

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

Date: Friday 13 September 2019
Time: 9.30 am
Meeting Room: Ruma Marama
Venue: Nelson City Council
110 Trafalgar Street
Nelson

Nelson-Tasman Regional Landfill Business Unit

AGENDA

MEMBERSHIP

Members

- Cr S Walker (Chairman)
- Cr S Bryant
- Cr C M Maling
- Cr I Barker
- Mr A Stephens

(Quorum 3 members)

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Website: www.tasman.govt.nz

AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 PUBLIC FORUM

5 CONFIRMATION OF MINUTES

That the minutes of the Nelson-Tasman Regional Landfill Business Unit meeting held on 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

7.2 Annual Financial Statements - 2017/2018..... 51

8 CONFIDENTIAL SESSION

Nil

7 REPORTS

7.1 ACTING GENERAL MANAGER'S UPDATE

Decision Required

Report To:	Nelson-Tasman Regional Landfill Business Unit
Meeting Date:	13 September 2019
Report Author:	Don Clifford, Acting General Manager
Report Number:	RRLBU19-09-2

1 Summary

- 1.1 This is the three-monthly update report from the acting General Manager.
- 1.2 The draft 2020/2021 Business Plan and the 2018/2019 Annual Report are submitted for consideration.

2 Draft Resolution

That the Nelson-Tasman Regional Landfill Business Unit:

1. **receives the Nelson Tasman Regional Landfill Business Unit Acting General Manager's Update Report, RLBU19-09-01; and**
2. **receives and approves the Draft Business Plan 2020/21 and the proposed landfill charges for 2020/2021; and**
3. **recommends the Draft Business Plan 2020/21 be presented to the Tasman District Council and Nelson City Council for their feedback; and**
4. **receives and approves the 2018/2019 Annual Report; and**
5. **recommends that the NTRLBU 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 Tasman Regional Landfill Business Unit.

4 Health and Safety

- 4.1 The contractor at York Valley has reported no significant incidents.

5 Operations

Finance report on trading to date

- 5.1 **Attachment 1** includes the financial reports to the end of June 2019:
- Income Account for the period to 31 June 2019
 - Balance Sheet as at 31 June 2019
- 5.2 Generally, we have continued the same trend as for earlier this year; with income and costs above budget.
- 5.3 Year-to-date landfill fees received were 120% against budget.
- 5.4 Year-to-date staff and administration costs were 143% against budget.
- 5.5 We have the effect of paying cash for the 2018 calendar year for the Emissions Trading Scheme (ETS) cost at \$25. From an accounting perspective this has meant that the January to June 2018 cost has been at \$25 against our provision of \$19.45, a difference of \$230,000. We still hold the units purchased at \$19.45 for future use. Year-to-date cost is 144% against budget.
- 5.6 Eves Valley year-to-date expenses were 145% against budget (down from 197% at last quarter).
- 5.7 The aftercare provision remained our largest percent variance against budget with the year-to-date figure at 584%. The 2017/18 post-closure provision has been finalised but not yet audited.
- 5.8 The net surplus after levy dropped to \$100,000 due to changes in the aftercare provision.

6 Landfill Operations and Maintenance – York Valley and Eves Valley

- 6.1 The new landfill operations and maintenance contract commenced on 1 January 2019. The Eves Valley site was taken over on 1 July 2019.
- 6.2 The new compactor was delivered in July; some fit-out work and staff training are required before it becomes fully operational.
- 6.3 The weighbridge will now benefit from scheduled maintenance to avoid a repeat of the dirt build-up issues.

- 6.4 Residual waste tonnages are tracking slightly above budget projections. As per the previous year, the high volumes are likely to be associated with continuing high activity in the construction industry.
- 6.5 Landfill costs have tracked above budget. York Valley expenses are up due to the higher cost of the operations contract and higher waste levy (as a result of the increased volumes). Eves Valley costs are up due to un-budgeted leachate costs.
- 6.6 The ETS levy is up due to both volume increase and price increase.
- 6.7 Aftercare provision is up significantly on budget. The unwinding of the NPV of the Eves Valley provision was not budgeted and the provision for each site is higher due to increases in the assessed costs.
- 6.8 At the current rate of landfill we are still tracking to use up the available York Valley airspace by approximately 2031/2032.
- 6.9 A consultant has been engaged to provide advice on the stormwater control systems at York Valley; they will follow on to prepare design solutions.

York Valley and Eves Valley Annual Monitoring Reports

- 6.10 A consulting engineering firm has been engaged to address the recommendations from the Annual Monitoring Report for York Valley Landfill.
- 6.11 A consulting engineering firm has been engaged to address the recommendations from the Annual Monitoring Report for Eves Valley Landfill.

7 Joint Landfill Asset Management Plan

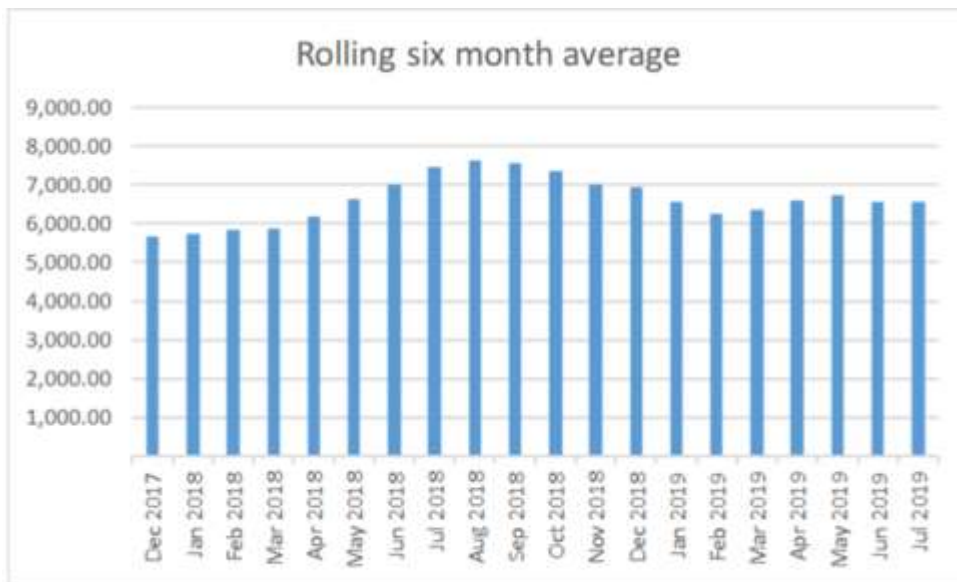
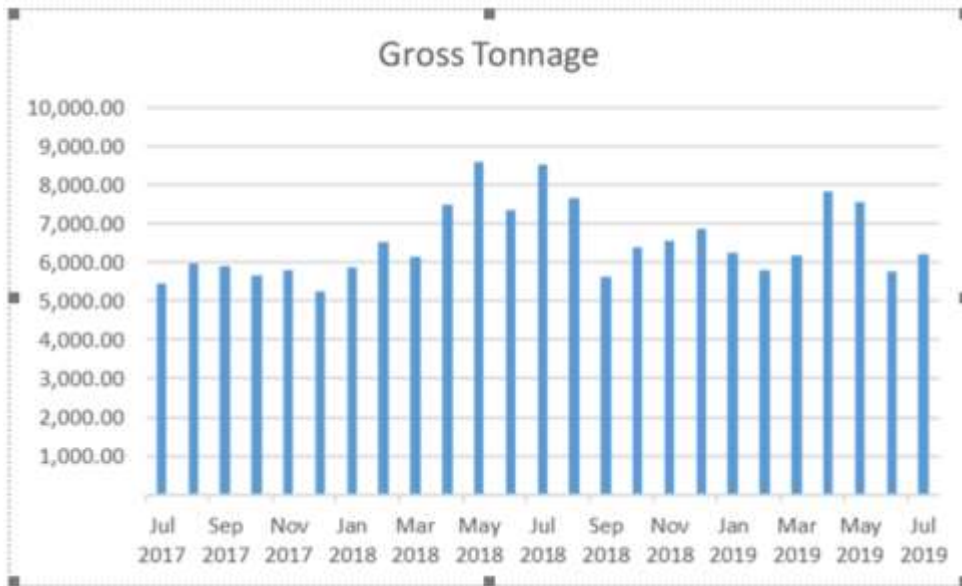
- 7.1 At the NTRLBU meeting on 22 June 2018 the committee approved the draft Asset Management Plan (AMP) being issued to both councils for approval.
- 7.2 Nelson City Council approved the AMP on 15 November 2018. Tasman District Council approved the AMP in February 2019.
- 7.3 The AMP will need review to confirm alignment with recent Business Plans.

8 Business Plan

- 8.1 Tasman District Council approved the 2019/2020 Business Plan on 9 May 2019. Nelson City Council approved the 2019/2020 Business Plan in June 2019.
- 8.2 The work to further consider HAIL material is yet to be started.
- 8.3 The draft 2020/2021 Business Plan is submitted for consideration and approval at this meeting (**Attachment 2**).

9 York Valley Landfill Tonnages

- 9.1 The tables below show recent weighbridge records of total tonnages per month received at York Valley. For comparison, the 2019/20 budgets are based upon an average monthly tonnage of approximately 5,800 tonnes.



10 Annual Report

10.1 The 2018/2019 annual report is submitted for consideration and approval (**Attachment 3**).

11 Emissions

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

12 Attachments

1. ↓	Financial Report to 30 June 2019	11
2. ↓	NTRLBU Draft Business Plan 2020/2021	15
3. ↓	NTRLBU Annual Report 2018/2019 including Financial Statements	31

Item 7.1

Nelson Tasman Regional Landfill Business Unit

Income Account for the period to 30th June 2019

	Actual Month	Budget Month	Actual YTD	% YTD	% Year	2018/19 Budget	
						YTD	Annual
Income							
Landfill Fees	706,667	675,633	9,750,330	120%	120%	8,107,590	8,107,590
Other recoveries	6,670	4,910	64,821	110%	110%	58,921	58,921
Interest	6,272	8,990	75,256	70%	70%	107,879	107,879
Total Income	719,609	689,533	9,890,407	120%	120%	8,274,390	8,274,390
Less Expenses							
Staff and Administration	55,409	19,537	334,193	143%	143%	234,432	234,432
York Valley Expenses	374,087	141,659	2,396,510	141%	141%	1,699,917	1,699,917
ETS Levy	145,822	130,482	2,254,556	144%	144%	1,565,778	1,565,778
Eves Valley Expenses	1,089	874	15,171	145%	145%	10,494	10,494
Aftercare provision	123,768	5,556	389,351	584%	584%	66,669	66,669
Total Expenses	700,176	298,108	5,389,780	151%	151%	3,577,290	3,577,290
Net Surplus before levy	19,433	391,425	4,500,627	96%	96%	4,697,100	4,697,100
Local Disposal Levy	366,667	366,666	4,400,001	100%	100%	4,400,000	4,400,000
Net Surplus (Deficit) after Levy	(347,234)	24,759	100,627			297,100	297,100

Nelson Tasman Regional Landfill Business Unit

Balance Sheet as at 30th June 2019

	Current	Last Month	30 June 2018
Equity			
Equity 1 July	6,285,296	7,307,371	8,805,257
Plus Net Income	219,031	437,218	(1,497,886)
Closing Equity	<u>6,504,327</u>	<u>7,744,589</u>	<u>7,307,371</u>
Which was invested as follows -			
Current Assets			
NCC Current Account	651,312	431,796	734,273
Debtors	549,376	5,421	960,331
NZETS units	2,584,194	2,584,194	2,079,194
Total Current Assets	<u>3,784,882</u>	<u>3,021,410</u>	<u>3,773,798</u>
Fixed Assets	5,801,173	5,836,853	6,037,845
Investments	3,394,115	3,387,843	3,318,859
Total Assets	<u>12,980,170</u>	<u>12,246,106</u>	<u>13,130,502</u>
Less Liabilities			
Current Liabilities			
Sundry Creditors	62,794	75,689	221,295
NCC Creditor	838,849	-	1,235,619
ETS Accrual	997,307	851,484	816,826
Aftercare provision - Current	295,340	293,570	534,200
Total Current Liabilities	<u>2,194,289</u>	<u>1,220,743</u>	<u>2,807,941</u>
Term Liabilities	4,281,555	3,280,774	3,015,191
Net Assets	<u>6,504,327</u>	<u>7,744,589</u>	<u>7,307,371</u>



Nelson Tasman
Regional Landfill Business Unit

Business Plan
2020/2021



Nelson Tasman Regional Landfill Business Plan (NTRLBU) Business Plan 2020/21

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Prepared by: Don Clifford

Approved by: Don Clifford
Acting General Manager

Approved:

Cover photograph: Toe Embankment York Valley

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1. PURPOSE

The purpose of the Nelson Tasman Regional Landfill Business Unit (NTRLBU) Business Plan 2020/21 is to outline management goals and objectives to ensure that there is a sanitary landfill available in the Nelson Tasman region.

2. TERMS OF REFERENCE REQUIREMENTS

The Terms of Reference document states that the Nelson Tasman Regional Landfill Business Unit (NTRLBU) Joint committee shall by 31 October each year supply to the councils (Nelson City and Tasman District Councils) a copy of its draft Business Plan for the management of the NTRLBU and the assets for the ensuing year. The final Business Plan must be presented to both councils by 31 May.

The Terms of Reference document was revised February 2019; and shall be reviewed if and when required.

3. INTRODUCTION

This Business Plan 2020/21 summarises the projects and initiatives to be implemented during the year. It also outlines the associated funding required.

The Business Plan is aligned with the NTRLBU Strategic Plan and the NTRLBU Landfill Asset Management Plan 2018 (although some budgets have changed). It incorporates the business objectives and performance targets (Section 7), the three-year renewal and upgrade forecasts (Section 9); and the Financial Plan (section 11)

The Joint committee activity schedule and levels of service are appended.

- Appendix A – Joint committee Activity Schedule;
- Appendix B - Targeted levels of service established by the Landfill Asset Management Plan.

4. MISSION STATEMENT

The NTRLBU's mission statement is to plan for the future needs of the community in a cost efficient and environmentally sustainable manner in accordance with the objectives of the Nelson Tasman Waste Management and Minimisation Plan.

5. STRATEGIC GOALS

The NTRLBU aspires to achieve the following goals:

- Provide sanitary landfill capacity for the needs of the Nelson Tasman region.
- The costs of disposal of residual solid waste are affordable.
- Risks associated with the activity are identified and mitigated to a level agreed with the owners.
- We engage the right people with the right skills and experience.
- The NTRLBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social and cultural impact.
- Greenhouse gas emissions are monitored and managed in a responsible manner
- Good relationships are maintained with all stakeholders.

- All statutory obligations are met.

The NTRLBU functional activities are managed by the Nelson City Council and therefore the NTRLBU 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.

6. NTRLBU BACKGROUND

The NTRLBU was established in April 2017 and began operations on 1 July 2017.

The Regional Landfills Asset Management Plan was adopted in June 2018 by the Joint Committee. A draft of the long-term financial plan was adopted on 8 December 2017 and will enable council staff to integrate this into their own long-term plans at their discretion.

The Deed of Agreement determines that the NTRLBU will annually agree on the value to be distributed 50:50 at appropriate intervals to the two councils to fund waste management and minimisation activities; and to recover this amount from landfill charges.

At the end of each financial year the operating surplus/deficit will be shared equally between the two councils and used exclusively for waste management and minimisation initiatives (subject to the NTRLBU retaining up to \$300,000 to manage year-to-year fluctuations).

7. BUSINESS OBJECTIVES AND PERFORMANCE MEASURES

The objectives outlined below describe the long term aims of the business unit. Performance is to be reported quarterly to the Joint Committee and annually or six monthly, as appropriate, to the shareholding councils.

Long Term Objectives	Key Performance Measures
<i>Landfill capacity is available to receive solid waste generated within the Nelson Tasman region.</i>	
The development of a new sanitary landfill is agreed on by the time that the estimated remaining useful life of the current active landfill is five years.	1) Reporting the available landfill airspace annually (in terms of years remaining). 2) Adequate planning has been completed and agreed to before the five year wind down period begins.
Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all contractors.
<i>The costs of disposal to landfill are affordable</i>	
The cost of disposal to landfill is minimised.	That the sum of the landfill surplus/deficit as measured over a five year period does not exceed the value set by the joint committee (the NTRLBU retains up to \$300,000 of surpluses for the purpose of managing year-by-year income fluctuations)

Long Term Objectives	Key Performance Measures
The economic lives of all assets are optimised.	Three yearly internal audit of asset management practices confirms this.
The available airspace at the landfill is used efficiently.	Airspace consumption of 1.23m ³ per tonne of residual waste received is maintained or improved.
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 owners.</i>	
Risk management plans include all significant health and safety, environmental, cultural, social, economic and contractual risks.	No event, which impacts on agreed levels of service, occurs that has not been identified in the NTRLBU risk management plans.
Contingency plans adequately address emergency events.	The effectiveness of the Landfill Management Plan is reviewed and confirmed following incidents which require activation of the plan.
<i>We engage the right people, with the right skills and experience.</i>	
Those engaged with the NTRLBU have the right skills, experience and support to perform well.	Annual staff performance reviews include assessment of the skills and experience required in their role in NTRLBU and their development needs are identified and met. The Joint Committee reviews its performance at least annually.
Operation and maintenance manuals reflect best practice for the activity are followed consistently.	An internal audit every three years confirms this.
<i>NTRLBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact</i>	
NTRLBU minimises adverse environmental, social and cultural impacts where this is economically viable.	Environmental, social and cultural impacts are considered in all decision making.

<i>Greenhouse gas emissions are monitored and managed in a responsible manner</i>	
The NTRLBU measures the greenhouse gas emissions of landfill activities	<p>The composition of incoming waste is assessed annually, by December 2020.</p> <p>The emissions from the York Valley landfill are assessed and reported annually, by June 2021.</p> <p>The annual emissions from the Eves Valley closed landfill are estimated by June 2021.</p>
The NTRLBU reduces the greenhouse gas emissions rate for landfill activities	<p>A target for emissions per tonne of waste is established by June 2021 and reviewed annually.</p> <p>The NTRLBU will annually consider a Unique Emissions Factor for landfill operations.</p> <p>The NTRLBU will annually assesses the business case for reducing emissions from landfill operations, including the reduction of high emissions waste and the improved capture of landfill gas.</p>
<i>Good relationships are maintained with all stakeholders</i>	
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	<p>All strategic and business plans are approved by shareholders.</p> <p>Budget projections are met.</p>
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	<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>
<i>All statutory obligations are met</i>	
All statutory obligations are identified and met and are included in contracts with suppliers.	100% compliance with all statutory obligations.
All resource consent requirements are met.	100% compliance with all resource consents.

8. LANDFILL CHARGES

It is projected that a balanced budget (no surplus or deficit) will be achieved during the 2020/21 financial year if expenditure is maintained within the projected budget at the proposed landfill charges.

The 2019/2020 charges are shown in [brackets].

The proposed landfill charges per tonne (including GST) are:

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Residual waste:	\$171	[\$163]
HAIL > 17,000 tonne:	\$146	[\$138]
HAIL <17,000 tonne:	\$154	[\$148]
HAIL Residential/tested:	\$103	[\$98]
Polystyrene:	\$2180	[\$2,080]

9. OPERATIONS & MAINTENANCE BUDGET

Administration budget:	\$165,000
Management budget:	\$220,000

The budget includes operation and management discretionary contingencies as follows:

Professional advice:	\$25,000	(Joint committee discretion)
Operations & Maintenance:	\$190,000	(General Manager's discretion)

10. THREE YEAR RENEWAL AND UPGRADE EXPENDITURE FORECAST (\$'000)

Renewal Plan (\$,000)	Projected 2019/20	2020/21	2021/22	2022/23
Piezo monitoring well (Eves)	30	30	30	25
Miscellaneous and Safety (Eves)	30	50	35	
Moveable debris fences (York)	15			
Upgrade vehicle wash (York)	50	75		
Planting (either site)	25	25	25	25
Storm water and Leachate control (mostly York)	240	500	500	100
Planning/investigation/activities for Stage 2 and Stage 3 Resource Consent (Eves Valley)	100			
Emissions Studies and Investigations	10			
Weighbridge Technology upgrades (York)	35	50	50	
Contingency (both sites)	65	65	65	65
Total	600	795	705	215

Following recommendations included in the annual monitoring reports, there are several renewal and upgrade items above that were not included in the earlier Asset Management Plan. Therefore, the above table shows increased budgets to cover activities such as studies, design and implementation.

Investigations and studies will result in additional renewal works and design being undertaken in FY2021/22 and FY 2022/23.

A contingency amount of \$65,000 is included in the renewal budget for allocation by the General Manager if required.

11. LONG TERM CAPITAL PROGRAMME

Studies are required to scope all likely future capital works at both the Eves Valley and York Valley sites.

Those studies will inform the long-term capital programme. It is noted that the predicted spend profile will change from that reported in the 2018/19 Business Plan (and the Regional Landfills Asset Management Plan 2018-28).

The main new capital item is the Stage 3 Resource Consent for Eves Valley.

Safety considerations may trigger investigations and study (estimated at \$100,000) for a new access bridge at Eves Valley.

Capital Plan (\$,000)	Projected 2019/20	2020/21	2021/22	2022/23
Planning/investigation/activities for Stage 2 and Stage 3 Resource Consent (Eves Valley)	100	150	200	200
Total	100	150	200	200

12. EMISSIONS

Nelson City Council and Tasman District Council are both considering their Emissions "footprint". As the NTRLBU assets are jointly owned by the councils, then the Business Unit will also need to assess its emissions. A notional allowance of \$100,000 per year has been added to the Business Plan for this activity.

13. FINANCIAL PLAN

Nelson Tasman Regional Landfill Business Unit

Budget Summary for 2020 to 2023

	Budget 2019/2020	Projection 2019/2020	Budget 2020/2021	Budget 2021/2022	Budget 2022/2023
	\$000	\$000	\$000	\$000	\$000
Income					
Landfill income	9,802	9,802	10,405	11,076	11,755
Interest	83	83	47	48	50
Other Recoveries	51	51	50	50	50
Total Income	9,936	9,936	10,502	11,174	11,855
Expenditure					
Operations and Maintenance	1,905	1,905	1,990	2,023	2,061
Management			220	220	220
Administration			165	165	165
Emissions Trading Scheme	2,023	2,023	2,183	2,750	3,329
Waste Levy (MfE)	680	680	700	707	714

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	Budget	Projection	Budget	Budget	Budget
	2019/2020	2019/2020	2020/2021	2021/2022	2022/2023
	\$000	\$000	\$000	\$000	\$000
After care (adjustment)	290	290	86	83	79
Local Disposal Levy	4,800	4,800	4,800	4,800	4,800
Interest	0		0	0	1
Insurance	5	5	5	5	5
Depreciation	233	233	274	341	401
Total Operating Cost	9,936	9,936	10,423	11,094	11,775
Surplus/Deficit	0	0	79	80	80
Budgeted Volumes	68,000	68,000	70,000	70,700	71,407

14. BUSINESS IMPROVEMENT PLAN

This section describes initiatives to improve the efficiency and effectiveness of the Business Unit and is based on the Nelson Tasman Regional Landfill Business Unit Strategic Plan, the 2018 NTRLBU Asset Management Plan and inputs from stakeholders.

IP	Description	Resource Requirements	Progress
1	Develop long term strategy for storm water management	Joint committee, Internal and consultant	Consultant engaged
2	Review landfill gas harvesting	Internal and consultant	Yet to start
3	Emissions studies and investigations	Tasman District Council, Nelson City Council, Consultants and internal	Yet to start

APPENDIX A: Nelson Tasman Regional Landfill Business Unit – Joint 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 15 September 2020	Deliver draft Annual Report to both councils	
By 31 October 2020	Review joint committee planning/meeting timetable Adopt draft business plan for presentation to Tasman District Council and Nelson City Council Review and update Interests Register	Planning/meeting timetable Draft Business Plan Interests Register
By 31 May 2021	Present Annual Report and Business Plan to Tasman District Council and Nelson City Council	Annual Report and Business Plan
By 30 June 2021	Review joint committee performance Receive report on Contingency Plan review by customer representatives Review customer satisfaction survey results Annual review of Strategic Plan Review Audit Management Report	Checklist for joint committee effectiveness Report on Contingency Plan review by customer representatives Customer survey report Strategic plan Audit Management Report

APPENDIX B: Landfill Levels of Service Targets

Related Community Outcomes	Strategic Themes	Levels Of Service	Performance Indicators	Method of Measurement	Target
SOLID WASTE DISPOSAL - NTRLBU will provide a landfill for waste disposal					
Health Environment Education	Impacts	All landfill activities, facilities and services comply with resource consent conditions, site management plans and appropriate legislative requirements.	Compliance with resource consents	Number of non-compliances	Nil
		Adequate landfill airspace available to ensure future sustainability of solid waste disposal.	Available landfill space that has been consented	Years of available consented landfill space	5 Years
			Available landfill space that has been developed	Years of available developed landfill space	2 Years
	Costs	Cost effective and sustainable landfill services available.	No rates required to support landfill activities	User Pays %	100%
	Demand	NTRLBU operational contracts require minimum standards of waste compaction to maximise landfill capacity. Landfills are open at convenient times.	Waste compaction density exceeds minimum target level.	Surveyed compaction	> 0.8t/m ³
Hours and days that the landfill is available for disposal			Opening hours specified	100%	

Related Community Outcomes	Strategic Themes	Levels Of Service	Performance Indicators	Method of Measurement	Target
	Health and Safety	Landfill activity provided in a safe manner and pose no health and safety risks to nearby residents.	No reported incidences of injury or illness attributable to use of facilities.	Complaints and incident forms.	Nil
	Quality	Good quality customer service Inquiries received through the Councils' service request system acknowledged within 24 hours	Customers are content with the services offered. All requests responded to in compliance with Council customer service policy	Customer satisfaction survey Service request response time	Highly satisfied 90%



Nelson Tasman Regional Landfill Business Unit Annual Report 2018/19

1. Background

- 1.1 This Annual Report is a review of what has been achieved by the Nelson Tasman Regional Landfill Business Unit (NTRLBU) in the 2018/19 financial year and its level of performance against Key Performance Indicators.

2. Discussion

- 2.1 The NTRLBU achieved a surplus of \$100,627
- 2.2 Operating and maintenance costs were over budget and resulted from the cost of dealing with a higher tonnage of waste
- 2.3 A milestone achievement has been the award and commencement of the Operations & Maintenance Contract for the Landfills
- 2.4 All consent conditions were met during the year.

3. Performance Measured Against Strategic Business Objectives

- 3.1 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 is reported quarterly to the Joint Committee and annually to the shareholding councils.

Long Term Objectives	Key Performance Measures	Performance
<i>Landfill capacity is available to receive solid waste generated within the Nelson Tasman region.</i>		
The development of a new sanitary landfill agreed on by the time that the estimated remaining useful life of the current active landfill is five years.	Reporting the available landfill airspace annually.	Achieved. Current remaining life for York Valley is approximately 13 years
Levels of service are defined in all contracts and are met.	100% compliance with service level agreements by all major contractors.	Achieved
<i>The costs of disposal to landfill are affordable.</i>		
The cost of disposal to landfill is minimised.	That sum of the landfill surplus/deficit as measured over a five year period does not exceed the value set by the joint committee. (Proposed that the NTRSBU may retain up to \$300,000 of surpluses for the purpose of managing year-by-year income fluctuations)	Costs are being well managed.
The economic lives of all assets are optimised.	Three yearly internal audit of asset management practices confirms this.	It is only the second year for the NTRLBU. Each Council has historically optimised the individual site assets.
The available airspace at the landfill is used efficiently.	Airspace consumption of 1.23m ³ per tonne of residual waste received is maintained or improved.	Achieved as a measure of whole of life landfill density. This target has been added to new O&M contract as is being met.
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.	UAV now being used to measure the volume of waste in place at the York Valley landfill. Better accuracy than traditional survey methods.

Long Term Objectives	Key Performance Measures	Performance
<i>Risks associated with the services provided are identified and mitigated to a level agreed with owners.</i>		
Risk management plans include all significant health and safety, environmental, cultural, social, economic and contractual risks.	No event, which impacts on agreed levels of service, occurs that has not been identified in the NTRLBU risk management plans.	A review of current Risk Management Plans is required
Contingency plans adequately address emergency events.	The effectiveness of the York Valley Landfill Management Plan is reviewed and confirmed following incidents which require activation of the plan.	The Landfill Management Plan was recently prepared/reviewed by an external consultant
<i>We engage the right people, with the right skills and experience.</i>		
Those engaged with the NTRLBU have the right skills, experience and support to perform well.	Annual staff performance reviews include assessment of the skills and experience required in their role in NTRLBU and their development needs are identified and met. The Joint Committee reviews its performance at least annually.	Ongoing assessment. Work needed on role definition and succession planning. New staff being recruited by NCC late 2019
Operation and maintenance manuals reflect best practice for the activity are followed consistently.	An internal audit every three years confirms this.	The new O&M contract will result in improvements to the O&M manuals
<i>NTRLBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact</i>		
NTRLBU minimises adverse environmental, social and cultural impacts where this is economically viable.	Environmental, social and cultural impacts are considered in all decision making.	Achieved
<i>Good relationships are maintained with all stakeholders</i>		
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	All strategic and business plans are approved by shareholders. Budget projections are met.	Both Councils have been kept well-informed. Budgets balanced

Long Term Objectives	Key Performance Measures	Performance
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed promptly. All applications for resource consents are approved. Up to date information on activities and achievements are publically available.	Generally good. A new Resource Consent is required for Eves Valley Stage 2 and later for Stage 3.
<i>All statutory obligations are met</i>		
All statutory obligations are identified and met and are included in contracts with suppliers.	100% compliance with all statutory obligations.	Achieved
All resource consent requirements are met.	100% compliance with all resource consents.	Achieved

4. Financial Performance

The annual financial statements for the year ended 30 June 2019 are appended to this report.

The total revenue of \$9,815,000 was \$1,643,000 more than budget as over 14,500 tonnes of waste was received above budget figures.

Total expenditure of \$9,740,000 was \$1,759,000 above budget for the following reasons:

- a. Emissions Trading Scheme costs increased by \$689,000 and the Waste Levy increased by \$135,000 as a direct result of the increased waste tonnages received and the increased price of the Emissions Trading Scheme units.
- b. Increased operations and maintenance costs of \$354,000. The operations contract costs increased under the terms of the contract due to the contract being tendered during the year and additional volumes processed.
- c. The post-closure cost provision increased by \$269,000 due to a reassessment of costs and increased volumes reducing available airspace. The Eves Valley provision has increased due to the inclusion of maintenance of the leachate line until stage 3 commences and costs incurred as a result of delays to capping stage 2. This was partially offset by a reduction of the York Valley provision due to the recognition of increased airspace available as a result of a re-survey
- d. Consultancy management costs are \$100,000 over budget due to setting up the new operations and maintenance contract.
- e. Unbudgeted impairment of assets on valuation.

Comprehensive revenue and expenses includes a net valuation gain of \$118,000 as a result of land being revalued by \$175,000 less a reversal of last year's landfill network valuation of \$57,000.

Explanation of major variances against budget

Explanations for major variations from the Nelson Tasman Regional Landfill Business Unit's 2018/19 Budget are as follows:

From the "Statement of Comprehensive Revenue and Expense"

Total Revenue was \$1,616,017 more than budget due to higher tonnage of waste received.

Total expenses were \$1,809,290 more than budget as a result of increased costs due to the increased tonnage of waste received, the operations contract being tendered during the year and the increased price of the Emissions Trading Scheme. Comprehensive revenue and expenses includes revaluation of land and the reversal of the 2018 Infrastructure Revaluation due to the shortened life of York Valley landfill as a result of increase waste received.

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2019

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Statement of Accounting policies

For the year ended 30 June 2019

Reporting Entity

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

The primary purpose of the Business Unit is to manage the landfill facilities in a cost efficient and environmentally sustainable manner rather than making a financial return. Accordingly, the Business Unit has designated itself as a public benefit entity for the purposes of financial reporting.

The financial statements of the Business Unit are for the year ended 30 June 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 Public Benefit Standards Reduced Disclosure Regime.

Measurement base

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

Functional and presentation currency

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

Summary of Significant Accounting Policies

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

a) Revenue

Revenue is measured at the fair value.

Interest income is recognised using the effective value method.

Exchange and non-exchange transactions

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

b) Borrowing Costs

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

c) Trade and other receivables

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

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

d) Trade and other payables

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

e) Provisions

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

f) Borrowings

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

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

g) Income tax

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

h) Goods and Services Tax

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

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

i) Distribution Policy

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

j) Property, Plant and Equipment

There are four categories of Property, Plant and Equipment:

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

Revaluation of property plant and equipment

· Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 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.

Post-closure costs

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

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

Additions

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

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

New Business Unit assets are added between valuations 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 and Post Closure Costs at rates which will write off the cost/valuation of the assets over their useful lives. Post Closure Costs are amortised based on volume of airspace consumed. The useful lives of the major classes of infrastructural assets have been estimated as follows:

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

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

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

l) Other financial assets

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

m) Budget figures

The unaudited budget figures are those approved by the Committee at the beginning of the year in the Business Plan. The unaudited budget figures have been using accounting policies that are consistent with those adopted by the Committee for the preparation of financial statements.

n) Critical accounting estimates and assumptions

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Statement of Comprehensive Revenue and Expense**

For the year ended 30 June 2019

	Notes	Actual 2018/19 \$	Budget 2018/19 \$	Actual 2017/18 \$
Revenue				
Landfill fees		9,750,330	8,107,590	8,686,547
Other Recoveries		64,821	58,921	46,473
Interest		75,256	107,879	82,368
Total Revenue		9,890,407	8,274,390	8,815,388
Less Expenses				
Management costs		334,193	234,432	270,654
Audit Fees		-	-	18,150
Bad Debts		31,407	-	-
Insurance		4,275	13,979	9,616
Depreciation	6	234,225	155,346	215,642
Impairment		139,253	-	162,564
Operations & Maintenance		1,131,829	777,994	974,588
Post-closure provision	4	389,351	69,869	1,902,649
Emissions Trading Scheme		2,254,556	1,565,778	1,284,514
Waste Levy		810,604	675,629	760,784
Local Disposal Levy		4,400,001	4,400,000	3,831,250
Consultancy		17,443	44,356	157,269
Sundry		42,644	43,107	50,463
Total Expenses		9,789,780	7,980,490	9,638,144
Net Surplus		100,627	293,900	(822,756)
Other Comprehensive Revenue and Expense				
1 July adjustment of Property, Plant and Equipment	1(a)	-	-	(1,754,501)
Gain on revaluations of Property, Plant and equipment	1(b)	118,404	-	57,296
Total Comprehensive Revenue and Expense		219,031	293,900	(2,519,961)

Statement of Changes in Equity

For the year ended 30 June 2019

Equity at the start of Year			
Opening Equity		-	-
Plus net assets transferred from owners		6,228,000	-
Plus Total Comprehensive Revenue and Expense for the year		219,031	(2,519,961)
Equity at the end of Year		6,447,031	6,285,296

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

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT
Statement of Financial Position
as at 30 June 2019

	Notes	Actual 30-Jun-19 \$	Actual 30-Jun-18 \$
Equity			
Accumulated Funds	1(a)	6,328,627	6,228,000
Revaluation reserve	1(b)	175,700	57,296
Total Equity		<u>6,504,327</u>	<u>6,285,296</u>
This was represented by:			
Current Assets			
Nelson City Council Current Account		386,297	452,843
Trade and other receivables from exchange transactions		549,376	960,331
Inter-entity receivables from exchange transactions		265,015	281,430
Inter-entity other financial assets		3,394,115	3,318,859
Emissions Trading Scheme (ETS) Credits		2,584,194	2,079,194
Total Current Assets		<u>7,178,997</u>	<u>7,092,657</u>
Current Liabilities			
Trade Payables from exchange transactions		-	-
Sundry Creditors and other payables from exchange transactions		1,060,100	1,038,122
Inter-entity payables from exchange transactions	5	838,848	1,235,619
Current portion of Provisions		295,340	540,200
Total Current Liabilities		<u>2,194,289</u>	<u>2,813,941</u>
Net Working Capital		<u>4,984,709</u>	<u>4,278,716</u>
Non Current Assets			
Property, plant and equipment	6	5,801,173	6,037,845
Total Non Current Assets		<u>5,801,173</u>	<u>6,037,845</u>
Non Current Liabilities			
Provisions	4	4,281,555	4,031,266
Total Non Current Liabilities		<u>4,281,555</u>	<u>4,031,266</u>
Net Assets		<u>6,504,327</u>	<u>6,285,296</u>

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

NELSON TASMAN REGIONAL LANDFILL 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		9,814,824	8,727,918
		<u>9,814,824</u>	<u>8,727,918</u>
Payments to suppliers		(2,883,892)	(2,588,944)
Payments of Local Disposal levy		(4,400,001)	(3,831,250)
		<u>(7,283,893)</u>	<u>(6,420,194)</u>
Net Cash Flows from Operating Activities	3	<u>2,530,931</u>	<u>2,307,725</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(18,402)	0
Purchase of carbon Credits		(2,579,075)	(1,854,882)
Net Cash from Investing Activities		<u>(2,597,477)</u>	<u>(1,854,882)</u>
Cash Flows from Financing Activities			
		0	0
Net Cash from Financing Activities		0	0
Net Increase/(Decrease) in cash and cash equivalents		<u>(66,546)</u>	<u>452,843</u>
Cash and cash equivalents at beginning of the year		452,843	0
Cash and cash equivalents at the end of year		<u>386,297</u>	<u>452,843</u>

NELSON TASMAN REGIONAL LANDFILL 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	6,228,000	0
Net Assets assumed 1 July 2017	0	8,805,257
Adjustment 1 July 2017	0	(1,754,501)
Net Surplus	100,627	(822,756)
Closing Balance	<u>6,328,627</u>	<u>6,228,000</u>

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

1(b) Revaluation Reserve		
Opening Balance	57,296	0
Revaluation Movements		
Land revaluation	175,700	0
Landfill network revaluation	(57,296)	57,296
Total Revaluation Movement	<u>118,404</u>	<u>57,296</u>
Transfer to accumulated funds on disposal of property	0	0
Closing Balance	<u>175,700</u>	<u>57,296</u>
Balance held as follows:-		
Land	175,700	0
Landfill network	0	57,296
Total Revaluation Reserve	<u>175,700</u>	<u>57,296</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 3.49% to 2.87% with a weighted average of 3.32%. (2017/18 3.42%).

A working capital facility exists with Nelson City with interest rates payable on the same rate as the core funding facility. At 30 June the facility had a credit balance of \$386,297 (2018 \$452,843).

3 Related party transactions

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

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

4 Provisions

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

5 Inter-entity payables from exchange transactions

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

6 Property, plant and equipment

	Land	Buildings	Landfill Network	Improvements	Post Closure Cost	Total
Valuation / Cost						
Balance 30 June 2017	-	-	-	-	-	-
Transfer 1 July from NCC & TDC	873,800	15,795	6,747,472	94,324	853,039	8,584,430
Additions 2018						-
Adjustment 1 July 2017	-	-	1,754,501	-	-	1,754,501
Impairment Eves valley 1 July 17	-	-	162,564	-	-	162,564
Revaluation 2018	-	-	57,296	-	-	57,296
Revaluation transfer 2018	-	-	198,912	-	-	198,912
Balance June 2018	873,800	15,795	4,688,791	94,324	853,039	6,525,749
Additions 2019		11,627	6,775			18,402
	-	-	0	-	-	0
Impairment June 19	-	-	(139,253)	-	-	(139,253)
Revaluation 2019	175,700	-	(57,296)	-	-	118,404
Revaluation transfer 2019	-	-	(197,236)	-	-	(197,236)
Balance June 2019	1,049,500	27,422	4,301,781	94,324	853,039	6,326,066
Accumulated Depreciation						
Balance 30 June 2017	-	-	-	-	-	-
Transfer 1 July from NCC & TDC	-	-	-	-	471,173	471,173
Depreciation charge 2018	-	2,237	198,912	5,895	8,598	215,642
Revaluation transfer 2018	-	-	198,912	-	-	198,912
Balance June 2018	-	2,237	-	5,895	479,771	487,904
Depreciation charge 2019	-	2,254	197,236	6,316	28,419	234,225
Revaluation transfer 2019	-	-	(197,236)	-	-	(197,236)
Balance June 2019	-	4,491	-	12,212	508,190	524,893
Carrying amounts						
Balance June 2018	873,800	13,558	4,688,791	88,429	373,268	6,037,845
Balance June 2019	1,049,500	22,931	4,301,781	82,113	344,849	5,801,173
Work in Progress (Included above)						
Property, plant and equipment in the course of construction by class of assets is detailed below						
Balance June 2018	-	-	-	-	-	-
Balance June 2019	-	-	-	-	-	-

6 Property, plant and equipment continued - further disclosures

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

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

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

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

7 Financial Instruments

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

a) Credit Risk

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Nelson City Council Current Account	386,297	452,843
Accounts Receivable	814,391	1,241,761
Inter-entity deposits	3,394,115	3,318,859
No collateral is held on the above accounts		

b) Concentration

Concentrations of credit risk with respect to accounts receivable is moderate, with Nelson City Council, Tasman District Council and three private users as major customers and 40 minor customers. However, the Councils and major Customers are all considered high credit quality entities.

c) Currency Risk

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

d) Fair value interest rate risk

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

8 Statement of Contingent Assets and Contingent Liabilities

The Business Unit has no contingent asset or contingent liabilities as at 30 June 2019 (2018 Nil).

9 Statement of Commitments

The Business Unit has capital commitments of \$Nil as at 30 June 2019. (2018 \$Nil).

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

Explanations for major variations from the Nelson Tasman Regional Landfill Business Unit's 2018/19 Budget are as follows:

Statement of Comprehensive Revenue and Expense

Total Revenue is \$1,616,017 more than budget due to higher tonnage of waste received.

Total expenses are \$1,809,290 more than budget as a result of increased costs due to the increased tonnage of waste received, the operations contract being tendered during the year and the increased price of the Emissions Trading Scheme.

Comprehensive Revenue and Expenses includes revaluation of Land and the reversal of the 2018 Infrastructure revaluation due to the shortened life of York Valley landfill as a result of increase waste received.

7.2 ANNUAL FINANCIAL STATEMENTS - 2017/2018

Decision Required

Report To: Nelson-Tasman Regional Landfill Business Unit
Meeting Date: 13 September 2019
Report Author: Andrew Bishop, Financial Accountant
Report Number: RRLBU19-09-1

1 Summary

- 1.1 As a result of issues during the audit of the 2017/2018 annual report it has been necessary to amend the version that was authorised for issue, subject to audit, on 27 August 2018.
- 1.2 The final annual report is presented for the committee's consideration and authorisation.

2 Draft Resolution

That the Nelson Tasman Regional Landfill Business Unit:

1. receives the Nelson Tasman Regional Landfill Business Unit – Revised 2017/2018 Annual Financial Statements; and
2. approves the Nelson Tasman Regional Landfill Business Unit – Revised 2017/2018 Annual Financial Statements subject to audit.

3	Purpose of the Report
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- 3.1 This report presents the Nelson Tasman Regional Landfill Business Unit – Revised 2017/2018 Annual Financial Statements for approval.

4	Background and Discussion
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- 4.1 At the 27 August 2018 meeting the committee received and approved the Nelson Tasman Landfill Business Unit (NTRLBU) annual report 2017/18, subject to audit.
- 4.2 The 2017/18 annual report is the first report of the NTRLBU. The audit materiality of items in the annual report is significantly different than for the two councils who previously owned the two landfills.
- 4.3 The York Valley costs were last assessed in 2003 and subsequently increased by index.
- 4.4 The Eves Valley costs were last assessed in 2015 and subsequently increased by index. The assessment was also assumed that Stage 3 of Eves Valley would be operational.
- 4.5 During the course of the audit the auditors did not accept the assessment of the provision for post-closure costs which were based on historical council assessments. The auditor subsequently indexed and requested an independent assessment before completing the audit.
- 4.6 An assessment was requested from the two landfill consulting engineering firms. These assessments were moderated by the Acting General Manager. The result of the moderated assessment was an increase in the assessed uninflated cost of \$1,596,000 (**Attachment 1**). The timing of the expenditure was also reviewed.
- 4.7 The New Zealand Treasury issues tables of Risk-free Discount Rates and CPI Assumptions for Accounting Valuation Purposes. The rates for 2018 are 4.75% discount rate and 2% inflation rate. The rates used in the August 2018 calculation were 6.5% and 2.5% respectively. It was decided to change to the New Zealand treasury rates.
- 4.8 The combined effect of the reassessment of the quantum of uninflated costs, their timing, the inflation rate applied and the discount rate used to calculate the Net Present Value resulted in an increase in the provision of \$1,022,000 resulting in a deficit of \$823,000.
- 4.9 The opening balance of the provision has been fully funded by the two councils. These funds have been invested by the Business Unit with the two councils.
- 4.10 The movement in the provision this year has not been invested with the two councils due to the timing of the recognition of the increase cost.

Discussion

- 4.11 Audit New Zealand identified that the post-closure costs exposure of the Business Unit hadn't been reviewed for a significant period of time.
- 4.12 Subsequent review of the provision identified a significant increase in the amount of the provision required for post-closure costs.
- 4.13 The increased provision is sufficiently material to require a revision of the Annual Financial Statements (**Attachment 2**).
- 4.14 A comparison report has been compiled (**Attachment 3**).

- 4.15 The next Business Plan will need to consider the recovery of the resultant deficit. In the interim, the deficit has been deducted from the equity of the Business Unit.
- 4.16 The future work plan for the Landfill Business unit should include a more regular assessment of the provision.

5 Options

5.1 There are two options for the committee to consider:

Option 1 – authorise the revised 2017/2018 Annual Financial Statements.

Advantages

- The 2017/2018 Annual Financial Statements will reflect the state of the Business Unit at June 2018.
- An unqualified audit report is likely.

Disadvantages

- The 2017/18 results and balances in the Nelson City Council and Tasman District Councils Financial Statements will need to be restated for the 2018/19 Financial Statement comparatives.

Option 2 – do not authorised the revised 2017/2018 Annual Financial Statements.

Advantages

- The 2017/18 results and balances in the Nelson City Council and Tasman District Councils Financial Statements will not need to be restated for the 2018/19 Financial Statement comparatives.

Disadvantages

- The 2017/2018 Annual Financial Statements would be materially incorrect.
- A qualified audit report is likely.

6 Conclusion

6.1 As a result of issues during the audit of the 2017/2018 annual report it has been necessary to amend the version that was authorised for issue, subject to audit, on 27 August 2018.

6.2 The final annual report is presented for the committee’s consideration and authorisation.

7 Attachments

1. ↓	NTRLBU summary of movement in post-closure cost provisions	55
2. ↓	NTRLBU revised financial report 2017-2018	57
3. ↓	NTRLBU comparison 2018 financial report	73

Analysis of movement in Post Closure Cost Provision 2017 to 2018

Line	York Valley				Eves Valley			
	Cost uninflated	Inflation	NPV Adj	Total	Cost uninflated	Inflation	NPV Adj	Total
4	3,799,000	7,647,329	(10,133,467)	1,312,861	2,761,030	1,617,152	(2,454,553)	1,923,629
5	-	(2,935,344)	3,700,876	765,532	-	(109,669)	234,705	125,036
6	3,799,000	4,711,985	(6,432,592)	2,078,394	2,761,030	1,507,483	- 2,219,848.08	2,048,665
7				-	(567,674)			(567,674)
8	745,000			745,000	951,144			951,144
9		725,947	(1,933,653)	(1,207,706)		(274,877)	332,838.58	57,962
10		(1,510,662)	2,063,844	553,182		(306,574)	219,074	(87,501)
	4,544,000	3,927,270	(6,302,400)	2,168,870	3,144,500	926,032	(1,667,936)	2,402,596

Commentary

The Balance of the Post Closure Cost provision in the two Councils books were transferred to the NTRLBU on formation on the 1st July 2017. (Line 4)

On the 1st of July as a result of the formation of the Joint Business Unit the assessed life of York Valley Landfill was reduced by 12 years due to receiving the whole regions waste. Also the Eves Valley Landfill was closed whereas the life had been assessed as 1 year. This resulted in a change of timing of the expenditure included in the provision. The adjustment in line 5 and the balance in line 6 reflects this change.

Following the closure of Eves Valley Landfill capping of the landfill commenced as did the aftercare of the landfill. These costs are shown in line 7 and have been deducted from the provision for the same.

The costs of closing the landfills and the aftercare costs hadn't been reassessed for some time. The two consultants advising us on the landfills reassessed these costs. Their assessments were then reviewed by the Acting General Manager to ensure consistency. This resulted in an increase in the assessed uninflated costs which is reflected in line 8 and the change in quantum and in timing of the assessed costs changed the inflation effect and the Net Present value (NPV) of the cost provision which is reflected in line 9. Treasury publish a recommended long term discount rate and inflation rate. The change in the inflation rate from 2.5% to 2% and the NPV rate from 6.5% to 4.75% is reflected in line 10.

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2018

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Representatives for year ended 30 June 2018

Representing Tasman District Council
Cr C Maling
Cr S Byrant

Representing Nelson City Council
Cr Ian Barker
Cr S. Walker

Principal Administration Office

C/- Nelson City Council
110 Trafalgar St
Nelson

Auditor

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

Bankers

Nelson City Council
110 Trafalgar St
Nelson

Solicitors

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Statement of Accounting policies

For the year ended 30 June 2018

Reporting Entity

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

The primary purpose of the Business Unit is to manage the landfill facilities in a cost efficient and environmentally sustainable manner rather than making a financial return. Accordingly, the Business Unit has designated itself as a public benefit entity for the purposes of financial reporting.

The financial statements of the Business Unit are for the year ended 30 June 2018. The financial statements were originally authorised for issue by the Committee on the 27th August 2018. These financial statements include post audit adjustments and were issued 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 Public Benefit Standards Reduced Disclosure Regime.

Measurement base

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

Functional and presentation currency

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

Summary of Significant Accounting Policies

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

a) Revenue

Revenue is measured at the fair value.

Interest income is recognised using the effective value method.

Exchange and non-exchange transactions

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

b) Borrowing Costs

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

c) Trade and other receivables

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

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

d) Trade and other payables

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

e) Provisions

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

f) Borrowings

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

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

g) Income tax

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

h) Goods and Services Tax

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

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

i) Distribution Policy

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

j) Property, Plant and Equipment

There are four categories of Property, Plant and Equipment:

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

Revaluation of property plant and equipment

Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2017 by QV Valuations.

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

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

Post-closure costs

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

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

Additions

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

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

New Business Unit assets are added between valuations and 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 and Post Closure Costs at rates which will write off the cost/valuation of the assets over their useful lives. Post Closure Costs are amortised based on volume of airspace consumed. The useful lives of the major classes of infrastructural assets have been estimated as follows:

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

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

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

l) Other financial assets

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

m) Budget figures

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

n) Critical accounting estimates and assumptions

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Statement of Comprehensive Revenue and Expense**

For the year ended 30 June 2018

	Notes	Actual 2017/18 \$	Budget 2017/18 \$	Actual 2016/17 \$
Revenue				
Landfill fees		8,686,547	7,270,535	-
Other Recoveries		46,473	57,090	-
Interest		82,368	92,418	-
Total Revenue		8,815,388	7,420,043	-
Less Expenses				
Management costs		270,654	235,015	-
Audit Fees		18,150	-	-
Interest Paid		-	9,293	-
Insurance		9,616	13,979	-
Depreciation	6	215,642	236,263	-
Impairment		162,564	-	-
Operations & Maintenance		974,588	834,696	-
Post-closure provision	4	1,902,649	610,879	-
Emissions Trading Scheme		1,284,514	1,036,193	-
Waste Levy		760,784	615,000	-
Local Disposal Levy		3,831,250	3,831,250	-
Consultancy		157,269	3,099	-
Sundry		50,463	40,451	-
Total Expenses		9,638,144	7,466,118	-
Net Surplus		(822,756)	(46,075)	-
Other Comprehensive Revenue and Expense				
1 July adjustment of Property, Plant and Equipment	1(a)	(1,754,501)	-	-
Gain on revaluations of Property, Plant and equipment	1(b)	57,296	-	-
Total Comprehensive Revenue and Expense		(2,519,961)	(46,075)	-

Statement of Changes in Equity

For the year ended 30 June 2018

Equity at the start of Year			
Opening Equity		-	-
Plus net assets transferred from owners		8,805,257	-
Plus Total Comprehensive Revenue and Expense for the year		(2,519,961)	-
Equity at the end of Year		6,285,296	-

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

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT
Statement of Financial Position
as at 30 June 2018

	Notes	Actual 30-Jun-18 \$	Actual 1-Jul-17 \$
Equity			
Accumulated Funds	1(a)	6,228,000	8,805,257
Revaluation reserve	1(b)	57,296	-
Total Equity		<u>6,285,296</u>	<u>8,805,257</u>
This was represented by:			
Current Assets			
Nelson City Council Current Account		452,843	-
Trade and other receivables from exchange transactions		960,331	-
Inter-entity receivables from exchange transactions		281,430	-
Inter-entity other financial assets		3,318,859	3,236,491
Emissions Trading Scheme (ETS) Credits		2,079,194	692,000
Total Current Assets		<u>7,092,657</u>	<u>3,928,491</u>
Current Liabilities			
Trade Payables from exchange transactions		-	-
Sundry Creditors and other payables from exchange transactions		1,038,122	-
Inter-entity payables from exchange transactions	5	1,235,619	-
Current portion of Provisions		540,200	-
Total Current Liabilities		<u>2,813,941</u>	<u>-</u>
Net Working Capital		<u>4,278,716</u>	<u>3,928,491</u>
Non Current Assets			
Property, plant and equipment	6	6,037,845	8,113,257
Total Non Current Assets		<u>6,037,845</u>	<u>8,113,257</u>
Non Current Liabilities			
Provisions	4	4,031,266	3,236,491
Total Non Current Liabilities		<u>4,031,266</u>	<u>3,236,491</u>
Net Assets		<u>6,285,296</u>	<u>8,805,257</u>

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

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

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

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNITNotes to and forming part of the Financial Statements
for the year ended 30 June 2018

	2017/18	2016/17
	\$	\$
1 Equity		
The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council.		
1(a) Accumulated Funds		
Opening Balance	0	0
Net Assets assumed 1 July 2017	8,805,257	0
Adjustment 1 July 2017	(1,754,501)	
Net Surplus	(822,756)	0
Closing Balance	<u>6,228,000</u>	<u>0</u>

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

1(b) Revaluation Reserve		
Opening Balance	0	0
Revaluation Movements		
Land revaluation	0	0
Landfill network revaluation	57,296	0
Total Revaluation Movement	<u>57,296</u>	<u>0</u>
Transfer to accumulated funds on disposal of property	0	0
Closing Balance	<u>57,296</u>	<u>0</u>
Balance held as follows:-		
Land	0	0
Landfill network	57,296	0
Total Revaluation Reserve	<u>57,296</u>	<u>0</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 3.42% to 3.42% with a weighted average of 3.42%. (2016/17 is not applicable).

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

3 Related party transactions

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

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

4 Provisions

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

5 Inter-entity payables from exchange transactions

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

6 Property, plant and equipment

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

6 Property, plant and equipment continued - further disclosures

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

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

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

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

7 Financial Instruments

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

a) Credit Risk

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

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

b) Concentration

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

c) Currency Risk

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

d) Fair value interest rate risk

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

8 Statement of Contingent Assets and Contingent Liabilities

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

9 Statement of Commitments

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

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

10 Subsequent events

There are no material adjusting events after balance date.

11 Explanation of major variances against budget

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

Statement of Comprehensive Revenue and Expense

Total Revenue is \$1,395,345 more than budget due to higher tonnage of waste received.

Total expenses are \$2,166,026 more than budget as a result of increased costs due to the increased tonnage of waste received, additional costs due to the heavy rain event on 1 July 2017, delays in capping stage 2 of Eves valley, impairment of Eves Valley assets due to early closure, recognition of additional post closure costs and the costs of consultants for the Asset management plan and contract tendering. In addition the amalgamation of the landfill operations resulting in a reduced life of the landfills which has increased the net present value of the post closure cost provision which is expensed.

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

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

	Notes	Revision 2019	Previous 2018	Change
		Actual 2017/18	Actual 2017/18	
Revenue		\$	\$	\$
Landfill fees		8,686,547	8,686,547	-
Other Recoveries		46,473	46,473	-
Interest		82,368	82,368	-
Total Revenue		<u>8,815,388</u>	<u>8,815,388</u>	-
Less Expenses				
Management costs		270,654	270,654	-
Audit Fees		18,150	18,150	-
Interest Paid		-	-	-
Insurance		9,616	9,616	-
Depreciation	6	215,642	215,642	-
Impairment		162,564	162,564	-
Operations & Maintenance		974,588	974,588	-
Post-closure provision	4	1,902,649	880,574	1,022,075
Emissions Trading Scheme		1,284,514	1,284,514	-
Waste Levy		760,784	760,784	-
Local Disposal Levy		3,831,250	3,831,250	-
Consultancy		157,269	157,269	-
Sundry		50,463	50,463	-
Total Expenses		<u>9,638,144</u>	<u>8,616,069</u>	<u>1,022,075</u>
Net Surplus		(822,756)	199,319	(1,022,075)
Other Comprehensive Revenue and Expense				
1 July adjustment of Property, Plant and Equipment	1(a)	(1,754,501)	(1,754,501)	0
Gain on revaluations of Property, Plant and equipment	1(b)	57,296	57,296	-
Total Comprehensive Revenue and Expense		<u>(2,519,961)</u>	<u>(1,497,886)</u>	<u>(1,022,075)</u>

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

Equity at the start of Year				
Opening Equity		-	-	-
Plus net assets transferred from owners		8,805,257	8,805,257	-
Plus Total Comprehensive Revenue and Expense for the year		(2,519,961)	(1,497,886)	(1,022,075)
Equity at the end of Year		<u>6,285,296</u>	<u>7,307,371</u>	<u>(1,022,075)</u>

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Comparison Statement of Financial Position**

as at 30 June 2018

	Notes	Revision 2019	Previous 2018	Change
		Actual 30-Jun-18	Actual 30-Jun-18	
Equity		\$	\$	
Accumulated Funds	1(a)	6,228,000	7,250,075	(1,022,075)
Revaluation reserve	1(b)	57,296	57,296	0
Total Equity		<u>6,285,296</u>	<u>7,307,371</u>	<u>(1,022,075)</u>
This was represented by:				
Current Assets				
Nelson City Council Current Account		452,843	452,843	0
Trade and other receivables from exchange transactions		960,331	960,331	0
Inter-entity receivables from exchange transactions		281,430	281,430	0
Inter-entity other financial assets		3,318,859	3,318,859	0
Emissions Trading Scheme (ETS) Credits		2,079,194	2,079,194	0
Total Current Assets		<u>7,092,657</u>	<u>7,092,657</u>	<u>0</u>
Current Liabilities				
Trade Payables from exchange transactions		-	-	0
Sundry Creditors and other payables from exchange transactions		1,038,122	1,038,122	0
Inter-entity payables from exchange transactions	5	1,235,619	1,235,619	0
Current portion of Provisions		540,200	534,200	6,000
Total Current Liabilities		<u>2,813,941</u>	<u>2,807,941</u>	<u>6,000</u>
Net Working Capital		<u>4,278,716</u>	<u>4,284,716</u>	<u>(6,000)</u>
Non Current Assets				
Property, plant and equipment	6	6,037,845	6,037,845	0
Total Non Current Assets		<u>6,037,845</u>	<u>6,037,845</u>	<u>0</u>
Non Current Liabilities				
Provisions	4	4,031,266	3,015,191	1,016,075
Total Non Current Liabilities		<u>4,031,266</u>	<u>3,015,191</u>	<u>1,016,075</u>
Net Assets		<u>6,285,296</u>	<u>7,307,371</u>	<u>(1,022,075)</u>

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