. Furthermore, there is no need to use the waste stabilisation ponds at Bell Island to divert biosolids away from the sludge treatment facility or land.

Nitrogen Capacity used in 3 year cycle



Bell Island Land Irrigation

- 6.9 The Bell Island grazing lease has been extended to mid-2020. Staff will be considering whether there are better uses of the land, for example direct irrigation to land by NRSBU.

7 Regional Pipeline

- 7.1 Works are ongoing to comply with some of the conditions of the aberrational discharge consent at pump stations.
- 7.2 Further to the Business Plan 2018/19 amendment agreed by both councils (Appendix F Reduction of Adverse Environmental Effects) a project to increase flow capacity downstream of Beach Road is to be undertaken. This would significantly reduce the risk of overflows at the Beach Road pump station site. This project is included in the Business Plan 2019/20 capital expenditure budget.

8 Trade Waste Management

- 8.1 The acting Operations Manager has met with both councils trade waste officers to develop a closer working relationship and to improve outcomes for all.

9 Bell Island Resource Consent Application

- 9.1 The application suspension period has now ended. The consenting authority is targeting a mid-November hearing.
- 9.2 The Acting General Manager is working with the resource consent consultant and the legal advisor to continue preparations for the hearing.

10 Treated Wastewater Re-use Trial

- 10.1 There is no progress to report on the preparations for this trial.

11 Key Performance Indicators

- 11.1 The outcomes of key performance indicators for the twelve month period are shown in the following table.

Environmental: Treatment and Disposal			
RMA consent - wastewater Discharge to Coastal Marine Area	RMA Consent - Discharge of Contaminants to Air (Odour complaints)	RMA Consent - Discharge of Contaminants to Land	Equipment Failure of critical components within treatment and disposal system
Environmental: Pump Stations			
Odour complaints from pump stations	Pump station wet weather overflows	Pump station overflows resulting from power failure	Pump station overflows resulting from mechanical failure
Environmental: Pipeline			
Reticulation breaks	Air valve malfunction		
Capacity: Overloading system capacity			
Treatment & Disposal	Pump Stations		
Reliability: Equipment failure of critical components			
Treatment & Disposal	Pump Stations	Pipelines	
Responsiveness: Speed of response for emergency and urgent maintenance works			
Treatment & Disposal	Pump Stations	Pipelines	
Responsiveness: Speed of response for routine and programmable maintenance works			
Treatment & Disposal	Pump Stations	Pipelines	
Key customer relationships: Overall satisfaction			
Treatment & Disposal	Pump Stations	Pipelines	

12 Compliance Outcomes

12.1 The compliance outcomes for the 12 month period are outlined in the following table.

i)	Resource Consent Compliance (rolling 12 month record)	
	Discharge to Estuary	Achieved.
	(Consent for Aberrational Discharges within Nelson City Council area)	No overflows during the past 12 months.
	Discharge to Air Permit	No formal complaints
	Biosolids Disposal	100% Compliance
	Discharge treated wastewater to land	No formal complaints
ii)	Odour Notifications	

	Past three months	Nil
	Last 12 months	Numerous odour reports have been received but none of these should be considered an odour event within the sense of consent compliance. Independent observations by the operations manager, the asset engineer and specialist consultant appointed to assess odour have identified incidences of malodour.
iii)	Overflows	
	Past three months	Nil in the reporting period
	Last 12 months	Nil
iv)	Speed of response for maintenance works	
	Response within 30 minutes. Achieved. While initial response is excellent the compliance with timely action to remediate issues are not as satisfactory.	
v)	After hours call outs	
	Three month period: 21 call outs (Average of 7 per month) compared to long term average of 3.2 call outs per month.	

13 Emissions

- 13.1 Nelson City Council and Tasman District Council are considering their emissions “footprint”. As the NRSBU assets are jointly owned by the councils, the Business Unit will also need to assess its emissions. A notional allowance of \$100,000 per year has been included in the Business Plan 2020/2021 for this activity.

14 Business Plan

- 14.1 The Memorandum of Understanding requires a draft Business Plan for 2019/2020 to have been issued to both councils by 31 December 2018.
- 14.2 The Memorandum of Understanding further requires that after the councils have had an opportunity to discuss and comment on the draft Business Plan the NRSBU shall finalise the Business Plan incorporating any changes agreed between the councils and the Board and present the final Business Plan to the councils by 20 March 2019 (for inclusion in each council’s draft Annual Plan).
- 14.3 At the 16 July 2019 meeting the Board approved the Business Plan 2019/2020.
- 14.4 Tasman District Council approved the Business Plan 2019/2020 at its meeting on 1 August 2019. The Plan is being presented to Nelson City Council for their approval on 19 September 2019.
- 14.5 The Memorandum of Understanding requires a draft Business Plan for 2020/2021 to be issued to both councils by 31 December 2019.

14.6 A draft Business Plan 2020/2021 has been written and is attached for the committee's approval (**Attachment 2**).

15 Annual Report

15.1 The Annual Report (2018/2019 year) including the financial statements is attached for the Committee's approval (**Attachment 3**).

16 Attachments

1. ↓	Financial report to 30 June 2019	13
2. ↓	Draft NRSBU Business Plan 2020-2021	19
3. ↓	NRSBU Annual Report including Financials 2018-2019	41

**Nelson Regional Sewerage Business Unit
Financial Report**

Income Account for the period to 30th June 2019

	Actual Month	Budget Month	Actual YTD	% YTD	% Year	2018/19 Budget		YTD Variation
						YTD	Annual	
Income								
Contributions Fixed	367,155	372,000	4,405,858	99	99	4,464,000	4,464,000	(58,142)
Contributions Variable	1,185,388	261,478	3,626,919	116	116	3,137,732	3,137,732	489,187
Other Recoveries	87,447	13,189	245,525	155	155	158,268	158,268	87,257
Interest	11	-	1,823			-	-	1,823
Forestry Income	9,240	-	9,240			-	-	9,240
Total Income	1,649,241	646,667	8,289,366	107	107	7,760,000	7,760,000	529,366
Less Expenses								
Management	56,285	16,738	494,875	246	246	200,864	200,864	(294,011)
Electricity	77,959	68,363	798,989	97	97	820,350	820,350	21,362
Contract Maintenance	54,965	54,665	693,748	106	106	655,993	655,993	(37,755)
Reactive and Proactive Maintenance	35,952	42,377	780,837	154	154	508,500	508,500	(272,337)
Monitoring	70,853	17,149	180,390	88	88	205,775	205,775	25,385
Consultancy	3,535	6,250	28,446	38	38	75,000	75,000	46,554
Insurance	5,973	5,000	66,686	111	111	60,000	60,000	(6,686)
Sundry	253	12,231	177,883	121	121	146,770	146,770	(31,113)
Biosolids Disposal	48,874	51,900	685,446	110	110	622,804	622,804	(62,642)
Operating & Maintenance Expenses	354,649	274,673	3,907,300	119	119	3,296,056	3,296,056	(611,244)
Financial	16,679	51,583	471,168	76	76	619,000	619,000	147,832
Depreciation	176,035	155,833	1,932,523	103	103	1,870,000	1,870,000	(62,523)
Total Expenses	547,362	482,089	6,310,991	109	109	5,785,056	5,785,056	(525,935)
Net Income	1,101,878	164,578	1,978,374	100	100	1,974,944	1,974,944	3,430

**Nelson Regional Sewerage Business Unit
Detailed Report**

	Actual 30th June 2019	Budget 30th June 2019	Actual YTD 30th June 2019	Budget YTD	Full Budget 2018/19
Income					
Contributions Variable	1,185,388	261,478	3,626,919	3,137,730	3,137,732
Contributions Fixed	367,155	372,000	4,405,858	4,464,000	4,464,000
804005100528 Septage Recovery	21,000	11,856	163,078	142,270	142,268
80400640 Other Recoveries	66,447	-	66,447	-	-
80400490 Lease Rentals	-	1,333	16,000	16,000	16,000
Interest	11	-	1,823	-	-
Forestry Revaluation	9,240	-	9,240	-	-
Total Income	1,649,241	646,667	8,289,366	7,760,000	7,760,000
General Management	640	-	8,000	-	-
Engineering Management	12,428	11,201	127,737	134,420	134,417
IM & Finance	6,002	2,244	45,208	26,930	26,931
General Manager	10,744	-	136,764	-	-
GM Other Professional Advice	28,909	-	171,068	-	-
Administration	-	1,250	-	15,000	15,000
80402693 Sundry Administration Expense	-	700	98	8,400	8,400
80402601 Directors Expenses	-	-	6,000	-	-
80402750 Auditing	-	1,343	-	16,120	16,116
Total Management	56,285	16,738	494,875	200,870	200,864
Interest	16,678	51,583	471,160	619,000	619,000
Bank Charges	0	-	8	-	-
Total Financial	16,679	51,583	471,168	619,000	619,000
Depreciation	176,035	155,833	1,932,523	1,870,000	1,870,000
804026170529 Elec: Aeration Basin	35,811	28,187	389,824	338,250	338,248
804026170530 Elec: Facultative Ponds	4,119	4,271	35,478	51,250	51,249
804026170531 Elec: ATAD	18,324	15,033	171,116	180,400	180,398
804026170532 Elec: Rabbit Island	1,063	1,290	10,394	15,480	15,477
804026170533 Elec: Saxlons Rd PS	6,849	7,346	71,764	89,150	88,149
804026170534 Elec: Airport PS	3,180	2,904	29,953	34,850	34,850
804026170535 Elec: Richmond PS	4,530	5,296	48,767	63,550	63,549
804026170537 Elec: Waikatu P/S	206	192	3,071	2,310	2,306
804026170540 Elec: Screens	1,323	1,153	13,847	-	13,837
804026170630 Elec: Songer St Pump Station	2,555	2,691	24,775	32,290	32,287
Total Electricity	77,959	68,363	798,989	806,530	820,350
80402031 General Mtce Contract	6,923	6,824	87,117	81,880	81,882
80403031 General Unprogrammed	-	1,750	-	21,000	21,000
General Contingency	-	650	-	7,800	7,800
80404031 & Plant General Programmed	9,694	-	95,092	-	-
804020310540 Screens Mtce: Contract	4,479	5,131	62,526	61,580	61,577
804030310540 Screens general unprogrammed	5,557	1,833	89,076	22,000	22,000
Screens Contingency	-	375	-	4,500	4,500
804040310540 Screenings Programmed	-	500	-	6,000	6,000
804020100528 Septage Contract	712	-	8,626	-	-
Septage Contingency	-	50	-	600	600
804020180542 Aeration Mtce Contract	2,851	2,789	35,872	33,470	33,473
804030180542 Aeration Basin general unprogramme	825	5,167	29,123	62,000	62,000
Aeration Contingency	-	450	-	5,400	5,400
804040180542 Aeration Programmed	-	833	-	10,000	10,000
804020180543 Clarifier Mtce Contract	2,851	2,789	35,872	33,470	33,473
804030180543 Clarifier Unprogrammed	-	417	10,175	5,000	5,000
Clarifier Contingency	-	200	-	2,400	2,400
804040180543 Clarifier Programmed	-	417	-	5,000	5,000
804020180541 Primary Clarifier Contract	2,851	2,789	35,872	33,470	33,473
804030180541 Primary Clarifier general unprogramm	2,339	833	30,939	10,000	10,000
Primary Clarifier Contingency	-	200	-	2,400	2,400
804040180541 Primary Clarifier Programmed	-	417	-	5,000	5,000
804020100528 Liquid Waste Facility Contract	700	700	-	8,410	8,405
804030100528 Liquid Waste Facility Un-programmed	417	417	-	5,000	5,000
804040100528 Liquid Waste Facility Programmed	417	417	-	5,000	5,000
804020100544 Oxidation Mtce Contract	10,181	9,962	129,428	119,550	119,548
804030100544 Oxidation Ponds general unprogramm	3,591	2,500	131,779	30,000	30,000
804040100544 Oxidation Programmed	-	3,333	-	40,000	40,000
Oxidation Contingency	-	775	-	9,300	9,300
804020180545 ATAD Mtce Contract	10,588	10,361	134,488	124,330	124,328

NRSBU Ledger and Financial Report 2018 19 (A2059786).xlsx

Nelson Regional Sewerage Business Unit Detailed Report

	Actual 30th June 2019	Budget 30th June 2019	Actual YTD 30th June 2019	Budget YTD	Full Budget 2018/19
804030180545 Solids handling general unprogramm	5,656	7,500	196,214	90,000	90,000
804040180545 ATAD General	1,268	2,792	9,148	33,500	33,500
Solids Handling Contingency	-	1,150	-	13,800	13,800
804030310538 Rabbit Island general unprogrammed	-	417	28,703	5,000	5,000
804040310538 Rabbit General	-	417	11,952	5,000	5,000
804020100545 ATAD Projects	-	150	-	1,800	1,800
804030310539 Thickening un-programmed	-	417	-	5,000	5,000
804020100546 Pump Stn Mtce Contract	13,531	13,320	163,949	159,840	159,836
804030100546 Pump Station Unprogramed	5,617	5,417	127,484	65,000	65,000
804040100546 Pump Stn General	1,406	1,583	17,585	19,000	19,000
Pump Stn & Rising main Contingency	-	1,000	-	12,000	12,000
Total Maintenance	90,918	97,042	1,474,585	1,164,500	1,164,493
804026340538 Rabbit Island Monitoring	374	2,167	3,601	26,000	26,000
804026340531 Bells Island Biosolids Monitor	65,644	167	79,849	2,000	2,000
804026340532 Trial Site Monitoring	683	1,667	15,166	20,000	20,000
804026340547 Coastal Permit Monitoring	634	1,500	28,578	18,000	18,000
804026340529 Process Monitoring	1,435	1,000	20,494	12,000	12,000
804026340549 Contributors Monitoring	2,085	10,625	30,439	127,500	127,500
80402634 TDC	-	23	2,263	280	275
Total Monitoring	70,853	17,149	180,390	205,780	205,775
80402730 Consultancy	3,535	6,250	28,446	75,000	75,000
80402637 Insurance	5,973	5,000	66,686	60,000	60,000
80402621 Rates	-	5,083	51,388	61,000	61,000
80402625 Water Charges	11	3,667	124,072	44,000	44,000
804020100548 Forestry	-	2,958	-	35,500	35,500
80404016 Spit Restoration project	-	523	918	6,270	6,270
804023100538 Biosolids Disposal	48,874	51,900	685,446	622,800	622,804
80402607 Telephone/Computers	242	-	1,505	-	-
Total Expenses	547,362	482,089	6,310,991	5,771,250	5,785,056
Net Income	1,101,876	164,578	1,978,374	1,988,750	1,974,944
Maintenance Summary					
Contract	54,965	54,665	683,748	656,000	655,993
Unprogrammed (General)	23,585	31,251	647,059	375,000	375,000
Programmed (Specific)	12,368	11,126	133,778	133,500	133,500
	90,918	97,042	1,474,585	1,164,500	1,164,493
O&M			3,907,292.12		
Income			3,652,159.25		
Net Cost Contributors			255,132.87		

NRSBU Ledger and Financial Report 2018 19 (A2059786).xlsx

**Nelson Regional Sewerage Business Unit
Detailed Budget - Capital Expenditure**

	Month Actual	Actual YTD	Full Budget	Budget		
	30th June 2019	30th June 2019	2018/19	Unspent		
Capital Expenditure						
Renewals						
80407305	Renewal Inlet	15,556	72,575	-	72,575	
80407320	Renewals: Pump replacement	-	311,773	85,000	-	226,773
804073300455	Renewal Aeration Basin	-	85,577	188,000	-	102,423
804073300781	Renewal: Sludge Treatment (ATAD)	19,471	63,587	119,000	-	55,413
80407140	Renewal: Sundry Plant	30,194	141,770	20,000	-	121,770
804073400800	Bell Island Discharge Consent	37,775	193,715	-	-	193,715
804070750800	AM: Bell Island Discharge Consent	-	140	-	-	140
804073900666	Rabbit Island renewals	-	-	223,000	-	223,000
804073900782	Renewal: Ponds	3,062	96,587	-	-	96,587
	Total renewals	106,057	965,723	635,000	-	330,723
80407615	Pipeline & Pumpstation Upgrades	720	44,815	-	-	44,815
804073302476	NRSBU Expand solids treatment	1,514	8,939	2,500,000	-	2,491,061
804076050540	Milliscreen	-	15,040	-	-	15,040
804073302477	NRSBU Sludge Management in Ponds at Bell	-	-	1,520,000	-	1,520,000
80407340	Capital: Resouce Consent Accid	21,632	33,528	-	-	33,528
8040 7950 0544	Capital: Oxidation Ponds	471	121,471	-	-	121,471
8040 7930 0800	Washwater and Water recycling	-	19,366	-	-	19,366
8040 7740	Capital: Plant and Equipment	-	33,219	-	-	33,219
	Total New Capital	24,337	276,378	4,020,000	-	3,743,622
	Total Capital Expenditure	130,395	1,242,102	4,655,000	-	3,412,898

Nelson Regional Sewerage Business Unit

	Balance Sheet as at 30th June 2019		
	Current	Last Month	June 2018
Equity			
Opening Equity (July)	48,867,719	48,867,719	46,966,781
Plus Net Income YTD	0	876,496	0
Plus Revaluation	643,375	0	1,900,939
Closing Equity	<u>49,511,095</u>	<u>49,744,216</u>	<u>48,867,719</u>
Contingency Reserve	100,000	100,000	100,000
	<u>49,611,095</u>	<u>49,844,216</u>	<u>48,967,719</u>
Which was Invested as follows -			
Current Assets			
Bank	244,462	277,167	621,557
Debtors	552,781	35,130	114,287
NCC Current account	0	358,084	0
Total Current Assets	<u>797,243</u>	<u>670,381</u>	<u>735,844</u>
Fixed Assets	64,209,838	63,602,863	64,247,645
Current Liabilities			
Creditors	(60,919)	(429,029)	(140,998)
NCC Loan	0	0	0
TDC Current Account	(514,939)	0	(731,820)
NCC Current account	(820,128)	0	(1,142,952)
Total Current Liabilities	<u>(1,395,986)</u>	<u>(429,029)</u>	<u>(2,015,769)</u>
Term Liabilities	(14,000,000)	(14,000,000)	(14,000,000)
Derivative Financial Instruments	0	0	0
	<u>49,611,095</u>	<u>49,844,216</u>	<u>48,967,719</u>

Nelson Regional Sewerage Business Unit

Draft BUSINESS PLAN

2020/2021



NRSBU Business Plan 2020-2021

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Prepared by: Don Clifford with input from Nathan Clarke,
Acting Operations Manager

Approved by: Don Clifford, Acting General Manager

Approved by:

Cover photograph - Bell Island

1. PURPOSE

The purpose of the Nelson Regional Sewerage Business Unit (NRSBU) Business Plan 2020/2021 is to summarise management goals and objectives to deliver wastewater collection and treatment services to the region; and to improve the effectiveness and efficiency in the delivery of those services.

2. MEMORANDUM OF UNDERSTANDING REQUIREMENTS

The Memorandum of Understanding states that the NRSBU Board shall by 31 December each year supply to the councils (Nelson City and Tasman District Councils) a copy of its draft Business Plan. The Business Plan outlines the management of the Nelson Regional Sewerage Business Unit and the assets for the ensuing year, together with any variations to the charges proposed for that financial year.

The Memorandum of Understanding (MoU) commenced on 1 July 2015 and shall terminate on 30 June 2025. The MoU was updated in March 2019.

3. INTRODUCTION

This Business Plan 2020/21 outlines the projects and initiatives to be implemented during the year. It also outlines the associated funding required and the details of the performance targets and measures.

The Business Plan is aligned with the NRSBU Strategic Plan and the NRSBU Wastewater Asset Management Plan 2017 (although some budgets have increased, some have decreased, and/or the timing has changed). It includes business objectives and performance targets (Section 7) and the three-year financial forecasts (Section 8). The following key pieces of information from those other documents are included in the appendices of this business plan:

Appendix A – Committee Activity Schedule

Appendix B - Targeted levels of service established by the Asset Management Plan

Appendix C - Internal business improvement plan

Appendix D - The 10-year financial plan

Appendix E - Schematic layout of the NRSBU operations

Appendix F – Reduction of Adverse Environmental Effects

4. MISSION STATEMENT

The NRSBU's 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".

5. STRATEGIC GOALS

The NRSBU aspires to achieve the following goals:

- Wastewater reticulation, treatment and disposal services meet customers' long-term needs.
- The wastewater reticulation, treatment and disposal services are delivered cost effectively.
- Risks associated with the services provided are identified and mitigated to a level agreed with customers and owners.
- We engage the right people with the right skills and experience.
- The NRSBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social and cultural impacts.
- NRSBU understands its Carbon Emissions and manages them in a responsible way.
- Good relationships are maintained with all stakeholders.
- All statutory obligations are met.

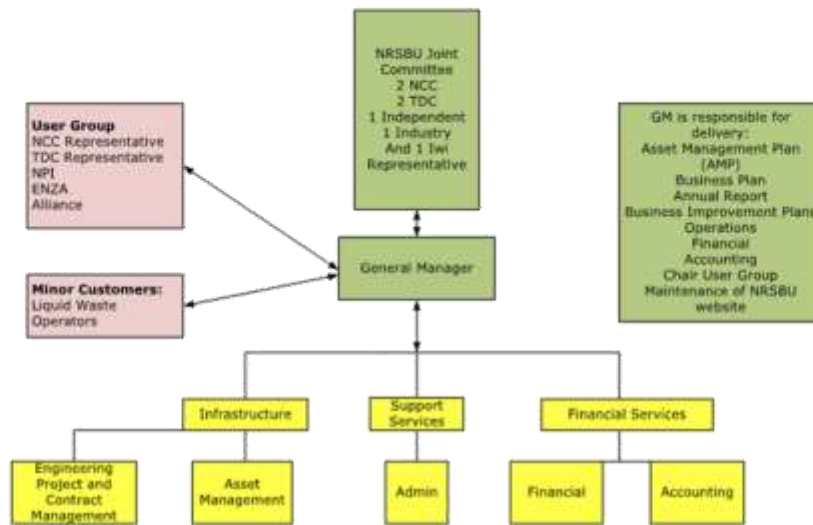
The NRSBU functional activities are managed by the Nelson City Council and therefore the NRSBU functional activities shall comply with the requirements of the Nelson City Council Health and Safety Policy and fully subscribe to the vision for a Zero Harm Culture.

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

It is important to note that discussion is occurring nationally regarding the delivery of three-waters services in New Zealand. This discussion includes the implementation of national discharge standards for wastewater treatment facilities. This work could have a significant influence on the NRSBU. It is necessary for the NRSBU to maintain an understanding of these issues so that an appropriate response can be made if required.

6. NRSBU STRUCTURE

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.

Following the adoption of a new Strategic Plan in August 2013, the 2017 Wastewater Asset Management Plan was developed and adopted on 15 September 2017. A draft of the long-term financial plan based on the Asset Management Plan, was provided to Tasman District Council and Nelson City Council in July and October 2017 respectively to enable them to consolidate the NRSBU long-term plan into their own strategic documents.

7. BUSINESS OBJECTIVES AND PERFORMANCE MEASURES

The objectives outlined below describe the long-term aims of the business unit. 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 Board and annually to the shareholding councils.

Long Term Objectives	Key Performance Measures
<i>Wastewater reticulation, treatment and disposal services meet customers' long-term needs</i>	
Sufficient reticulation, treatment and disposal capacity is available for loads received.	Loads do not exceed the capacity of the system components.
Intergenerational equity is maintained.	Loans are repaid over 30 years (the average life of the assets).

Long Term Objectives	Key Performance Measures
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.
<i>The cost of wastewater reticulation, treatment and disposal services are minimised</i>	
The costs of reticulation, treatment and disposal are minimised.	The operational costs of reticulation, treatment and disposal processes are benchmarked against costs incurred up to 30 June 2014. All capital projects are delivered within budget.
The economic lives of all assets are optimised.	Three 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.	Combined loads do not exceed the capacity of the components of the system.
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.
<i>Risks associated with the services provided are identified and mitigated to a level agreed with customers and 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 NRSBU risk management plans. Customer representatives review and approve the risk management plan annually and following any incidents that require activation of the plan.

Long Term Objectives	Key Performance Measures
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually. Effectiveness of plans is reviewed and confirmed following incidents that require activation of the plan.
<i>We engage the right people, with the right skills and experience.</i>	
Those engaged with the NRSBU 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 NRSBU and their development needs are identified and met. Development and succession plans are in place. The Board reviews its performance at least annually.
Operation and maintenance manuals reflect best practice for the management of the plant and reticulation systems and are followed consistently.	An independent audit every three years confirms this.
<i>NRSBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact</i>	
NRSBU minimises adverse environmental, social and cultural impacts where this is economically viable.	That progress towards meeting energy efficiency targets reported on and reviewed annually in June. Current capacity to utilise beneficial application of biosolids to land is sustained. Beneficial economic and environmental reuse of treated wastewater is maintained or increased. Environmental, social and cultural impacts are considered in all decision making.
<i>NRSBU understands its Carbon Emissions and manages them in a responsible way.</i>	

Long Term Objectives	Key Performance Measures
<p>The NTRLBU measures the greenhouse gas emissions of wastewater conveyance, Treatment and Biosolids reuse activities</p>	<p>The emissions from each of:</p> <ul style="list-style-type: none"> • NRSS • Bell Island WWTP • Rabbit Island Biosolids reuse system <p>are assessed and reported annually, by June 2021.</p> <p>This will include the development of a model that allows regular and ongoing assessment of emissions using operations and maintenance data.</p>
<p>The NTRLBU reduces the greenhouse gas emissions rate for wastewater treatment activities</p>	<p>A target for emissions per unit of wastewater is established by June 2021 and reviewed annually.</p> <p>The NTRLBU will annually assesses the business case for reducing emissions from wastewater conveyance, treatment, and biosolids disposal operations</p>
<p><i>Good relationships are maintained with all stakeholders</i></p>	
<p>Shareholders are satisfied with the strategic direction and the economic performance of the business unit.</p>	<p>All strategic and business plans are approved by shareholders.</p> <p>All budget projections are met.</p>
<p>Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.</p>	<p>All complaints or objections are addressed promptly.</p> <p>All applications for resource consents are approved.</p> <p>Up to date information on activities and achievements are publicly available.</p>
<p><i>All statutory obligations are met</i></p>	
<p>All statutory obligations are identified and met and are included in contracts with suppliers.</p>	<p>100% compliance with all statutory obligations.</p>
<p>All resource consent requirements are met.</p>	<p>100% compliance with all resource consents.</p>

8. THREE YEAR RENEWAL EXPENDITURE FORECAST (\$'000)

Renewal Plan (\$,000)	Projected 2019/20	2020/21	2021/22	2022/23
Miscellaneous	120	120	120	120
Pump Stations and Rising Mains	67	50	251	537
Inlet, Aeration Basin, Clarifier and Ponds	88	828	814	41
Solids Handling	55	723	172	217
ATAD rust proofing	110			
Rabbit Island	38		78	49
Biosolids and sludge storage tank refurbishment		75		
Facilities (Operator Buildings)	95	150		
Replace isolation switches	25			
Replace microscope	12			
PLC renewal	100	100		
Roads	24	75		
Consents	154			
Total	870	2121	1435	964

The renewal programme of the NRSBU assets is developed around lifecycle and condition assessment. An iterative process is followed whereby the renewal programme is considered annually with inputs from the Operation and Maintenance operator and a review of remaining useful life of assets. In the preparation of this business plan a review of the asset renewals list has been undertaken; and it has been identified that, when an asset life was extended, the renewal budget for the asset was not being carried forward for the replacement of the asset. The result of this has been underspending of renewals budgets and some corresponding previously approved budget allowances being dropped. This review has been undertaken for the assets due for renewal in 18/19 and 19/20; and has resulted in a significant increase in the required renewal budget compared to previous years.

Condition assessment reports may be commissioned where additional information is required to ensure optimal spend on renewals.

Miscellaneous items are at the discretion of the General Manager.

9. NRSBU CAPITAL UPGRADE PLAN

The following table outlines the capital upgrades proposed over the next three years. This is followed by a commentary outlining more detail on each of the proposals.

Year	Description of Projects	Estimated Costs \$
2020/21	Commence Regional Pipeline Capacity Upgrade (Proposed for Saxton Road to Monaco)	5,000,000
	Treatment Plant Upgrade (Resource Consent dependent; plus facilities improvements)	2,800,000
	Rabbit Island Biosolids Consent	240,000
	Partial Desludging oxidation ponds	750,000
	Carbon Management System	100,000
2021/22	Completion of Regional Pipeline Capacity Upgrade (Proposed for Beach Road to Saxton Road)	8,000,000
	Pumpstation and Treatment Plant Upgrade (Resource Consent related)	500,000
2022/23	Treatment Plant and Network Upgrade (Consent related)	500,000
	Modify Facultative Pond (Consent dependent)	420,000

Commentary on Upgrade Proposals for 2020/21

Desludging of Ponds: Partial desludging is being carried out over two financial years. The intention is to reduce the depth of sludge in ponds F1 and F3 to improve the available vertical space in those ponds.

Pump station upgrade is to comply with the conditions of the aberrational discharge consent and to increase network resilience. For example, to install screens at Saxton Rd pump stations and to develop a programme of work to investigate and implement ways to reduce overflows from the sewerage pump stations to the estuary, Reduced overflow

options include emergency generators for storm pumps.

The regional pipeline downstream of Beach Road has insufficient capacity to prevent raw sewage overflows under moderate rainfall conditions. In line with the aspirations and intentions described in Appendix F, we will investigate, design and implement capacity improvements. This is an item that was not expressly identified in the 2017 AMP however there was an estimate of \$1m for the 2020/2021 year for Regional Pipeline (Demand dependent). A likely solution will be to rehabilitate existing infrastructure; as that would be significantly more affordable than completely new infrastructure.

Treatment Plant and Biosolids upgrade covers items such as:

- trials to re-use treated wastewater to clean the inlet screens (reducing the use of potable water and consequently the volume discharged to the estuary)
- further develop investigations into the potential re-use (by others) of treated wastewater
- investigate and implement potential tree and vegetation planting around the perimeter of Bell Island
- commission a high-level report into alternative wastewater treatment systems (that would avoid or significantly reduce the discharge of treated wastewater to the Waimea Inlet)
- equipment and physical improvements to improve health & safety on-site
- biosolids odour reduction activities
- biosolids disposal improvements and future resilience studies

The modification of ponds budget is an allowance that is conditional on the review of the performance of improvements made to the final maturation pond. Therefore, this expenditure may be deferred, and/or the amount amended.

The consent for the application of biosolids at Rabbit Island expires 8 November 2020 and needs renewal.

Regional Pipeline Upgrade:

- Monaco to Bell Island pipe condition assessment and pipe flushing connection, valves and installation.
- Regional pump stations consent compliance, plus storm surge defence plan and implementation programme.
- Capacity improvements (in particular, downstream of Beach Road)

Emission Management System

This Emission Management work is expected to involve an assessment of the emission profile from the Bell Island WWTP, Rabbit Island Biosolids application system, and the Nelson Regional Sewerage system. It will include a draft model that can be used annually to redo the Carbon Emission Assessment based on the information collected as part of the

operations and Maintenance. This model should be suitable for use by NRSBU staff to annually assess and report on the emissions from the NRSS.

NRSBU Records and data:

Additionally, we will investigate the benefits of collating all the NRSBU historic and current information into a single access point electronic storage location.

10. FINANCIAL PLAN

Budget Summary for 2020 to 2023

	Projection	Budget		
	19/20	20/21	21/22	22/23
Income				
Contributors	7,815	8,442	9,079	9,719
Interest	0	0	0	0
Other Recoveries	158	158	158	158
Total Income	7,974	8,601	9,238	9,878
Expenditure				
Operations & Maintenance	3,476	3,517	3,622	3,474
Management	500	500	500	500
Interest	459	712	1,053	1,268
Insurance	75	75	75	75
Depreciation	2,224	2,263	2,359	2,648
Total Operating Cost	6,735	7,068	7,610	7,966
Surplus/Deficit	1,239	1,533	1,628	1,912
Use of Funds				
Loan Repayment	1,353	142	924	1,684
Renewals	871	2,121	1,435	964
Owners Distribution	1,239	1,533	1,628	1,912
Upgrades	4,600	8,890	8,500	920
	8,063	12,586	12,487	5,480
Sources of Funds				
Surplus/Deficit	1,239	1,533	1,628	1,912
Depreciation	2,224	2,263	2,359	2,648
New Loans	4,600	8,890	8,500	920
	8,063	12,586	12,487	5,480

11. APPENDIX A

Nelson Regional Sewerage Business Unit Committee Activity Schedule 2020-2021

Date	Activity	Papers required
By 31 August 2020	Review draft Annual Report and Financial Statement.	Draft annual report and financial statement.
By 30 September 2020	Deliver annual financial statement to Councils.	Financial Statement.
By 31 December 2020	Review board planning/meeting timetable. Adopt draft business plan for presentation to Tasman District Council and Nelson City Council. Review and update Interests Register. Adopt business continuity plan.	Planning/meeting timetable Business Plan. Interests Register Draft business continuity plan.
By 20 March 2021	Present Annual Report and Business Plan to Tasman District Council and Nelson City Council.	Annual Report and Business Plan

<p>By 30 June 2021</p>	<p>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. Review customer satisfaction survey results Annual review of Strategic Plan Adopt Energy Conservation Plan Review Audit Management Report Annual Carbon Emission Review</p>	<p>Checklist for committee effectiveness. Governance Policy Draft Demand Management Plan. Report on Contingency Plan review by customer representatives. Report on Risk Management review by customer representatives. Customer survey report. Strategic plan. Energy Conservation Programme. Carbon Mission Measurement System development</p>
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12. APPENDIX B

LEVELS OF SERVICE

The following levels of service are included in the Nelson Regional Sewerage Business Unit Asset Management Plan 2017 and compliance demonstrates progress towards achieving the strategic goals:

Environmental	Category	Level of Service
Treatment and 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.
Pumpstations	Odour complaints from pumpstations	No odour complaints originating from pumpstations
	Pumpstation wet weather overflows	No overflow events occurring for the contracted contributor flows
	Pumpstation overflows resulting from power failure	No overflow events occurring
	Pumpstation 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 and Disposal	Overloading system capacity	Treatment and disposal up to all contracted loads and flows
Pump Stations	Overloading system capacity	No overflows for all pumpstations for the contracted contributor flows

Reliability	Category	Level of Service
Treatment and Disposal Pumpstations Pipelines	Equipment failure of critical components	No equipment failures that lead to non-compliance with resource consent conditions
Responsiveness	Category	Level of Service
Treatment and Disposal Pump Stations Pipelines	Speed of response for emergency and urgent maintenance works	Achievement of response times specified in the maintenance contract
	Speed of response for routine and programmable maintenance works	Achievement of response times specified in the maintenance contract
Key Customer Relationships	Category	Level of Service
Treatment and Disposal Pump Stations Pipelines	Customer satisfaction	Agreed levels of service provided to all customers
		Robust charging structure is in place

Appendix C**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 and referenced to the 2017 Wastewater Asset Management Plan.

IP	Description	Resource Requirements	Progress
IP-1	Consolidate all data and information; and review ease of access	In-house and consultants	2020-2021
IP-2	Renewal of biosolids disposal permits.	In-house, Legal and technical consultants	Ongoing from 2020
IP-3	Continue sludge removal programme.	In-house and contractor	On-going 2019-2021
IP-4	Determine the long-term strategy	In-house and consultants	2020
IP-5	Review AMP	In house and consultants	2020
IP-6	Investigate use of gravity belt thickener for use to thicken secondary sludge.	In-house and consultants	2020-2021

APPENDIX D 10 YEAR PLAN

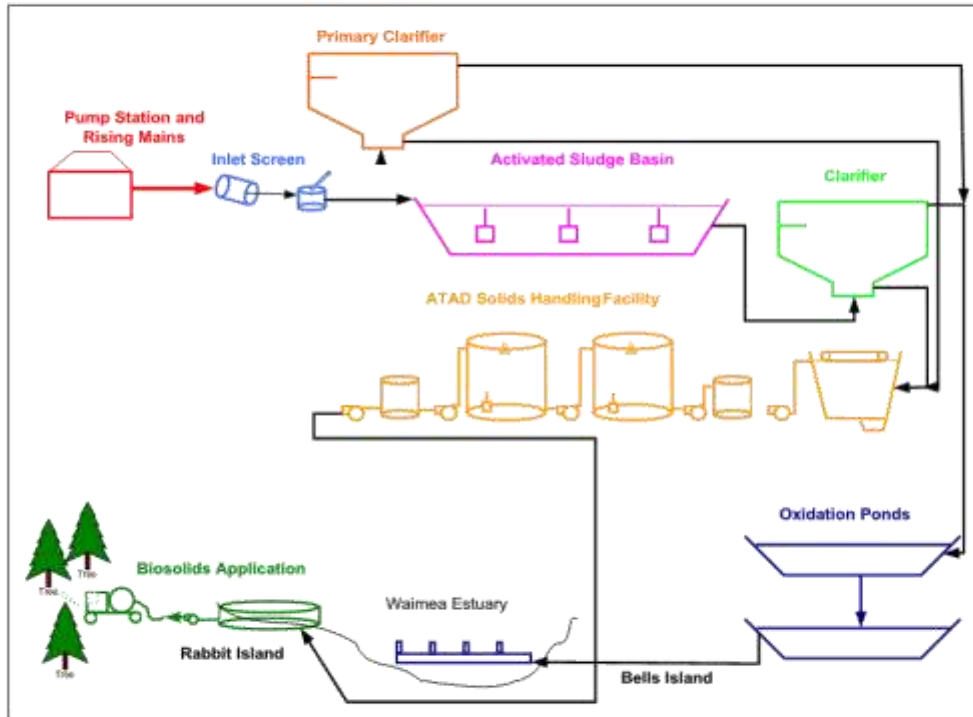
CAPITAL EXPENDITURE

Upgrade programme		
Year	Description of Projects	Estimated Costs \$
2020/21	Commence Regional Pipeline Capacity Upgrade (Demand dependent)	5,000,000
	Treatment Plant Upgrade (Bell island Resource Consent dependent; plus facilities improvements)	2,800,000
	Rabbit Island Biosolids Consent Application	240,000
	Desludging oxidation ponds	750,000
	Carbon Emission Measurement System	100,000
2021/22	Complete Regional Pipeline Capacity Upgrade (Demand dependent)	8,000,000
	Treatment Plant and Network Upgrade (Consent related)	500,000
2022/23	Treatment Plant and Network Upgrade (Consent related)	500,000
	Modify Facultative Pond (Consent dependent)	420,000
2023/24	Treatment Plant and Network Upgrade (Consent related)	500,000
2024/25	Disposal of dried sludge	700,000*
2025/26	Songer street PS upgrade (Demand dependent)	100,000
	Disposal of dried sludge	700,000*
2026/27	Disposal of dried sludge	700,000*
2029/30	Activated sludge management (second Secondary clarifier)	2,800,000
2030/31	Yet to be determined	

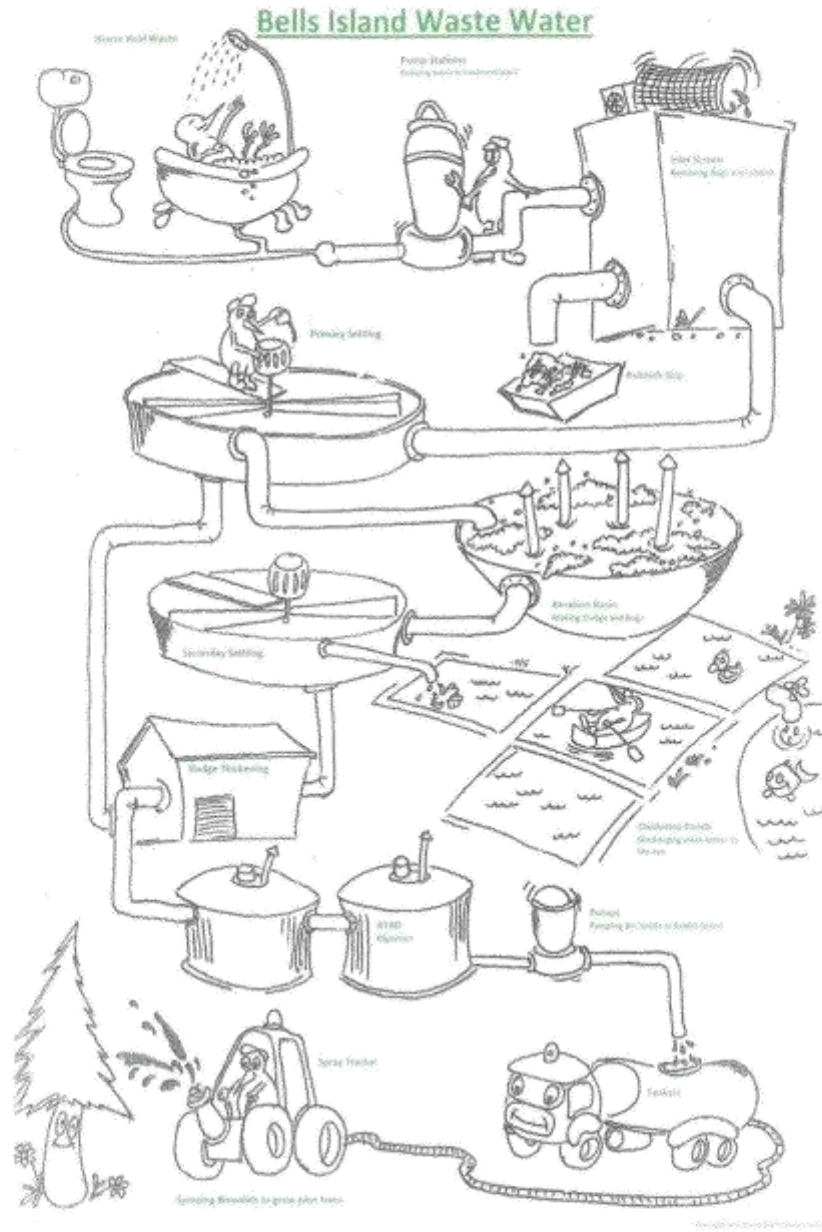
*Note: These forecast amounts will not be required if the NRSBU successfully obtains resource consent to use the material in bunds on site (to protect the low-lying area adjacent to the ATADs)

APPENDIX E

BELL ISLAND TREATMENT PLANT SCHEMATICS



APPENDIX F – BELL ISLAND SCHEMATIC



APPENDIX F

REDUCTION OF ADVERSE ENVIRONMENTAL EFFECTS

The NRSBU intends to:

- reduce overflow into the coastal marine environment and Tasman Bay beyond.
- have a greater focus on the immediate coastal marine environment and impacts on the ecology of Tasman Bay.
- consider water quality, biodiversity and estuary health as priorities over the next two years.
- reduce the volume of wastewater discharged to Waimea Inlet.

To implement this vision, the NRSBU will:

- develop a programme of work to investigate and implement ways to reduce overflows from the sewerage pump stations to the estuary.
- implement the conditions associated with the pumpstations Aberrational Discharge resource consent.
- undertake a trial to re-use treated wastewater to clean the inlet screens (reducing the use of potable water and consequently the volume discharged to the estuary).
- further develop investigations into the potential re-use (by others) of treated wastewater.
- investigate potential tree and vegetation planting around the perimeter of Bell Island.
- continue to operate the treatment plant well and achieve high quality effluent.
- commission a high-level report into alternative wastewater treatment systems (that would avoid or significantly reduce the discharge of treated wastewater to the Waimea Inlet).

Nelson Regional Sewerage Business Unit



Annual Report 2018/19

1. Background

- 1.1 This annual report is a review of what has been achieved by the Nelson Regional Sewerage Business Unit (NRSBU) in the 2018/19 financial year and its level of performance against Key Performance Indicators.
- 1.2 The report fulfils the requirements of the NRSBU Memorandum of Understanding:

The Board shall prepare an Annual Report at the end of each financial year which shall include reporting against the performance targets and financial forecasts in the approved Business Plan.

The annual accounts and financial statements, included in the Annual Report, shall be in a manner and form approved by the Business Unit's auditor, fairly showing the operating and financial position of the NRSBU for the financial year, including a statement of financial performance, a statement of financial position, a statement of cash flows, and all information necessary to enable an informed assessment of the operation of the Business Unit. The audited financial statements must be prepared in accordance with generally accepted accounting practice.

The Annual Report and Audited Accounts will be presented to Councils by 30 September in each year.

2. Discussion

- 2.1 The NRSBU achieved a net surplus of \$1,978,374.
- 2.2 Operating and maintenance costs were over budget and largely related to the costs associated with overdue maintenance work required at Bell Island and increased management costs (due to increased volume of work and outsourcing differential).
- 2.3 Capital expenditure for the year included various works at Bell Island and costs associated with resource consents.
- 2.4 Following a variety of maintenance and renewal works, odour management has improved. Odour patrols carried out by an independent contractor have continued. Further upgrade work (on treatment plant elements that may generate odour) is continuing.
- 2.5 All consent conditions, other than discharges to air and irrigation of treated wastewater, were met during the year.

2.5.1 The effluent discharge quality has met the consent conditions for the year.

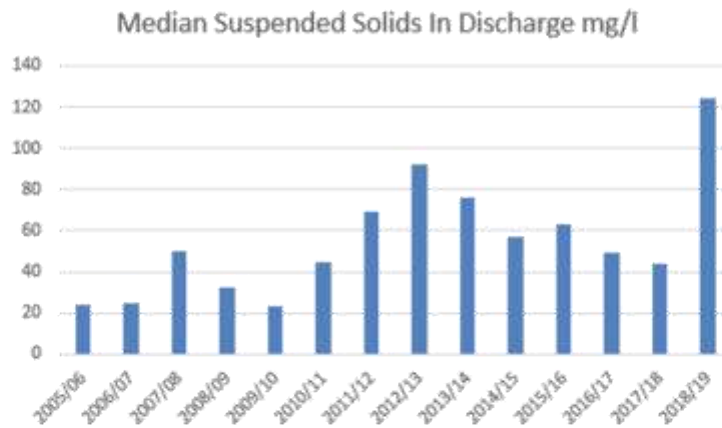
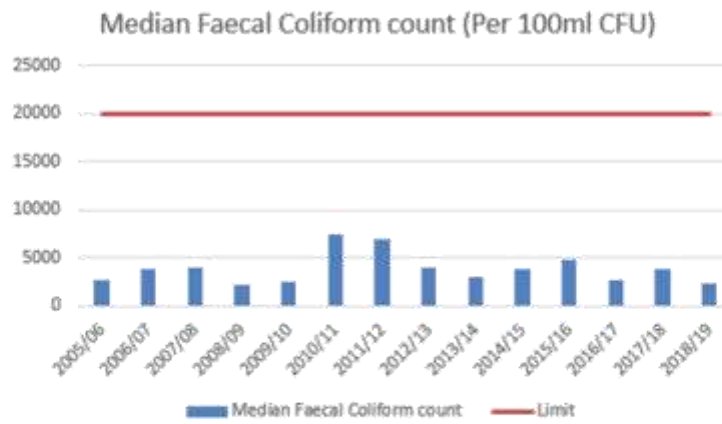
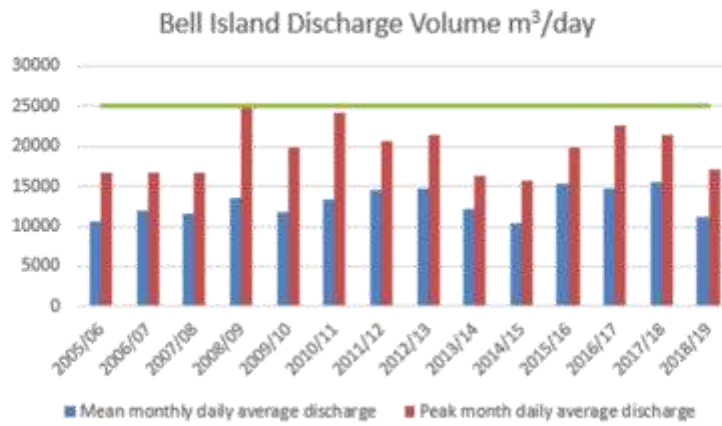
2.5.2 The sludge treated at Bell Island consistently met the requirements for A Grade biosolids.

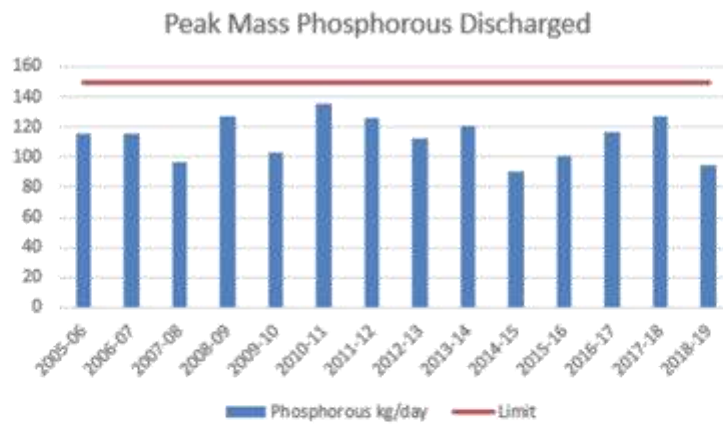
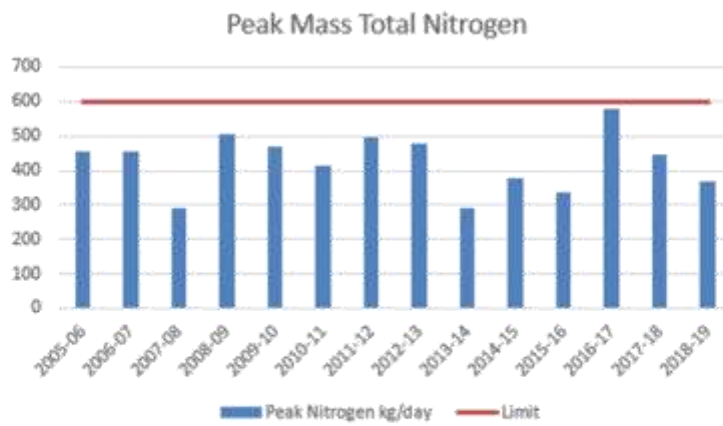
2.6 The operation and maintenance contractor maintained a reasonable level of Health and Safety management and has been making improvements.

3. Level of Service Performance

3.1 The levels of service recorded over the past three years have stayed reasonably consistent. The following table summarises compliance with the levels of service.

Level of Service	Function	Category	Target Technical Level of Service	Compliance		
				2016/17	2017/18	2018/19
Environmental Impacts	Treatment & Disposal	RMA Consent - Wastewater Discharge to Coastal Marine Area	100% compliance with consent conditions	Yes	Yes	Yes
		RMA Consent - Discharge of Contaminants to Air	100% compliance with consent conditions	Yes	No	Yes
		RMA Consent - Discharge of Contaminants to Land	100% compliance with consent conditions	Yes	No	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	No ¹
		RMA Consent - Aberrational Discharge	100% compliance with consent conditions	N/A	N/A	No ²
	Pump Stations	Odour complaints from pump stations	No odour complaints originating from pump	Yes	Yes	Yes
		Pump station wet weather overflows	No overflows for all pump stations	Yes	Yes	Yes
		Pump station overflows resulting from power failure	No overflow events occurring	Yes	No 2 event	Yes
		Pump station overflows resulting from mechanical failure	No overflow events occurring	Yes	No 1 event	Yes
		Reticulation Breaks	No reticulation breaks	Yes	1 event	Yes
	Air valve malfunctions	No air valve malfunction that result in wastewater overflows	Yes	Yes	Yes	
Capacity	Treatment & Disposal	Overloading system capacity	Treatment and disposal up to all contracted loads and flow	Yes	Yes	Yes
	Pump Stations	Overloading system capacity	No overflow events occurring for the contracted contributor flows	Yes	Yes	Yes
Reliability	Treatment & Pump Stations	Equipment failure of critical components	No equipment failures that could lead to non-compliance with resource consent conditions	Yes	No	Yes
	Pipelines			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	No ³
	Pipelines	Speed of response for routine and programmable maintenance works	Achievement of Response times specified in Maintenance Contract	Yes	Yes	No ⁴
Key Contributor Relationship	Treatment & Pump Stations	Overall satisfaction	Agreed levels of service provided to all Contributors.	Yes	Yes	Yes
	Pipelines		Robust charging structure is put in place	Yes	Yes	Yes
			Contributors are satisfied with Sewerage Scheme	Yes	Yes	Yes





3.2 No untreated sewage overflows occurred during the past year.

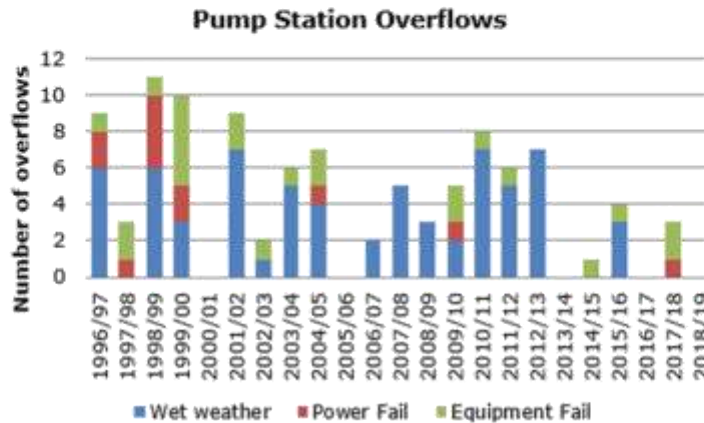


Figure 5: Pump Station Overflows and Causes

3.3 No formal odour complaints were recorded. Some odour events were notified by Best Island residents.

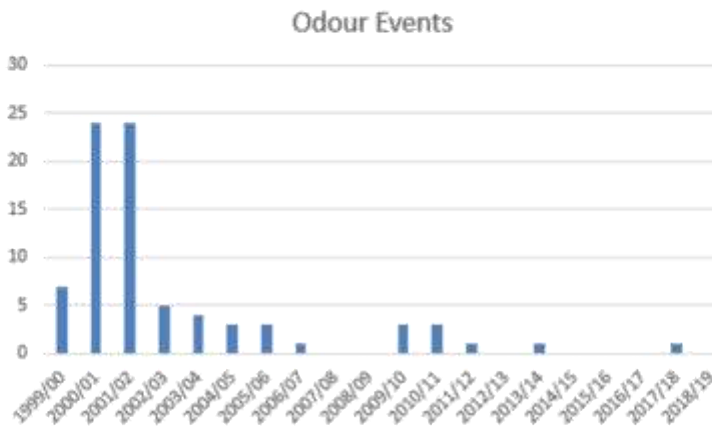


Figure 6: Odours

4. Customer Group

- 4.1 Customer group meetings were not always well attended during the year. Customers generally see reliability and continuity of service as the most important task of the NRSBU.
- 4.2 The survey showed that the customers confused their ownership role with their customer role. The councils require more detailed understanding of proposed works and budgets than the industrial customers require (because of the impacts on the council's Annual and Long Term Plans).

- 4.3 The industrial customers require advance warning regarding their potential costs and better monthly data.

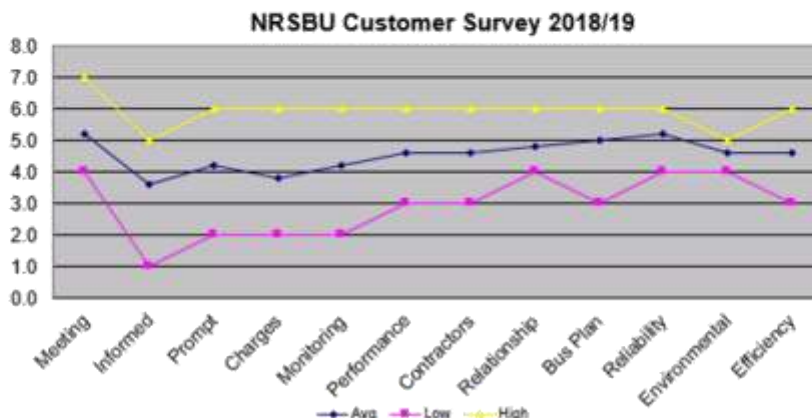


Figure 4.2: Customer Survey Results 2018/2019

5. Performance Measured Against Strategic Business Objectives

- 5.1 The strategic goals of the NRSBU set the basis for performance measurement and longer term strategies. Seven Key Result Areas are identified and a set of Key Performance Indicators developed to measure the performance of the NRSBU. The following outlines those performance objectives, key performance measures and what was achieved:

Wastewater reticulation, treatment and disposal services meet customers' long term needs		
Objective	Key Performance Measures	Performance
Sufficient reticulation, treatment and disposal capacity is available for loads received.	Loads do not exceed the capacity of system components.	Achieved.
Intergenerational equity is maintained.	Loans are repaid over 30 years (the average life of the assets).	Achieved.
Customers are encouraged to engage with the organisation and are satisfied with the service.	All customer representatives attend at least 75% of customer meetings.	Not achieved.
	Customer surveys show an average score of at least 5 out of 7 on satisfaction with services.	Not achieved; scores from one Customer skewed result down. Work is required to turn this around.
Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all major contractors.	Similar achievement to previous years' performance. There is room for improvement in the contracts and the service provided.

The costs of wastewater reticulation, treatment and disposal services are minimised.		
Objective	Key Performance Measures	Performance
The costs of reticulation, treatment and disposal processes are minimised.	The operational costs of reticulation, treatment and disposal processes are maintained under the cost for these services at 30 June 2013 when adjusted by the Producer Price Index.	Not achieved. The cost of operations was higher than budgeted due to overdue maintenance being required (budgets have been too low) and due to the increased management costs due to increased scope of work (budget too low) and the external pricing.
	All capital projects are delivered within budget.	Achieved in part. Not all projects intended or initiated were completed, therefore some funds will be carried forward to 2019/20 for the completion of these projects.
The economic lives of all assets are optimised.	Three yearly independent audit of asset management practices confirms this.	Achieved. No comment received from Audit New Zealand.
Customers understand the benefits of demand management and the costs, risks and environmental implications of increasing demand.	That progress made by Nelson City Council and Tasman District Council with implementation of load management policies, priorities and plans will be reported on.	Both Councils have developed inflow and infiltration strategies in their asset management plans and these strategies are part of their Long Term Plans.
	Combined loads do not exceed the capacity of the components of the system.	Achieved.
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.	Achieved. Filtration (of the treated waste water) trials are being developed.

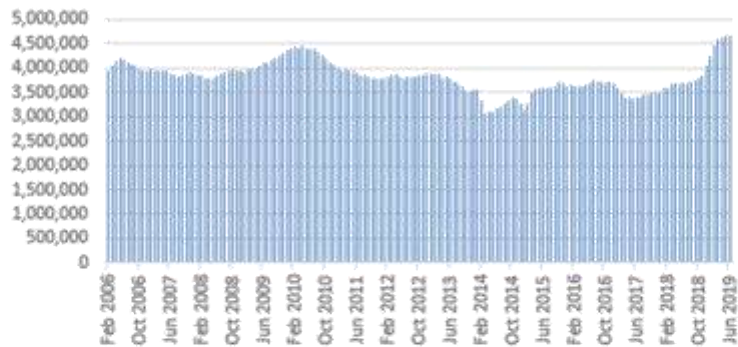
Risks associated with the services provided are identified and mitigated to a level agreed with customers and owners		
Objective	Key Performance Measures	Performance
Risk management plans include all significant health and safety, environmental, cultural, social economic and contractual risks.	No event, which impacts on agreed levels of service, occurs that has not been identified in the Nelson Regional Sewerage Business Unit risk management plans (in AMP).	Achieved.
	Customer representatives review and approve the risk management plan annually and following any incidents which require activation of the plan.	Not achieved.
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually.	Not achieved. However, these matters were considered during the development of the asset management plan and considered at earlier customer meetings.
	Effectiveness of plans is reviewed and confirmed following incidents which require activation of the plan.	Achieved. Incidents reported in quarterly reports and reviewed by staff (e.g. the fire at Rabbit Island).

We engage the right people, with the right skills and experience		
Objective	Key Performance Measures	Performance
Those engaged with the Nelson Regional Sewerage Business Unit 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 Nelson Regional Sewerage Business Unit and their development needs are identified and met.	Consulting staff with appropriate skills and experience fulfilled the acting General Manager and acting Operations Manager roles.
	Development and succession plans are in place.	NCC is recruiting to staff the NRSBU.
	The Board reviews its performance at least every two years.	No review carried out during 2018/19.
Operation and maintenance manuals reflect best practice for the management of the plant and reticulation systems and are followed consistently.	An independent audit every three years confirms this.	Achieved. The plans have been updated by the O&M Contractor and are currently being reviewed by the acting Operations Manager.

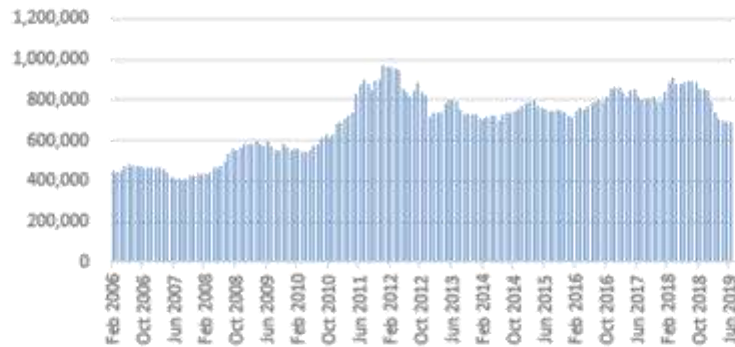
Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact		
Objective	Key Performance Measures	Performance
Nelson Regional Sewerage Business Unit minimises adverse environmental, social and cultural impacts where this is economically viable.	That progress towards meeting energy efficiency targets are reported on and reviewed annually.	Achieved. The cost of electricity in 2018/19 was 6% lower than in 2012/13 when adjusted by the Producer Price Index.
	Current capacity to utilise beneficial application of biosolids to land is sustained.	Achieved. Biosolids treated at Bell Island are beneficially applied to Radiata pine plantations belonging to Tasman District Council.
	Beneficial economic and environmental reuse of treated waste water is maintained or increased.	The lessee continued to use the irrigation system on Bell Island. A filtration trial is being developed to increase use.
	Environmental, social and cultural impacts are considered in all decision making.	While this is not directly measured the Assessment of Environmental Effects demonstrates that the NRSBU is achieving good environmental outcomes. The appointment of an Iwi

Nelson Regional Sewerage Business Unit operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact		
Objective	Key Performance Measures	Performance
		representative on the Joint Committee demonstrates the commitment of the owners and the NRSBU towards managing the assets in a culturally appropriate way.

Treatment plant 12 month rolling power usage
kWh



Pump stations 12 month rolling power usage
kWh



Good relationships are maintained with all stakeholders		
Objective	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.	Achieved. The draft 2018/19 Business Plan was not approved by Nelson City Council; a revision was required.
	All budget projections are met.	Not achieved. The budgets were too low as plant maintenance had been deferred.
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed promptly.	Achieved.
	All applications for resource consents are approved.	Delayed (whilst odour issues were addressed) and in progress for Bell Island
	Up to date information on activities and achievements are publicly available.	The NRSBU website was reviewed by the acting General Manager (updates by NCC staff are awaited).

All Statutory Regulations are Met		
Objective	Key Performance Measures	Performance
All statutory obligations are identified and met and are included in contracts with suppliers.	100% compliance with all statutory obligations.	Achieved.
All resource consents requirements are met.	100% compliance with all statutory obligations.	Not achieved. Some issues with odour; and with discharge of treated wastewater to land.

6. Capital Expenditure 2018/19

- 6.1 An amount of \$1.24 million was spent during 2018/19 on capital compared to the budget of \$4.655 million.

Capital expenditure – Renewal and Upgrade:

Activity	Cost (\$000)
General	174
Sludge management	73
Inlet/Primary Clarifier	88

Activated sludge	86
Wash water	19
Ponds	218
Pump Stations	312
Consents	227
Regional Pipeline Upgrade Phase 2	45

6.2 The primary reason for the lag is associated with the deferral of pond desludging, plus other projects that are related to the renewal of resource consents.

7. Operations expenditure 2018/19

7.1 The cost of operations was \$3,840,622 compared to a budget of \$3,200,556.

8. Scheme Capacity Trends

Capacity	Average flow m ³ /day	Peak flow l/s	BOD kg/day	COD kg/day	SS kg/day	TKN kg/day	TP kg/day
Estimated Capacity	25,920	1,508	12,226	28,000	11,000	750	230

Figure 2.21: Bell Island Wastewater Treatment Plant Capacity

8.1 The average inflow to Bell Island is trending well below the projections used for the 2006 capacity review (demonstrating that projected growth did not occur).

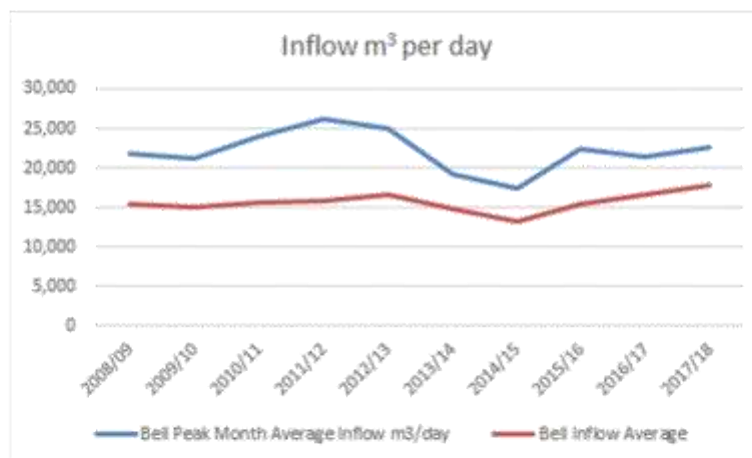


Figure 2.22: Shows inflows into Bell Island

8.2 The peak flow is limited by the capacity of the rising mains discharging to Bell Island.

8.3 The total suspended solids design parameters (95 percentile and average values) have shown a decrease since the 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 and following the implementation of the customer contracts that were signed in 2007.

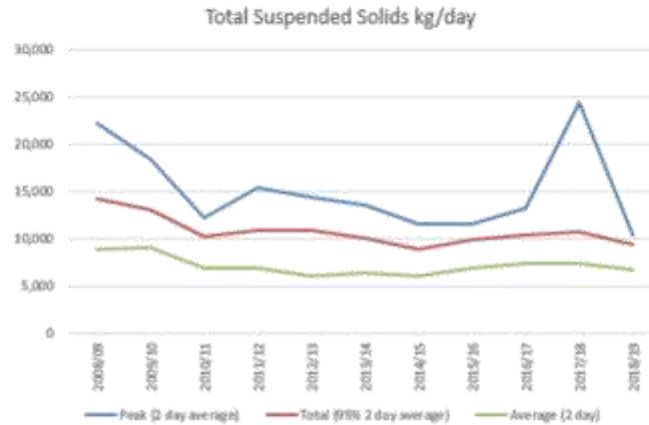


Figure 2.23: Inlet Suspended Solids

8.4 The biological oxygen demand in the inflow has not increased at the trends projected in the 2006 capacity review with 95% and average values below the values recorded in the past.

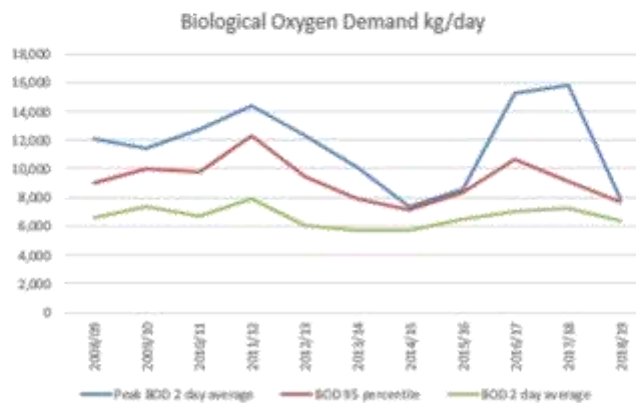


Figure 2.24: Inlet Biological Oxygen Demand

8.5 The average chemical oxygen demand has not shown any significant increase over the last ten years. This demonstrates that the trade waste agreements continue to provide an incentive for industrial customers to improve on site treatment of waste water.

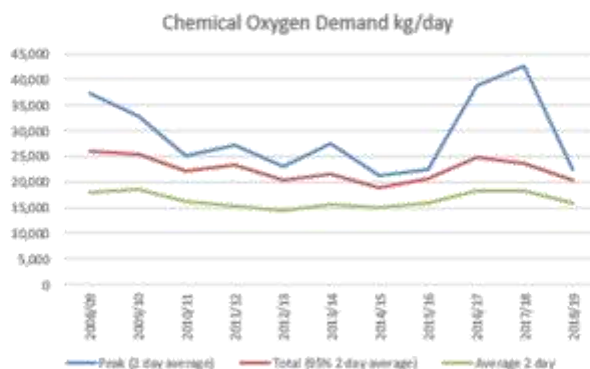


Figure 2.25: Chemical Oxygen Demand

8.6 The Total Kjeldahl Nitrogen (TKN) and Total Phosphorous (TP) in the wastewater discharged to Bell Island have decreased over time and little change in the nutrient levels in discharges from Bell Island has been observed.

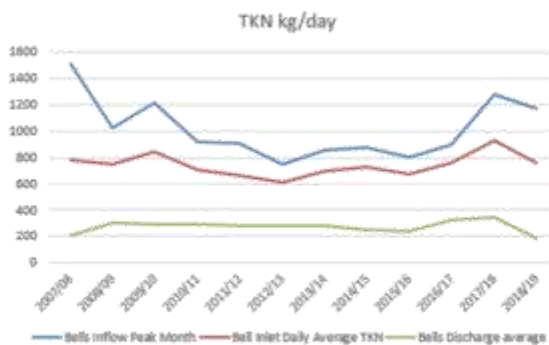


Figure 2.26: Shows a decrease in the nutrients received at Bell Island

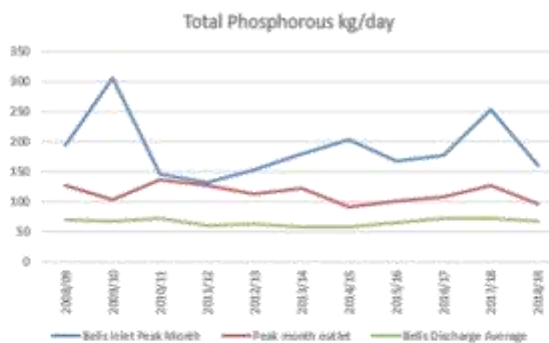
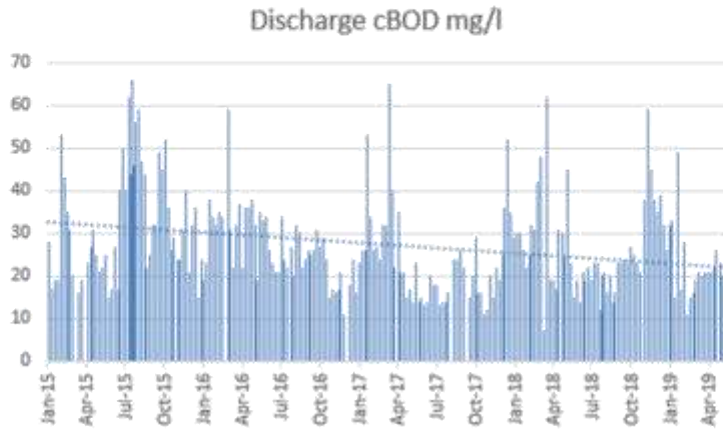


Figure 2.26a: Shows the phosphorous received at and discharged from Bell Island

8.1 cBOD



8.2 The average total nitrogen and total phosphorous loads discharging from Bell Island are less than 50% of the resource consent limits.



8.3 The graph below shows that the application of nitrogen at Rabbit and Bell Islands through biosolid application is within the capacity of these areas to receive nitrogen.

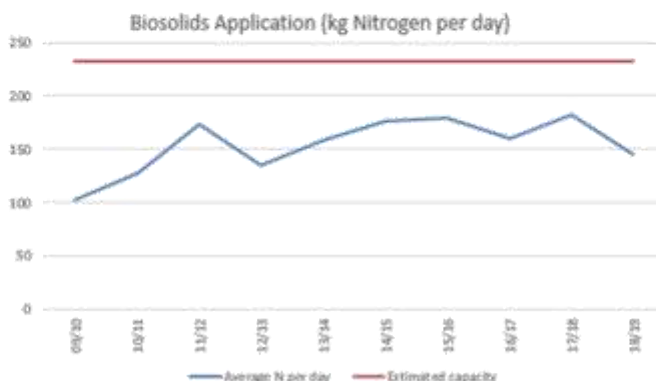
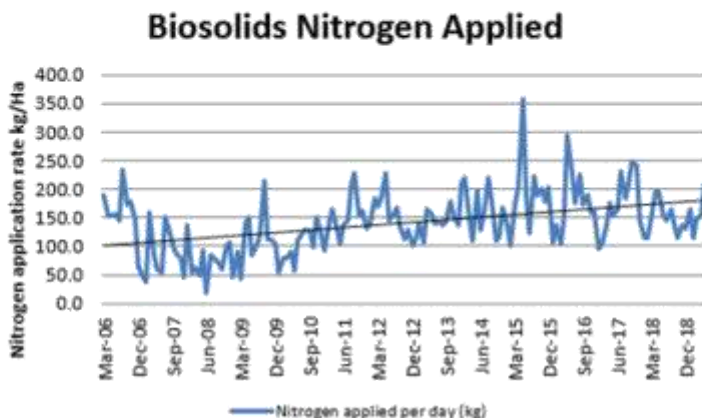


Figure 2.27: Average daily biosolids application

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



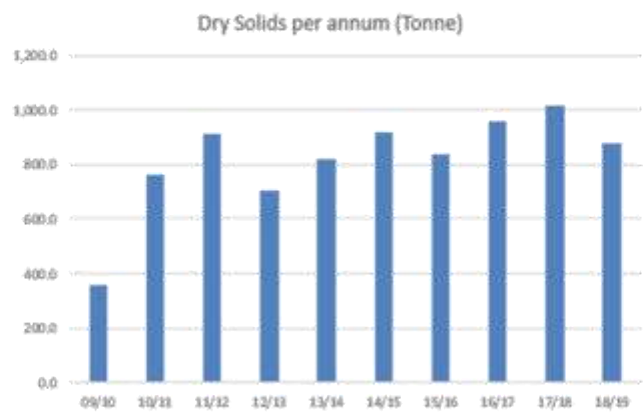


Figure 2.28: Dry solids diverted to pine plantations

9. Conclusion

- 9.1 The assessment of environmental effects carried out as part of the resource consent application demonstrates the effectiveness of the Bell Island Wastewater Treatment Plant to treat wastewater so that the discharge from Bell Island has only a minor effect on the receiving environment.
- 9.2 Analysis of the scheme capacity trends shows that loads to the plant have not increased at the growth projections used to develop the 2010 upgrade and it is therefore considered that there is adequate capacity within the system to treat wastewater discharged to Bell Island. This position is supported by the technical submission relating to the treated wastewater discharge consent.
- 9.3 There have been some adverse odour events. Effort is being applied to address the likely sources of odour and to consider any other potential sources, then eliminate or mitigate as practicable.
- 9.4 An analysis of the trends indicates that the way in which the treatment plant is operated affects the quality of the discharge. It is considered important that the plant be operated to maximise the removal of pathogens in the interest of public health.

10. Financial Performance

- 10.1 Explanations for major variations from the Nelson Regional Sewerage Business Unit's 2018/19 Business Plan are as follows:
- Total Income is \$529,366 more than budget. The sales include a capital charge for access to treatment and an operational charge based on actual usage and actual operating cost. The capital charge budget was \$4,464,000 and decreased for the year to \$4,406,000 due to higher agreed charges between the respective parties. Other recoveries are up as a result of a \$66,000 insurance recovery.
 - Total expenses are \$561,000 more than budget due to increased operations and maintenance of \$310,000 as a result of numerous items and increased management costs of \$310,000 as a result of external management as well as increases in water

supply and biosolid disposal costs and depreciation. These costs were offset by savings of \$148,000 savings in interest costs and \$47,000 consultancy costs.

NELSON REGIONAL SEWERAGE BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2019

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Representatives for year ended 30 June 2019

Representing Tasman District Council
Cr C Maling
Cr D Mcnamara

Representing Nelson City Council
Cr T Skinner
Cr S. Walker

Independent member
Mr B Silcock (from September 2018)

Principal Administration Office

C/- Nelson City Council
110 Trafalgar St
Nelson

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 2019

Reporting Entity

The Nelson Regional Sewerage 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 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 financial reporting.

The financial statements of the Business Unit are for the year ended 30 June 2019. The financial statements were authorised for issue by the Committee on the 13th September 2019.

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 PBE standards.

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.

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

Sales and provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. These are exchange transactions and include charges to the two owner Councils, three large industrial customers and Septage tank operators, and rentals. The contracts with the two Councils and three large industrial customers provide for a capital charge for access to treatment and an operational charge based on actual useage and actual operating costs.

b) Borrowing Costs

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

c) Cash and Cash equivalents

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

d) 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.

e) Trade and other payables

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

f) Borrowings

Borrowings are initially recognised at their face value 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.

i) Distribution Policy

Any Net Surplus Income before extraordinary items over budget, as decided by the Committee, is returned to the Councils on an equal share basis. These are exchange transactions.

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

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 2019 by QV Valuations.

- Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2019 based on a internal valuation as at 31 March 2019 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.

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.

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

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

New Business Unit assets are added between valuations are 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 at rates 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:

Sewerage Network	10 - 999 years
Buildings	50 years
Plant & Equipment	5 - 50 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.

l) Biological Assets

Forestry consisting of 18 hectares planted on Bell 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 2019.

The movement in the Forestry valuation is recorded in the Surplus or Deficit as income if a credit and as an expense if a debit.

m) Budget figures

The budget figures are those approved by the Committee at the beginning of the year in the Business Plan. The 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 REGIONAL SEWERAGE BUSINESS UNIT**Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2019**

	Notes	Actual 2018/19	Budget 2018/19	Actual 2017/18
Revenue		\$	\$	\$
Sales		8,032,777	7,601,732	7,594,122
Other Recoveries		245,525	158,268	176,938
Interest		1,823	-	42
Gain in Fair Value of Forestry	5	9,240	-	0
Total Revenue		<u>8,289,366</u>	<u>7,760,000</u>	<u>7,771,102</u>
Less Expenses				
Management		494,875	184,748	198,699
Audit Fees		-	16,116	16,850
Interest Paid		471,160	619,000	539,902
Insurance		66,686	60,000	55,106
Loss in Fair Value of Forestry	5	-	-	400
Depreciation	6	1,932,523	1,870,000	1,966,808
Abandoned Assets		-	-	-
Electricity		798,989	820,350	724,795
Operations & Maintenance		1,474,585	1,164,493	1,400,097
Monitoring		180,390	205,775	118,972
Biosolids Disposal		685,446	622,804	601,816
Consultancy		28,446	75,000	55,694
Sundry		177,891	111,270	163,539
Total Expenses		<u>6,310,991</u>	<u>5,749,556</u>	<u>5,842,678</u>
Net Surplus		<u>1,978,374</u>	<u>2,010,444</u>	<u>1,928,424</u>
Other Comprehensive Revenue and Expense				
Gain on revaluation of Fixed Assets	1(b)	695,117	-	1,900,939
Total Comprehensive Revenue and Expense		<u><u>2,673,491</u></u>	<u><u>2,010,444</u></u>	<u><u>3,829,363</u></u>

**Statement of Changes in Equity
For the year ended 30 June 2019**

	Actual 2018/19	Actual 2017/18
Equity at the start of Year	\$	\$
Opening Equity	48,967,720	47,066,781
Plus Total Comprehensive Revenue and Expense for the year	2,673,491	3,829,363
Less Owners Distribution	1,978,374	1,928,424
Equity at the end of Year	<u><u>49,662,837</u></u>	<u><u>48,967,720</u></u>

Explanations of major variances against budget are found in note 11.

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

NELSON REGIONAL SEWERAGE BUSINESS UNITStatement of Financial Position
as at 30 June 2019

	Notes	Actual 2019 \$	Actual 2018 \$
Equity			
Accumulated Funds	1(a)	15,819,055	15,819,055
Contingency reserve		100,000	100,000
Revaluation reserve	1(b)	33,743,782	33,048,665
Total Equity		<u>49,662,837</u>	<u>48,967,720</u>
This was represented by:			
Current Assets			
Cash and cash equivalents		244,462	621,558
Trade receivables from exchange transactions		552,781	114,287
Inter-entiry receivables from exchange transactions		474,248	232,392
Total Current Assets		<u>1,271,491</u>	<u>968,237</u>
Current Liabilities			
Trade Payables from exchange transactions		395,704	368,628
Sundry Creditors and other payables from exchange transactions		60,919	140,998
Inter-entiry payables from exchange transactions	4	1,413,611	1,738,536
Current portion Inter-Entiry Borrowings	2	-	-
Total Current Liabilities		<u>1,870,234</u>	<u>2,248,162</u>
Net Working Capital		<u>(598,744)</u>	<u>(1,279,925)</u>
Non Current Assets			
Property, plant and equipment	6	64,224,340	64,219,645
Forestry assets	5	37,240	28,000
Total Non Current Assets		<u>64,261,580</u>	<u>64,247,645</u>
Non Current Liabilities			
Borrowings	2	14,000,000	14,000,000
Total Non Current Liabilities		<u>14,000,000</u>	<u>14,000,000</u>
Net Assets		<u>49,662,837</u>	<u>48,967,720</u>

For and on behalf of the Nelson Regional Sewerage Business Unit

Chairman

Acting General Manager

Date

The attached notes form part of these financial statements

NELSON REGIONAL SEWERAGE BUSINESS UNITStatement of Cash Flows
For the year ended 30 June 2019

	Notes	2018/19 \$	2017/18 \$
Cash Flows from Operating Activities			
Receipts from customers		7,597,953	8,076,481
Interest received		1,823	42
		<u>7,599,776</u>	<u>8,076,523</u>
Payments to suppliers		(4,546,134)	(3,617,217)
Interest paid		(471,160)	(474,544)
		<u>(5,017,294)</u>	<u>(4,091,761)</u>
Net Cash Flows from Operating Activities	3	<u>2,582,482</u>	<u>3,984,762</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,031,154)	(1,359,917)
Net Cash from Investing Activities		<u>(1,031,154)</u>	<u>(1,359,917)</u>
Cash Flows from Financing Activities			
Owners Distribution		(1,928,424)	(1,574,632)
Loan repayment		(890,000)	(1,600,000)
Loan raised		890,000	1,150,000
Net Cash from Financing Activities		<u>(1,928,424)</u>	<u>(2,024,632)</u>
Net Increase/(Decrease) in cash and cash equivalents		(377,096)	600,213
Cash and cash equivalents at beginning of the year		621,558	21,345
Cash and cash equivalents at the end of year		<u>244,462</u>	<u>621,558</u>

The attached notes form part of these financial statements

NELSON REGIONAL SEWERAGE BUSINESS UNITNotes to and forming part of the Financial Statements
for the year ended 30 June 2019

	2018/19	2017/18
	\$	\$
1 Equity		
The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council.		
1(a) Accumulated Funds		
Opening Balance	15,819,055	15,819,055
Net Surplus	1,978,374	1,928,424
Distribution to Owners	<u>(1,978,374)</u>	<u>(1,928,424)</u>
Closing Balance	<u>15,819,055</u>	<u>15,819,055</u>
1(b) Revaluation Reserve		
Opening Balance	33,048,665	31,147,726
Revaluation Movements		
Land revaluation	287,200	0
Buildings revaluation	3,767	1,090
Sewerage network revaluation	396,417	1,888,550
Plant & Equipment revaluation	<u>7,733</u>	<u>11,299</u>
Total Revaluation Movement	<u>695,117</u>	<u>1,900,939</u>
Closing Balance	<u>33,743,782</u>	<u>33,048,665</u>
Balance held as follows:-		
Land	2,410,857	2,123,657
Buildings	340,592	336,825
Sewerage network	30,782,228	30,385,811
Plant & Equipment	<u>210,105</u>	<u>202,372</u>
Total Revaluation Reserve	<u>33,743,782</u>	<u>33,048,665</u>

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 3.4675% to 2.867% with a weighted average of 3.324%. (For 2017/18 the range was 3.42% to 3.42% with a weighted average of 3.42%).

	<u>2018/19</u>	<u>2017/18</u>
Total Loans	14,000,000	14,000,000
Less Current Portion	-	-
Term Portion	<u>14,000,000</u>	<u>14,000,000</u>
1 to 2 years	-	-
2 to 5 years	<u>14,000,000</u>	<u>14,000,000</u>
	<u>14,000,000</u>	<u>14,000,000</u>

A working capital facility exists with Nelson City with interest rates payable on the same rate as the core funding facility. At 30 June \$0 was drawn down (2018 \$0).

The interest rate on the borrowings from the two Councils is set at the three year swap rate plus a margin equivalent to the rate charged by Westpac bank to Nelson City Council. As at 30 June 2019 this rate was 2.58% which will be used to calculate the Capital Charge in the Trade Waste charges to customers for 2018/19. (June 2018 3.4675%)

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.

4 Inter-entity payables from exchange transactions

Inter-entity payables from exchange transactions is the amount owing to the two Council owners in regard to the unpaid owners distribution.

5 Forestry Assets

The Biological Assets are valued at Fair Value less cost to sell. Any movement in the valuation is recorded in the Profit and Loss Account.

	<u>2019</u>	<u>2018</u>
	\$	\$
Opening Balance	28,000	28,400
Current increase (decrease) in Market Value	<u>9,240</u>	<u>(400)</u>
Closing balance	<u>37,240</u>	<u>28,000</u>

6 Property, plant and equipment

Valuation / Cost	Land	Sewerage Network	Buildings	Plant & Equipment	Total
Balance 30 June 2017	2,807,800	59,495,214	314,993	330,949	62,948,956
Additions 2018		1,335,569		988	1,336,557
Abandoned Assets 2018	0	0			0
Revaluation 2018		1,888,550	1,090	11,299	1,900,939
Revaluation transfer 2018		(1,438,070)	(11,282)	(25,754)	(1,475,106)
Balance June 2018	2,807,800	61,281,262	304,802	317,482	64,711,346
Additions 2019		1,207,026		35,075	1,242,101
Abandoned Assets 2019	0	0			0
Revaluation 2019	287,200	396,417	3,767	7,733	695,117
Revaluation transfer 2019		(2,361,874)	(18,842)	(43,510)	(2,424,225)
Balance June 2019	3,095,000	60,522,831	289,727	316,780	64,224,338

Accumulated Depreciation

Balance 30 June /1 July 2017	-	-	-	-	-
Depreciation charge 2018	-	1,917,427	15,042	34,339	1,966,808
Revaluation transfer 2018	-	(1,438,070)	(11,282)	(25,754)	(1,475,106)
Balance June 2018	-	479,357	3,761	8,585	491,702
Depreciation charge 2019	-	1,882,517	15,081	34,925	1,932,523
Revaluation transfer 2019	-	(2,361,874)	(18,842)	(43,510)	(2,424,225)
Balance June 2019	-	-	-	-	-

Carrying amounts

Balance June 2018	2,807,800	60,801,906	301,041	308,897	64,219,644
Balance June 2019	3,095,000	60,522,831	289,727	316,780	64,224,338

Work in Progress (Included above)

Property, plant and equipment in the course of construction by class of assets is detailed below

Balance June 2018	-	1,150,310	-	-	1,150,310
Balance June 2019	-	1,226,820	-	-	1,226,820

6 Property, plant and equipment continued - further disclosures

There are a number of Estimates and Assumptions exercised when valuing the infrastructural assets using the depreciated replacement cost method. These include:

- 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 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

a) Credit Risk

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Bank Balances	244,462	621,557
Accounts Receivable	1,027,029	346,679
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) 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.

8 Statement of Contingent Assets and Contingent Liabilities

The Business Unit has no contingent asset or contingent liabilities as at 30 June 2019. (2018 The Business Unit has a contingent asset for an insurance claim for damage to beach Road Pump Station as a result of a weather event and no contingent liabilities).

9 Statement of Commitments

The Business Unit has capital commitments of \$86,976 as at 30 June 2019. (2018 \$8,787).

Operating Leases as lessor	<u>2019</u>	<u>2018</u>
Less than one year	-	-
One to Five years	-	-
Over five years	-	-

10 Subsequent events

There are no material adjusting events after balance date.

11 Explanation of major variances against budget**Statement of Comprehensive Revenue and Expense**

Total Income is \$529,366 more than budget. The sales include a capital charge for access to treatment and an operational charge based on actual usage and actual operating cost. The capital charge budget was \$4,464,000 and decreased for the year to \$4,406,000 due to higher agreed charges between the respective parties. Other recoveries are up as a result of a \$66,000 insurance recovery.

Total expenses are \$561,000 more than budget due to increased operations and maintenance of \$310,000 as a result of numerous items and increased management costs of \$310,000 as a result of external management as well as increases in water supply and biosolid disposal costs and depreciation. These costs were offset by savings of \$148,000 savings in interest costs and \$47,000 consultancy costs.