Nelson City Council
te kaunihera o whakatū

AGENDA

Ordinary meeting of the

Nelson City Council

Thursday 3 March 2016
Commencing at 9.00am
Council Chamber
Civic House
110 Trafalgar Street, Nelson

Membership: Her Worship the Mayor Rachel Reese (Chairperson), Councillors Luke Acland, Ian Barker, Ruth Copeland, Eric Davy, Kate Fulton, Matt Lawrey, Paul Matheson (Deputy Mayor), Brian McGurk, Gaile Noonan, Pete Rainey, Tim Skinner and Mike Ward

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Page No.

Opening Prayer

1. Apologies

Nil

2. Confirmation of Order of Business

3. Interests

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

4. Public Forum

5. Mayor's Report

6. Nelson Regional Sewerage Business Unit - Annual Report 2014-15 — 8 - 47

Document number R5306

Recommendation

> ***THAT** the report Nelson Regional Sewerage Business Unit - Annual Report 2014-15 (R5306) and its attachment (A1469480) be received.*

7. Nelson Regional Sewerage Business Unit: Draft Business Plan 2016/17 — 48 - 70

Document number R5314

Recommendation

> ***THAT** the report Nelson Regional Sewerage Business Unit: Draft Business Plan 2016/17*

(R5314) and its attachment (A1501600) be received;

<u>AND THAT</u> Council adopt the Nelson Regional Sewerage Business Unit Draft Business Plan 2016/17 (A1501600).

8. Betts Carpark Special Housing Area 71 - 86

Document number R5302

Recommendation

<u>THAT</u> the report Betts Carpark Special Housing Area (R5302) and its attachments (A1503472 and A1499622) be received;

<u>AND THAT</u> the design controls in attachment 1, (A1503472) to be included in a Request for Expressions of Interest for the sale and development of Betts Carpark Special Housing Area, be approved;

<u>AND THAT</u> Council expresses a preference for the sale of Betts Carpark (Pt Lot 2 DP 224) for development as a Special Housing Area.

9. Special Housing Areas 87 - 98

Document number R5354

Recommendation

<u>THAT</u> the report Special Housing Areas (R5354) and its attachment (A1503228) be received;

<u>AND THAT</u> Council approve the extension of Saxton Special Housing Area over part of the Richards property (Lot 4 DP 8212) as shown in the attachment (A1503228), subject to the Saxton master plan agreement specified in the Council resolution of 17 December 2015 being entered into;

<u>AND THAT</u> Council approve a new Beach Road Special Housing Area adjoining the Ocean Lodge Special Housing Area over the Elliot and Menzies (Lots 1 & 2 DP 530) properties as shown in the attachment (A1503228);

AND THAT ***Her Worship the Mayor recommend the Beach Road area to the Minister of Building and Housing for consideration as a Special Housing Area under the Housing Accord and Special Housing Areas Act 2013;***

AND THAT ***Her Worship the Mayor recommend the Saxton Special Housing Area after the master plan conditions have been met.***

10. Nelson City and Tasman District Regional Landfill - Joint Venture Proposal **99 - 140**

Document number R5512

Recommendation

THAT ***the report Nelson City and Tasman District Regional Landfill - Joint Venture Proposal (R5512) and its attachments (A1504294 and A1504295) be received;***

AND THAT ***Council approve a Joint Venture model as the preferred option for the management of Tasman District and Nelson City Councils' landfills;***

AND THAT ***a 50:50 Joint Venture is preferred, with a one-off payment of $4.2 million paid by Tasman District Council to Nelson City Council to compensate for the difference in midpoint landfill values between York Valley and Eves Valley be approved;***

AND THAT ***for Eves Valley, operational control of all land used for the existing landfill and for Stage 3 landfill purposes will be transferred to the Joint Venture and that for York Valley operational control of all of the land currently used (but not the land designated for Stage 2) will be transferred to the Joint Venture (noting that, for formal decision-making purposes, maps and legal descriptions will be provided);***

AND THAT ***both councils retain buffer land and designations, and that should any alternative use be proposed, the views and preferences of the joint venture will be taken into account in determining the future use of that land;***

AND THAT ***the structure, governance, funding and ownership aspects of the landfill Joint***

Venture will be the subject of a future report to both Councils, noting the intention that this Joint Venture be similar to Nelson Regional Sewerage Business Unit;

<u>AND THAT</u> the Nelson City Council will undertake consultation on the proposal through its Annual Plan 2016/17 process and that, concurrently, Tasman District Council will engage with its community through its engagement on its Annual Plan 2016/17 whilst acknowledging that Tasman District Council may need to amend its Long-term Plan in July 2016 to enable this transaction (as the Eves Valley landfill is a strategic asset);

<u>AND THAT</u>, subject to confirmation through the Annual Plan consultation processes, the Joint Venture formally commence 1 July 2017 with the one-off payment of $4.2 million to be made from Tasman District Council to Nelson City Council on that date;

<u>AND THAT</u> from the date of 3 March 2016 (being the date both Councils consider the proposal) both Councils will continue to support the model in the way they manage their landfills in anticipation of it being the approved outcome;

<u>AND THAT</u> prior to commencement of the Joint Venture on 1 July 2017, that each Council continue with all necessary work to establish the Joint Venture in anticipation of approval of the proposal;

<u>AND THAT</u> all direct and external costs for establishment of the Joint Venture will continue to be shared 50:50 between both Councils;

<u>AND THAT</u> the Chief Executive be instructed requested to establish with Tasman District Council a Joint Venture project team for this purpose and do all necessary work for the purpose of establishing the Joint Venture for landfill operations from 1 July 2017;

<u>AND THAT</u> all the statements in this recommendation be subject to the Tasman District Council passing equivalent resolutions on the joint landfill management.

11. Approval of Draft Annual Plan 2016/17 141 - 172

Document number R5525

Recommendation

THAT ***the report Approval of Draft Annual Plan 2016/17 (R5525) and its attachments (A1448943, A1458865 and A1509118) be received;***

AND THAT ***Council adopts the amended Significance and Engagement Policy (A1509118);***

AND THAT ***Council approves the Draft Annual Plan 2016/17 (A1448943) as an accurate reflection of its proposed variations to year two of the Long Term Plan 2015-25;***

AND THAT ***Council approves the Consultation Document for the Draft Annual Plan 2016/17 (A1458865) for public consultation from 11 March 2016 to 5pm 11 April 2016;***

AND THAT ***the Mayor, Deputy Mayor and Chief Executive be delegated to approve any minor amendments required to the draft Annual Plan 2016/17 or the Consultation Document.***

12. Lewis Stanton Update 173 - 174

Document number R5537

Recommendation

THAT ***the report Lewis Stanton Update (R5537) be received.***

PUBLIC EXCLUDED BUSINESS

13. Exclusion of the Public

Recommendation

THAT ***the public be excluded from the following parts of the proceedings of this meeting.***

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under

section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item	**General subject of each matter to be considered**	**Reason for passing this resolution in relation to each matter**	**Particular interests protected (where applicable)**
1	**Nelson Regional Development Agency - Appointment of Chair and Recruitment of Board Members**	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person

14. Re-admittance of the public

Recommendation

<u>THAT</u> the public be re-admitted to the meeting.

Note:

- **Lunch will be provided.**

REPORT R5306

Nelson Regional Sewerage Business Unit - Annual Report 2014-15

1. Purpose of Report

1.1 To present the Nelson Regional Sewerage Business Unit (NRSBU) Annual Report 2014/15 to Council.

2. Delegations

2.1 Council has responsibility for oversight of NRSBU activity.

3. Recommendation

<u>THAT</u> the report Nelson Regional Sewerage Business Unit - Annual Report 2014-15 (R5306) and its attachment (A1469480) be received.

4. Background

4.1 The NRSBU was established by the Nelson City and Tasman District Councils in July 2000. Its purpose is to manage and operate the wastewater treatment facilities at Bell Island and the associated reticulation network efficiently and in accordance with resource consent conditions and to meet the needs of its customers.

4.2 The five customers are the Nelson City Council, Tasman District Council, Enza, Alliance and Nelson Pine Industries.

5. NRSBU Annual Report

5.1 This Annual Report is a review of what has been achieved by the NRSBU in the 2014/15 financial year and its level of performance against Key Performance Indicators.

5.2 The NRSBU met its targets with a surplus of $1,934,722. The expenses are 3% less than the budget.

5.3 The total income is $72,300 less than budget as the trade waste charges were less than envisaged.

5.4 The total expenses were $161,022 less than budget largely due to reduced depreciation arising from the 2014 valuation. There were increased costs related to the establishment costs for the re-tendered Biosolids disposal contract.

5.5 In the main, the business plan targets have been met and resource consents complied with.

5.6 The few exceptions relate to the following level of service performance targets not being met;

- There were 3 pump station overflows; 1 resulted from equipment failure and 2 from operator error.

- The contractor did not respond to alarms within the contracted time frame on two occasions.

5.7 The operational procedures and pump control systems have been reviewed and amended to minimise future occurrence.

5.8 A total of $368,635 worth of renewals were completed during the year out of a budget of $658,000. The renewals were programmed based on age and condition. After undertaking condition assessments it was found that some of the renewals did not need to be implemented, so not all the renewals budgeted were completed.

5.9 The flow and loads into the treatment plant have been trending down over recent years. This effectively reduces the need to undertake treatment capacity upgrades in the short to medium term.

6. Alignment with relevant Council policy

6.1 The Nelson City Council and Tasman District Council have a Memorandum of Understanding (MoU) that was reviewed and signed in September 2015, as approved by Council on 3 September 2015.

6.2 This MoU constitutes the 'terms of reference' as required under Section 30A (2) (c) of the Local Government Act 2002.

7. Assessment of Significance against the Council's Significance and Engagement Policy

7.1 This decision to receive this report is not significant under Council's Significance and Engagement Policy.

8. Consultation

8.1 The NRSBU is owned by both the Nelson City and Tasman District Councils and its activities are included in the Long-term Plans and Annual Plans of both Councils. Consultation is undertaken by both Councils in the preparation and adoption of those plans.

9. Inclusion of Māori in the decision making process

9.1 There is a representative of iwi on the NRSBU Board along with a representative of the customers. Both are members but do not have voting rights.

10. Conclusion

10.1 The NRSBU Annual Report 2014-15 has been adopted by the Board on 18 September 2015 and forwarded to both the Nelson City and Tasman District Councils on 2 December 2015.

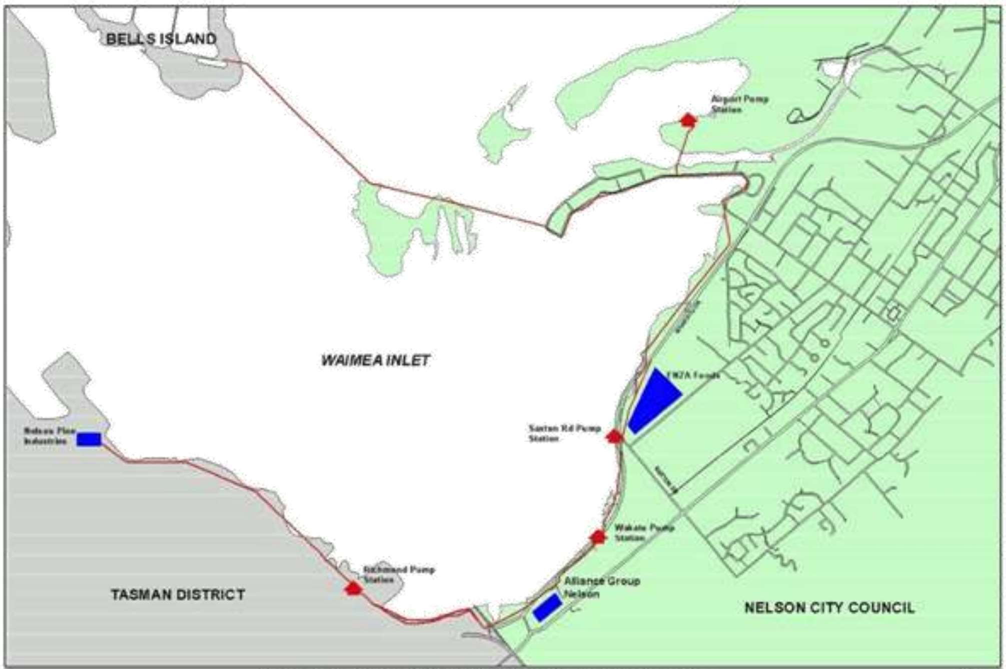
Richard Kirby
Consulting Engineer

Attachments

Attachment 1: A1469480 - NRSBU Annual Report 2014-15

Nelson Regional Sewerage Business Unit

ANNUAL REPORT 2014/2015



REGIONAL SEWERAGE BUSINESS UNIT PIPELINE

A1419202

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Prepared by: ***Johan Thiart***
Solid Wastes Manager
Nelson City Council

Richard Kirby
General Manager
Nelson Regional
Sewerage Business Unit

Adopted

A1419202

1. Introduction

1.1 This Annual Report is a review of what has been achieved by the Nelson Regional Sewerage Business Unit (NRSBU) in the 2014/15 financial year and its level of performance against Key Performance Indicators.

2. The Year in Review

2.1 The NRSBU met its budget targets with a surplus of $1,934,722. In effect, expenses are 3% less than the budget.

2.2 All projects have been delivered within budget.

2.3 Apart from a few exceptions the business plan targets have been met and resource consents complied with.

2.4 This outcome is also indicative of several major upgrades completed over the last five years:

- Reducing the load on the activated sludge system by primary sludge removal through the installation of a primary clarifier,
- Improving the outfall system to optimise the capacity of the system,
- Increasing the reliability and capacity of the network through the installation of a second pipeline across the estuary, and
- Increasing pump capacity at pump stations.

2.5 All components of the system are now capable of managing loads and flows discharged to the scheme for the next five to ten years. These upgrades have also provided significantly more flexibility for dealing with variations in the waste stream. The primary focus going forward is to improve the efficiency of services.

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 of the levels of service;

Level of Service	Function	Category	Target Technical Level of Service	Compliance 2012/13	Compliance 2013/14	Compliance 2014/15
Environmental Impacts	Treatment & Disposal	RMA Consent - Wastewater Discharge to Coastal Marine Area	100% compliance with consent conditions	No	No	Yes
		RMA Consent – Discharge of Contaminants to Air	100% compliance with consent conditions	Yes	Yes	Yes
		RMA Consent - Discharge of Contaminants to Land	100% compliance with consent conditions	Yes	Yes	Yes
		Equipment Failure of critical components within the treatment and disposal system	No equipment failures that impact on compliance with resource consent conditions	Yes	Yes	Yes
	Pump Stations	Odour complaints from pump stations	No odour complaints originating from pump stations	Yes	No	Yes
		Pump station wet weather overflows	No overflows for all pump stations	No 6 events	Yes	Yes
		Pump station overflows resulting from power failure	No overflow events occurring	Yes	Yes	Yes
		Pump station overflows resulting from mechanical failure	No overflow events occurring	Yes	Yes	No [1] 3 events
	Pipelines	Reticulation Breaks	No reticulation breaks	Yes	Yes	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 & Disposal	Equipment failure of critical components	No equipment failures that could lead to non-compliance with resource consent conditions	Yes	Yes	Yes
	Pump Stations			Yes	Yes	Yes
	Pipelines			Yes	Yes	Yes
Responsiveness	Treatment & Disposal	Speed of response for emergency and urgent maintenance works	Achievement of Response times specified in Maintenance Contract	Yes	Yes	Yes
	Pipelines	Speed of response for routine and programmable maintenance works	Achievement of Response times specified in Maintenance Contract	Yes	Yes	No [2]
Key Contributor Relationships	Treatment & Disposal	Overall satisfaction	Agreed levels of service provided to all Contributors.	Yes	Yes	Yes
	Pump Stations		Robust charging structure is put in place	Yes	Yes	Yes
	Pipelines		Contributors are satisfied with Sewerage Scheme	Yes	Yes	Yes

Table 1: Level of Service Summary

Note [1]: One overflow resulted from equipment failure and two resulted from operator error.
Note [2]: Contractor did not respond to alarms within the contracted time frame on two occasions.

3.2 Three overflows occurred during the year. These were primarily due to operator error and alarm malfunction. Consequently the operational procedures were reviewed and amended to mitigate future operator error. The pump control systems at the pump stations were improved so that when the primary pump control system and the secondary system demonstrates conflicting information that alarms will be generated to allow for operator intervention. The following graph outlines the overflows and associated causes that have occurred since 1996/97.

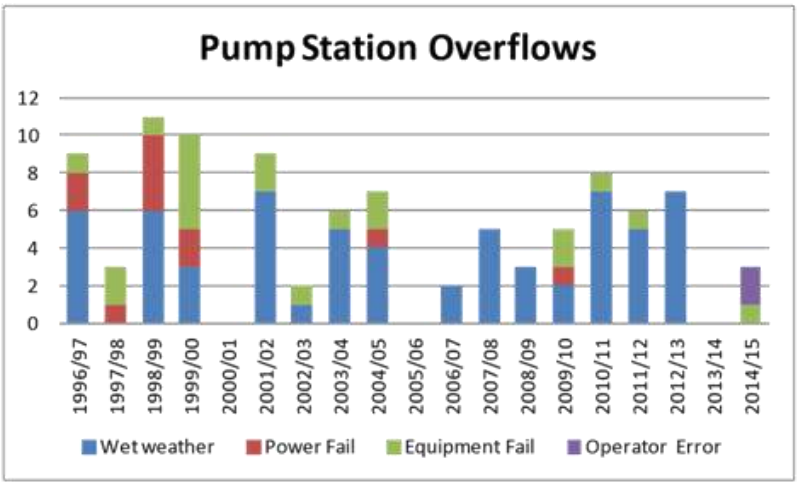

Figure 5: Pump Station Overflow Causes

3.3 It appears that the capacity improvements completed as part of the regional pipeline upgrade project has improved the ability to avoid overflows at pump stations during extreme weather events.

3.4 While a number of odour complaints were investigated none was found to be associated with NRSBU activities. The following table outlines the odour events that have occurred since 1999/2000.

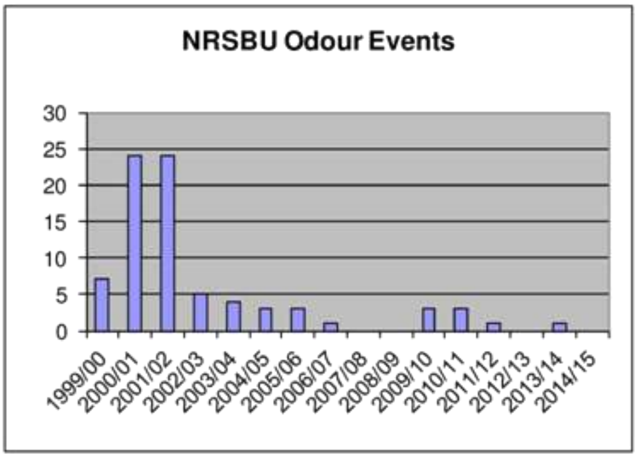

Figure 6: Odours

4. Customer Group

4.1 Four Customer group meetings were held during the year. Customers continue to see cost effective and efficient operation of the regional scheme as the most important task of the NRSBU and this is a high priority for the Joint Committee.

4.2 The survey also showed that most customers feel that the NRSBU is responsive to their needs. (The survey is marked out of 7). The following table summarises the results of the customer surveys.

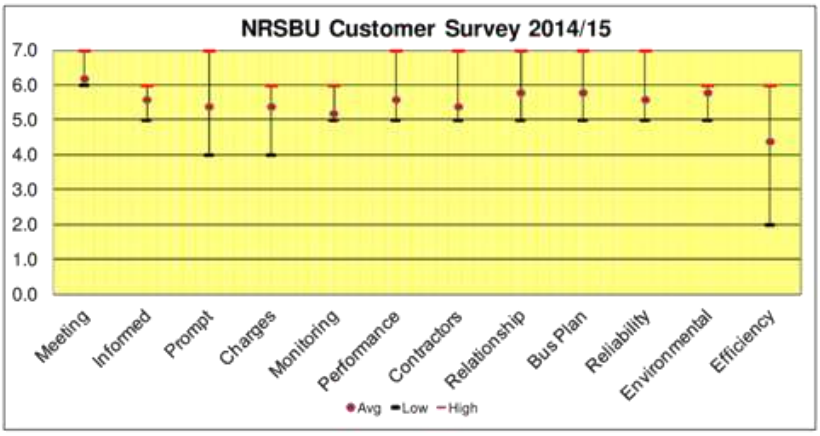

Figure 4.2: Customer Survey Results 2014/2015

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 section reports the performance of the NRSBU towards achieving the 2014-15 performance objectives. The following table outlines the performance objectives, key performance measures and what was achieved;

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.	Achieved. The cost of operations has increase by 2.71% against the producer price index for the period 30 June 2013 to 30 June 2015 of 3.03%.
	All capital projects are delivered within budget.	Capital projects delivered within budget. See section 6.
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.	Demand management policy is developed by July/August 2014.	An internal review of the customer contracts confirmed demand management principles continue to be relevant.
	Customer contracts are reviewed by June 2015 to ensure that charging mechanisms support the demand management policy.	Achieved. Customer contracts were reviewed in June 2015.
	Nelson City Council and Tasman District Council implement their own load management policies, priorities and plans.	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.
	Peak storm water inflows are reduced by 10% per year and that this target will be reviewed annually.	The average flow into the network has decreased year on year. However, it is not possible to measure the storm water component.
Technology choices are well understood and are proven to be stable and cost effective.	Technology choices are supported by cost benefit analysis, independent peer review, energy efficiency analysis, risk analysis and, where appropriate, by other users of those technologies.	No process changes were considered during the year.

5.2 In order to undertake a comparison with other treatment plants, three wastewater treatment plants were identified with similar flow and load characteristics to Bell Island to provide a high level benchmark.

Treatment Plant	Operation cost $	Daily average inflow m^3 /day	Average BOD load mg/l	Power kWh per month	Dry solids	Cost per m3	Cost per kg BOD	Cost per Population Equivalent
Bell Island 2014/15	2,997,000	13296	440	299806	822	$0.62	$1.40	$32.77
BI 2012/13	2,917,709	16749	377	314631	706	$0.48	$1.26	$29.55
TP2 2012/13	3,000,000	22000	350	350000	1488	$0.37	$1.07	$24.94
TP3 2012/13	3,180,000	17925	287	447912		$0.49	$1.69	$39.56
TP4 2012/13	3,226,900	23530	221	424390	1170	$0.38	$1.70	$39.72

Notes:
1. Source: WINFO Water New Zealand
2. Caveats
- The reliability of the source information has not been verified
- Treatment plant TP2 is under capacity and extensive upgrades will be carried out in near future
- Population Equivalent is based on 64g BOD/day per person

5.3 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.	Achieved. Risk management plans were reviewed as part of the 2015-18 asset management.
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually.	Asset management plan considered at customer meeting.
	Effectiveness of plans is reviewed and confirmed following incidents which require activation of the plan.	Incidents reported in quarterly reports and considered at customer meetings.
Customers engage with the risk assessment process, understand and accept the important risks and the level of mitigation provided.	Customer representatives review and approve the risk management plan annually and following any incidents which require activation of the plan.	Asset management plan considered at customer meeting.

5.4 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.	Continued.
	Development and succession plans are in place.	Continued.
	The Board reviews its performance at least every two years.	Review is due 2015/16.
	A workshop is conducted at least annually to develop the skills and industry knowledge of the Board members and staff.	Not achieved. No workshop took place during 2014/15.
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.	Review is programmed for 2015/16.

5.5 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.	Targets are set for energy efficiency improvements by June 2015 and are reported on and reviewed annually from that date.	Reported in quarterly reports.
	Current capacity to utilise beneficial application of biosolids to land is sustained.	100% of biosolids treated at Bell Island are beneficially applied to Radiata pine plantations belonging to Tasman District Council and Nelson City 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.
	Environmental, social and cultural impacts are considered in all decision making.	Not measured.

5.6 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.	The Business and Strategic Plans were approved by both owners.
	All budget projections are met.	Achieved.
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed within 7 days.	Achieved.
	All applications for resource consents are approved.	The Accidental discharges consent application is conituing.
	Up to date information on activities and achievements are publicly available.	The NRSBU website is reviewed annually and updated as required.
	Stakeholders are identified and communication targets are set and met by June 2014.	Not achieved. Annual meeting with Best Island residents was delayed and is now programmed for September 2015.
		Continued good communication with Best Island residents and early response to issues raised have allowed the NRSBU to pre-empt odour complaints.

5.7 All statutory obligations 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.	Compliance with resource consent conditions.	Not achieved. The Bell Island irrigation consent report was delayed as a result of delay in receiving soil test results. Report will be submitted in October 2015.

6. Capital Expenditure 2014/15

6.1 The following table lists the extent of renewals that were undertaken in 2014/15;

Renewal 2014/15	Budget	Cost
Miscellaneous		$3,826
Inlet		$8,588
Pump stations		$73,371
Aeration basin		$14,737
Primary Clarifier		$12,869
Sludge treatment		$193,560
Sludge treatment A-Train		$17,186
Ponds		$29,542
Rabbit Island		$14,956
Total	$658,000	$368,635

6.2 Renewals are programmed based on expected life and condition assessments carried out as part of the annual valuation review. During the year that the renewal is programmed the asset condition is reviewed before the renewal is confirmed and completed.

6.3 Of the total, $132,214 were used for replacement of assets and the remainder was used for major overhaul and replacement of asset components.

6.4 Upgrades

Upgrade 2014/15	Budget	Cost
Pipeline	$10,000	$5,251
Accidental discharges resource consent	$98,000	$21,322
Total	$108,000	$26,574

7. Scheme Capacity Trends

Treatment Plant

7.1 The average inflow to Bell Island is trending well below the projections used for the 2006 capacity review.

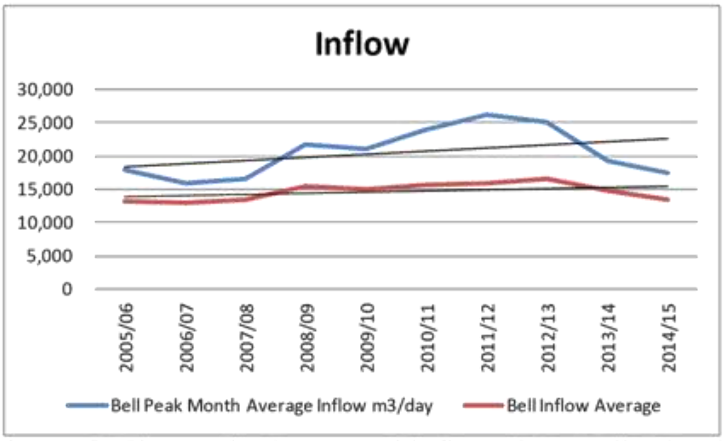

Figure 8: Shows the increased inflows into Bell Island

7.2 The daily average total suspended solids discharged to Bell Island has consistently increased over time but the design parameters (2 day peak and 90 percentile values) have shown a significant 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.

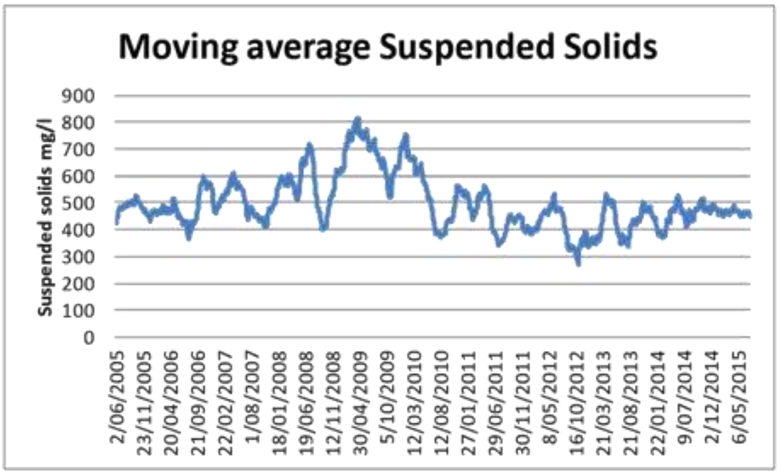

Figure 9a: Increase in suspended solids

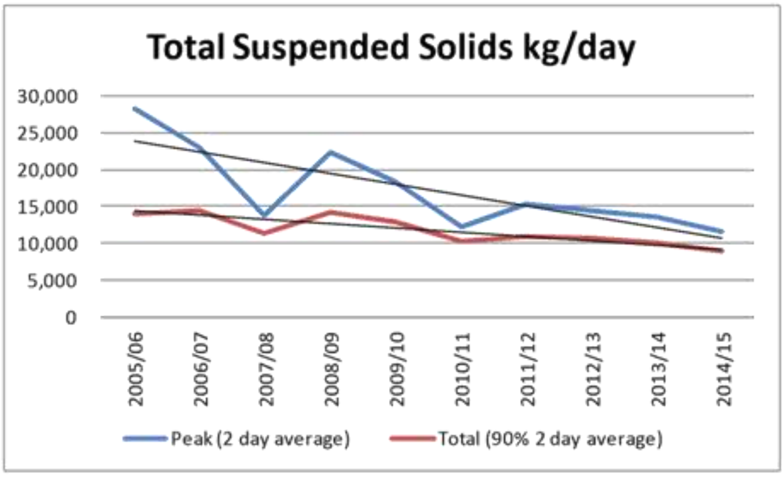

Figure 9: Decrease in peak suspended solids following the signing of the Disposal of Trade Waste Agreement

7.3 The biological oxygen demand in the inflow has decreased over the period since the trade waste agreements were effected.

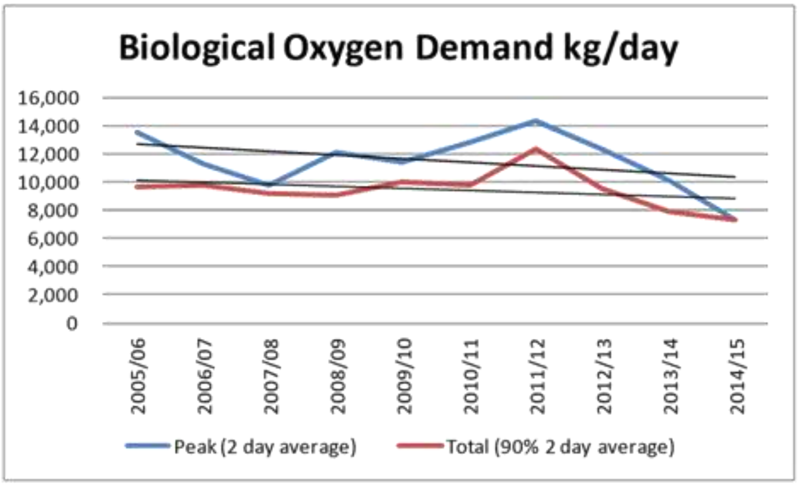

Figure 10: Biological oxygen demand

7.4 The chemical oxygen demand (figure 11) is trending lower. Future demand projections should be adjusted to these base levels as it is considered that the decrease in loads is related to the implementation of the disposal of trade waste agreements in 2007. These agreements provided an incentive for industrial customers to improve on site treatment of waste water.

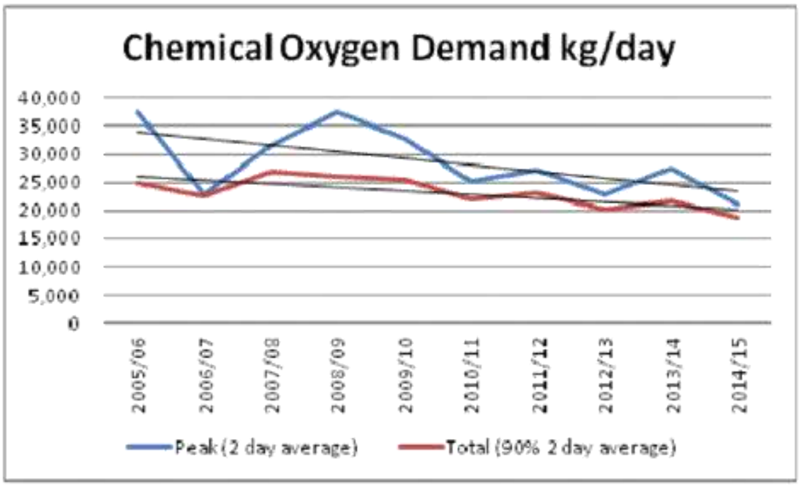

Figure 11: Shows the decrease of peak chemical oxygen demand since the implementation of the Disposal of Trade Waste Agreements in 2007

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

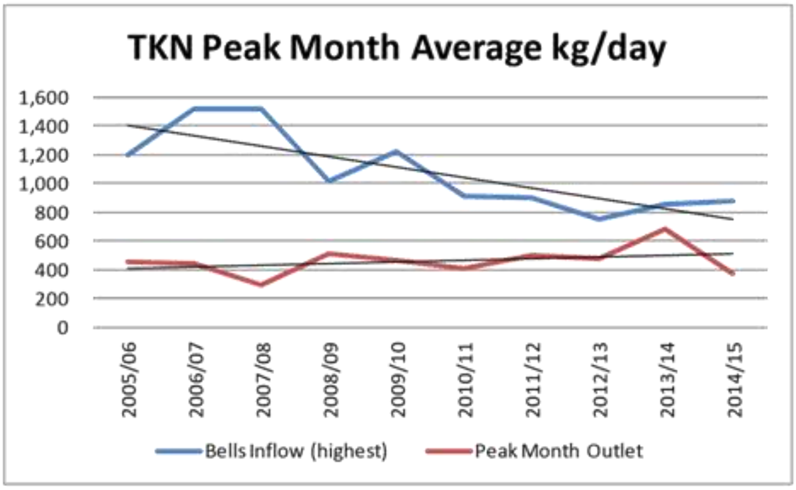

Figure 12: Shows a decrease in the nutrients received at Bell Island

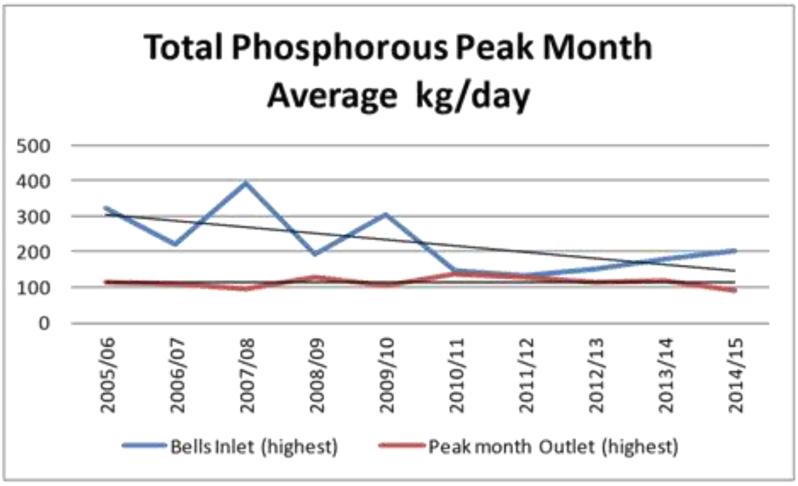

Figure 14: Shows a decrease in the phosphorous received at Bell Island

7.6 The average total nitrogen and total phosphorous loads discharging from Bell Island at around 50% of the resource consent limits.

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

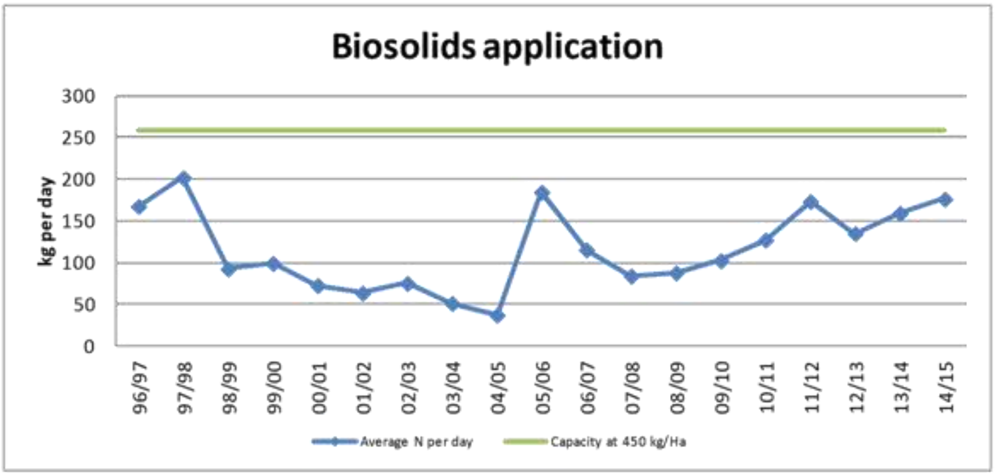

Figure 15: Average daily biosolids application

7.8 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.

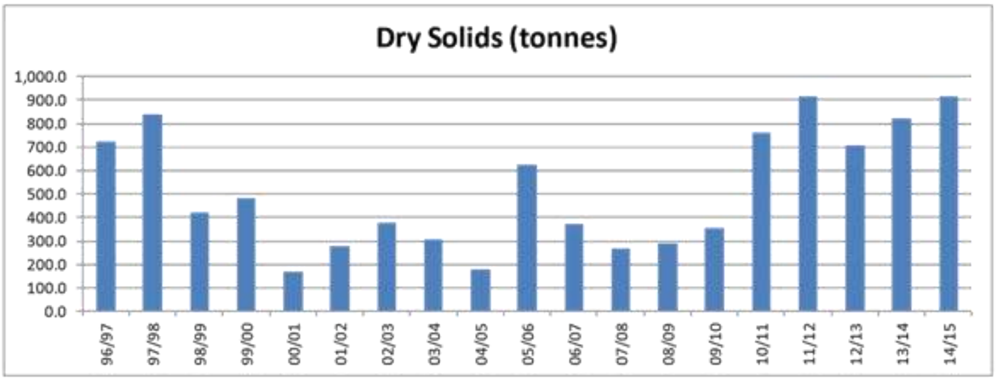

Figure 16: Dry solids diverted to pine plantations

Conclusion

7.9 Analysis of the scheme capacity trends confirms that peak loads have been shaved significantly since 2007 and that there is adequate capacity within the system to treat wastewater discharged to Bell Island.

8. Financial Performance

8.1 Explanations for major variations from the Nelson Regional Sewerage Business Unit's 2014/15 Business Plan are as follows:

Statement of Comprehensive Income

8.2 Total Income is $72,300 less than budget as the income from trade waste charges were less than envisaged.

8.3 Total Total Expenses are $161,022 less than budget largely due to depreciation being $247,994 less than budget. This was a result of the 2014 revaluation, less the increased cost of Bio Disposal as a result of the contract being retendered.

8.4 Inter-entity trade payables have decreased as a result of less capital expenditure in June.

Signed:_______________________ Date:____/____/____

Michael Higgins
Chair
NRSBU

Appendix A Discharge Consent Compliance

Regional Sewerage Scheme - Coastal Permit RCAC 0431
Bells Island - Effluent Test Results (Current)

Month	Average Daily Inflow	Average Daily Discharge			BOD5	CBOD5	Suspended Solids	Total Nitrogen	Total Phosphorous	Feacal Coliforms	Enterococci
	m3/day	hrs/day	m3/day	Meter Diff (%)	g/m3	g/m3	g/m3	kg/day	kg/day	MPN/100ml	MPN/100 ml
Limit	20,000		20,000	5.00	50		150	600	150	100,000	
Jul 14	17,415	5.2	14,002		22	20	50	252	43	7.60E+03	2.80E+02
					26	16	46	224	38	5.10E+04	2.50E+02
					25	18	56	266	34	2.10E+04	3.00E+02
					37	34	52	252	39	3.10E+03	2.00E+02
					40	40	62	224	41	3.00E+03	5.40E+01
Aug 14	12,981	4.6	10,983		26	24	36	176	33	6.40E+02	9.00E+00
Sep 14	13,396	4.8	10,523		29	26	37	267	44	1.10E+04	3.60E+01
Oct 14	12,592	1.3	9,759		35	40	41	351	58	5.40E+03	8.20E+01
Nov 14	11,438	3.4	7,069		30	28	63	283	51	8.40E+02	3.60E+01
Dec 14	13,007	4.0	9,035		13	15	34	379	90	6.80E+02	3.60E+01
Jan 15	12,196	3.5	6,989	4	27	28	120	196	77	1.50E+03	4.90E+02
Feb 15	11,877	3.5	6,944		53	54	180	278	67	1.10E+04	2.10E+03
Mar 15	12,705	4.8	10,514		29	20	88	116	88	2.40E+03	4.60E+02
Apr 15	14,140	4.6	10,394		48	23	140	102	76	2.00E+03	9.20E+02
May 15	13,875	5.2	12,203		38	21	33	232	66	6.50E+02	1.80E+01
Jun 15	13,929	5.5	15,749		16	17	57	362	85	2.00E+04	2.30E+02
	13,296		10,347	3.00%	29	24	54	252	55	3.05E+03	2.15E+02

Test	Results	Limits	Comments
Median Faecal Coliform Count	3.50E+03 /100ml	**<20,000 /100ml**	O.K
No of samples over 100,000/100ml	0	**<6.25%**	O.K
Median BOD5	29 g/m3	**<40 g/m3**	O.K
No of samples over 50 g/m3	1	**<6.25%**	O.K
Median Suspended Solids	54 g/m3	**<100 g/m3**	O.K
No of samples over 150 g/m3	1	**<6.25%**	O.K
1 April - 31 July			
Median Total Nitrogen	242 kg/day	**<500 kg**	O.K
No of samples over 600 kg	0	**<12.5%**	O.K
1 Aug - 31 March			
Maximum Total Nitrogen	379 kg/day	**<600 kg**	O.K
No of samples over 500 kg	0	**<12.5%**	O.K
Maxiumum Total Phosphorous	90 kg/day	**<180 kg**	O.K
No of samples over 150 kg	0	**<6.25%**	O.K
Mean Daily Flow	10,347 m3	**<20,000**	O.K

Appendix B Contributor Heavy Metal Results

2014-15

2014-15										
Heavy Metals & Other Substances	Alliance 5/12/2014	ENZA 5/12/2014	Saxtons 5/12/2014	Richmond 5/12/2014	Airport 5/12/2014	Mapua 5/12/2014	NPI 5/12/2014	Wakatu 5/12/2014	Songer 5/12/2014	Trade Waste Bylaw Limit
Cadmium	0.00018		<0.00005	0.00016	0.00039	0.0002	0.00025	0.00013	0.000096	0.5
Copper	0.059		0.023	0.069	0.056	0.19	0.074	0.061	0.038	5
Nickel	0.0062		0.0016	0.0038	0.0048	0.0062	0.021	0.0051	0.0015	5
Zinc	0.23		0.04	0.110	0.11	0.24	0.22	0.10	0.070	5
Chromium	0.0059		0.0016	0.0058	0.011	0.0037	0.013	0.0045	0.0019	5
Lead	0.0024		0.001	0.0039	0.0028	0.0051	0.00072	0.0031	0.0016	5
Boron	0.071		0.25	0.097	0.063	0.058	0.17	0.068	0.04	25
Arsenic	0.0018		0.00088	0.0027	0.0073	0.0013	0.0035	0.0022	0.00084	1
Fluoride	0.36		0.35	0.22	0.31	0.42	2.3	0.037	0.036	5
Sulphide	**1.2**		<0.1	1	**1.8**	0.5	<0.1	0.1	0.8	1
Sulphates(SO4)	2.5		140	35	29	26	42	31	22	200
Phenols	<0.2		<0.002	<0.02	0.230	0.240	0.250	0.094	0.033	50
Oil and Grease	83		15	47	63	65	63	40	28	
Mercury	<0.00005		<0.00005	0.00091	0.00015	0.000210	0.00008	<0.00005	0.0001	0.05
pH	7.1		6.9	7	7	8.3	4.9	7.3	7.3	
Pesticides										
Cyanide	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	0.021	<0.005	<0.005	5

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Nelson Regional Business Sewerage Unit's financial statements
for the year ended 30 June 2015

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

Opinion

We have audited the financial statements of the Business Unit on pages 3 to 15, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Business Unit:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements.

Our audit was completed on 26 November 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board are responsible for the preparation and fair presentation of financial statements for the Business Unit that complies with generally accepted accounting practice in New Zealand.

The Board are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board are also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Nelson Regional Sewerage Business Unit

PO BOX 645, NELSON, NEW ZEALAND

NELSON REGIONAL SEWERAGE BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2015

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Representatives for year ended 30 June 2015

Representing Tasman District Council
Cr B Dowler
Cr M Higgins

Representing Nelson City Council
Cr R Copeland
Mr D Shaw

Principal Administration Office

C/- Nelson City Council
110 Trafalgar St
Nelson

Auditor

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

Bankers

Westpac New Zealand Ltd
Queen St
Richmond

Solicitors

Duncan Cotterill
197 Bridge St
Nelson

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Accounting policies
For the year ended 30 June 2015

Reporting Entity

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

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

The financial statements of the Business Unit are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board on the 18th September 2015.

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

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 toal annual expenditure of less than $30 million.

These financial statements comply with 2 PBE standards.

These financial statements are the first financial statements presented accordance with the new PBE accounting standards. There are no material adjustmetns arising on transition to the new PBE accounting 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.

Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Business Unit has applied these standards in preparing the June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These standards apply to PBEs with reporting periods after 1 April 2015. The Business Unit will apply these updated standards in preparing its 30 June 2016 financial statements. The Business Unit expects that there will be minimal or no change in applying these updated accounting standards.

Accounting Policies

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

a) Revenue

Revenue is measured at the fair value of consideration received.

Exchange and non-exchange transactions

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

Sales and other recoveries

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 rents.

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, other short term highly liquid investments with orginal maturities of three months or less, and bank overdrafts.

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

d) Trade and other receivables

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

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

e) Trade and other payables

Short term creditors and other payables are recorded at there 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 is taxable in the two Councils. However, the Business Unit 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 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

i) Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2014 by QV Valuations.

ii) Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers as at 30 June 2015. The valuation methodology has been peer reviewed by Opus International Consultants Ltd and revaluations are updated annually.

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

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

Buildings	50 years

j) Property, Plant and Equipment continued

Ponds and Channels	
- earthworks	999 years
- wave bands, electromechanical	25 years
- pipelines, chambers, aeration basin outfall	50 – 80 years
Aerators	25 years
Power Supply	25 years
Clarifier	
- earthworks	999 years
- civil works	50 years
- pipes	50 – 60 years
- pumps	10 – 25 years
- other	10 – 25 years
Odour Control Unit	10 – 50 years
Pump Stations	
- pumps	15 - 25 years
- variable speed drive units	10 years
- pipes and civil works	50 years
- other	25 years
Pipelines	
- pipes	45 – 80 years
- air valves	25 years

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

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

k) Biological Assets

Forestry consisting of 18 hectares planted on 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 2015.

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

l) Revaluation Reserves

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

m) Statement of Cash Flows

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

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

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

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

n) Budget figures

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

o) Critical accounting estimates and assumptions

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

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2015

	Notes	Actual 2014/15 $	Budget 2014/15 $	Actual 2013/14 $
Revenue				
Sales		7,409,890	7,452,000	7,656,211
Other Recoveries		158,553	188,000	178,655
Interest		257	1,000	302
Gain in Fair Value of Forestry	5	-	-	15,456
Total Revenue		7,568,700	7,641,000	7,850,624
Less Expenses				
Management		195,668	201,500	197,304
Audit Fees		15,130	15,000	14,950
Members Fees		-	18,500	16,958
Interest Paid		865,687	824,000	809,654
Insurance		59,971	59,000	60,104
Depreciation	6	1,726,006	1,974,000	1,744,186
Abandoned Assets		-	-	63,095
Electricity		750,435	762,700	759,741
Operations & Maintenance		1,126,655	1,169,700	1,501,974
Monitoring		77,121	118,600	165,588
Biosolids Disposal		693,668	520,000	525,016
Consultancy		38,807	50,000	27,073
Sundry		65,274	82,000	74,031
Loss in Fair Value of Forestry	5	19,556	-	-
Revaluation Derivative Instruments		-	-	259,852
Total Expenses		5,633,978	5,795,000	6,219,526
Net Surplus		1,934,722	1,846,000	1,631,099
Other Comprehensive Revenue and Expense				
Revaluation of Fixed Assets		1,612,130		1,231,581
Total Comprehensive Revenue and Expense		3,546,852	1,846,000	2,862,681

Statement of Changes in Equity
For the year ended 30 June 2015

	Notes	Actual 2014/15	Actual 2013/14
Equity at the start of Year		$	$
Opening Equity		37,237,636	36,329,452
Plus Total Comprehensive Revenue and Expense		3,546,852	2,862,680
Less Owners Distribution		1,934,722	1,954,496
Equity at the end of Year		38,849,766	37,237,636

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

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Financial Position
as at 30 June 2015

	Notes	Actual 2015 $	Actual 2014 $
Equity			
Accumulated Funds	1(a)	15,763,734	15,763,734
Contingency reserve		100,000	100,000
Revaluation reserve	1(b)	22,986,032	21,373,902
Total Equity	1	38,849,766	37,237,636
This was represented by:			
Current Assets			
Cash and cash equivalents		359,307	44,983
Trade receivables from exchange transactions		407,418	178,100
Inter-entity receivables from exchange transactions	4	459,073	317,468
Total Current Assets		1,225,798	540,551
Current Liabilities			
Trade and other payables from exchange transactions		14,950	199,467
Inter-entity payables from excahnge transactions	4	1,936,743	2,231,457
Borrowings	2	-	16,200,000
Total Current Liabilities		1,951,693	18,630,924
Net Working Capital		(725,894)	(18,090,373)
Non Current Assets			
Property, plant and equipment	6	55,564,160	55,296,953
Forestry assets	5	11,500	31,056
Total Non Current Assets		55,575,660	55,328,009
Non Current Liabilities			
Borrowings	2	16,000,000	-
Total Non Current Liabilities		16,000,000	-
Net Assets		38,849,766	37,237,636

For and on behalf of the Nelson Regional Sewerage Business Unit

Michael Higgins

Chairman

General Manager

Date 26th November 2015

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

NELSON REGIONAL SEWERAGE BUSINESS UNIT

Statement of Cash Flows
For the year ended 30 June 2015

	Notes	2014/15 $	2013/14 $
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		7,197,520	7,525,212
Interest received		257	302
		7,197,777	7,525,514
Payments to suppliers		(3,318,218)	(3,358,611)
Interest paid		(1,050,196)	(638,618)
		(4,368,414)	(3,997,229)
Net Cash Flows from Operating Activities	3	2,829,363	3,528,285
Investing Activities			
Purchase of property, plant and equipment		(380,098)	(1,599,597)
Net Cash from Investing Activities		(380,098)	(1,599,597)
Financial Activities			
Owners Distribution		(1,954,496)	(1,736,222)
Loan repayment		(16,200,000)	(200,000)
Loan raised		16,000,000	0
Net Cash from Financing Activities		(2,154,496)	(1,936,222)
Net Increase/(Decrease) in cash		294,768	(7,534)
Add Opening Cash and cash equivalents		44,983	52,517
Closing Cash and cash equivalents		339,751	44,983

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

NELSON REGIONAL SEWERAGE BUSINESS UNIT
Notes to and forming part of the Financial Statements
for the year ended 30 June 2015

		2014/15 $	2013/14 $
1	**Equity**		

The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council.

		2014/15 $	2013/14 $
1(a)	**Accumulated Funds**		
	Opening Balance	15,763,734	16,087,131
	Net Surplus	1,934,722	1,631,099
	Distribution to Owners	(1,934,722)	(1,954,496)
	Closing Balance	15,763,734	15,763,734
1(b)	**Revaluation Reserve**		
	Opening Balance	21,373,902	20,142,321
	Revaluation Movements		
	Land revaluation	0	(21,643)
	Buildings revaluation	13,029	6,066
	Sewerage network revaluation	1,587,981	1,246,972
	Plant & Equipment revaluation	11,120	186
	Total Revaluation Movement	1,612,130	1,231,581
	Closing Balance	22,986,032	21,373,902
	Balance held as follows:-		
	Land	1,657,857	1,657,857
	Buildings	211,253	198,224
	Sewerage network	21,025,256	19,437,275
	Plant & Equipment	91,666	80,546
	Total Revaluation Reserve	22,986,032	21,373,902

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 5.07% to 5.58% with a weighted average of 5.33%. (For 2013/14 the range was 4.14% to 4.5% with a weighted average of 4.14%). These rates exclude the effect of any interest rate swaps held by the Owners in 2014/15 or the Business Unit in 2013/14.

	2014/15 $	2013/14 $
Total Loans	16,000,000	16,200,000
Less Current Portion	-	16,200,000
Term Portion	16,000,000	-
1 to 2 years	-	-
2 to 5 years	16,000,000	-
	16,000,000	-

The weighted average cost of funds, which is used in calculating customer charges for the following year, as at 30 June 2015 was 4.38% (2014 4.718%)

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

	2015	2014
Net Surplus	1,934,722	1,631,099
Add back non cash items		
Depreciation	1,726,006	1,744,186
Abandoned Assets	-	63,095
Gain (Loss) in fair value of forestry	0	(15,456)
Revaluation (gain) loss derivative instruments	-	259,852
Movements in Working Capital		
(Increase)/Decrease in receivables	(370,923)	(309,655)
(Increase)/Decrease in fixed asset related payables	(985)	504,813
Increase/(Decrease) in payables	(479,231)	(131,376)
Items classified as financing activities		
(Increase)/Decrease in owner distribution accrual	19,774	(218,274)
	2,829,363	3,528,285

4 **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 that 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.

Related party transactions required to be disclosed

The Business Unit has awarded a number of contracts with Nelson City Council. The contracts for provision of Management, Engineering, Secretarial and Accounting Services were tendered in 2002 and the value of the contracts for 2014/15 was $171,737. Due to the length of time since these contracts were awarded and there is no benchmarking available for these very individualised services the Business Unit is unable to determine that the contracts are at arm's length. The Business Unit is satisfied that these contracts represent value for the stakeholders because of the economies gained through the stability and continuity of the relationship(retention of both local and specific knowledge that could not be matched by a new or external supplier)

5 **Forestry Assets**

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

	2015	2014
Current Market Value	11,500	31,056
Current increase (decrease) in Market Value	(19,556)	15,456

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6 Property, plant and equipment

	Land	Sewerage Network	Buildings	Plant & Equipment	Total
Valuation / Cost					
Balance June 2013	2,363,643	52,148,565	235,128	30,533	54,777,869
Additions 2014		1,094,784			1,094,784
Abandoned Assets		(63,095)			(63,095)
Revaluation 2014	(21,643)	1,246,972	6,066	186	1,231,581
Revaluation transfer		(1,705,097)	(19,294)	(19,795)	(1,744,186)
Balance June 2014	2,342,000	52,722,129	221,900	10,924	55,296,953
Additions 2015		377,258		3,826	381,084
Abandoned Assets					0
Revaluation 2015		1,587,981	13,029	11,120	1,612,130
Revaluation transfer		(1,700,725)	(19,836)	(5,446)	(1,726,007)
Balance June 2015	2,342,000	52,986,643	215,093	20,424	55,564,160
Accumulated Depreciation					
Balance June 2013	-	-	-	-	-
Depreciation charge 2014		1,705,097	19,294	19,795	1,744,186
Revaluation transfer		(1,705,097)	(19,294)	(19,795)	(1,744,186)
Balance June 2014	-	-	-	-	-
Depreciation charge 2015		1,700,725	19,836	5,446	1,726,007
Revaluation transfer		(1,700,725)	(19,836)	(5,446)	(1,726,007)
Balance June 2015	-	-	-	-	-
Carrying amounts					
Balance June 2014	2,342,000	52,722,129	221,900	10,924	55,296,953
Balance June 2015	2,342,000	52,986,643	215,093	20,424	55,564,160

7 Financial Instruments

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

a) Credit Risk

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

	2015	2014
Bank Balances	359,307	44,983
Accounts Receivable	866,491	495,568

No collateral is held on the above accounts

b) Concentration

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

c) Currency Risk

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

d) Financial instruments

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

e) Derivative financial instruments	2015	2014
Non-Current asset portion	-	-
Non-Current liability portion	-	-

Fair value

During 2013/14 the Business Unit adopted a new treasury policy and as a result from the 1st July 2014 Tasman District and Nelson City provide loans to the Business Unit. On 1 July 2014 the existing Swaps were transfered to Tasman Disctrict Council and Nelson City Council at a value of nil.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Business Unit are Nil (2014 $16 m). At June 2014, the fixed interest rate swaps varied from 2.77% to 3.83%.

8 Statement of Contingent Assets and Contingent Liabilities

The Business Unit has no contingent asset or contingent liabilities as at 30 June 2015 (2014 Nil).

9 **Statement of Commitments**

The Business Unit has no capital commitments as at 30 June 2015 (2014 Nil).

Operating Leases as lessor	2015	2014
Less that one year	16,000	16,000
One to Five years	32,000	48,000
Over five years	-	-

10 **Explanation of major variances against budget**

Statement of Comprehensive Revenue and Expense

Total Income is $72,300 less than budget as the value of Sales is largely driven by expenditure.

Total Expenses are $161,022 less than budget largely due to depreciation being $247,994 less than budget as a result of the 2014 revaluation, less the increased cost of Bio Disposal as a result of the contract being retendered.

REPORT R5314

Nelson Regional Sewerage Business Unit: Draft Business Plan 2016/17

1. Purpose of Report

1.1 To consider the Draft Nelson Regional Sewerage Business Unit (NRSBU) 2016/17 Business Plan.

2. Delegations

2.1 Council has responsibility for oversight of NRSBU activity.

3. Recommendation

THAT ***the report Nelson Regional Sewerage Business Unit: Draft Business Plan 2016/17 (R5314) and its attachment (A1501600) be received;***

AND THAT ***Council adopt the Nelson Regional Sewerage Business Unit Draft Business Plan 2016/17 (A1501600).***

4. Background

4.1 The Nelson Regional Sewerage Business Unit (NRSBU) was established by the Nelson City Council and Tasman District Council in July 2000. Its purpose is to manage and operate the wastewater treatment facilities at Bell Island and the associated reticulation network efficiently and in accordance with resource consent conditions and to meet the needs of its customers.

4.2 Both Councils have constituted the NRSBU as a Joint Committee pursuant to the provisions of the 7th Schedule to the Local Government Act 2002. A Memorandum of Understanding (MoU) has been signed by both Councils as a 'terms of reference' for the NRSBU as required under Section 30A (2) (c) of the Local Government Act 2002.

4.3 The MoU indicates that a draft of the NRSBU's Business Plan for the coming financial year (commencing 1 July) shall be presented to the Councils annually by 31 December.

4.4 The Joint Committee shall finalise the Business Plan, incorporating any changes agreed between the Councils and the Joint Committee and present the final Business Plan to the Councils by 20 March.

5. Draft NRSBU Business Plan 2016/17

5.1 The Draft Business Plan (The Plan) 2016/17 adopted by the NRSBU Joint Committee on 11 December 2015 was forwarded to each Council on 16th December 2015.

5.2 The Plan is consistent with the financial programmes used to develop the current Long Term Plans.

5.3 The capital programme within the Plan is the same as the current NRSBU Wastewater Asset Management Plan that contributed to the Nelson City and Tasman District Council 30 Year Infrastructure Strategies and respective Long Term Plans.

6. Alignment with relevant Council policy

6.1 The Plan has been developed to align with the respective Wastewater Asset Management Plans and Long Term Plans of the Councils.

7. Assessment of Significance against the Council's Significance and Engagement Policy

7.1 The draft Business Plan 2016/17 is not significant under Council's Significance and Engagement Policy.

8. Consultation

8.1 The NRSBU is a Joint Committee of the two Councils and its activities are included in the Long-term Plans and Annual Plans of each Council. Consultation is undertaken by both Councils in the preparation and adoption of these plans.

9. Inclusion of Māori in the decision making process

9.1 There is an iwi representative appointed as a non-voting member of the NRSBU Board and provides appropriate and necessary Maori input and feedback.

10. Conclusion

10.1 The NRSBU Draft Business Plan 2016/17 is ready to be adopted.

Richard Kirby
Consulting Engineer

Attachments

Attachment 1: A1501600 NRSBU Business Plan 2016/17

Nelson Regional Sewerage Business Unit

BUSINESS PLAN

2016/17

NRSBU BUSINESS PLAN 2016/17

CONTENTS Page

APPENDICES

Prepared by:	Johan Thiart Senior Asset Engineer – Solid Waste
Approved by:	Richard Kirby General Manager
Nelson Regional Sewerage Business Unit	Approved:

Cover photograph: Bell Island

1. PURPOSE

The purpose of the Nelson Regional Sewerage Business Unit Business Plan 2016/17 is to detail management goals and objectives to not only deliver the wastewater collection and treatment services to the region but to also 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 31st December each year supply to the Councils (Nelson City and Tasman District Councils) a copy of its Business Plan for 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.

3. INTRODUCTION

This Business Plan 2016/17 outlines the projects and initiatives to be implemented during the year. It also outlines the associated funding required and the details on the performance targets and measures.

The Business Plan is aligned with the NRSBU Strategic Plan and the NRSBU Wastewater Asset Management Plan 2014. It incorporates the business objectives and performance targets (Section 4) and the 3 year financial forecasts (Section 6). The following key pieces of information from these other documents are included in the appendices of this business plan;

Appendix B - Targeted service levels 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.

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 aspire to achieve the following goals:

- Wastewater reticulation, treatment and disposal services meet customers' long term needs.

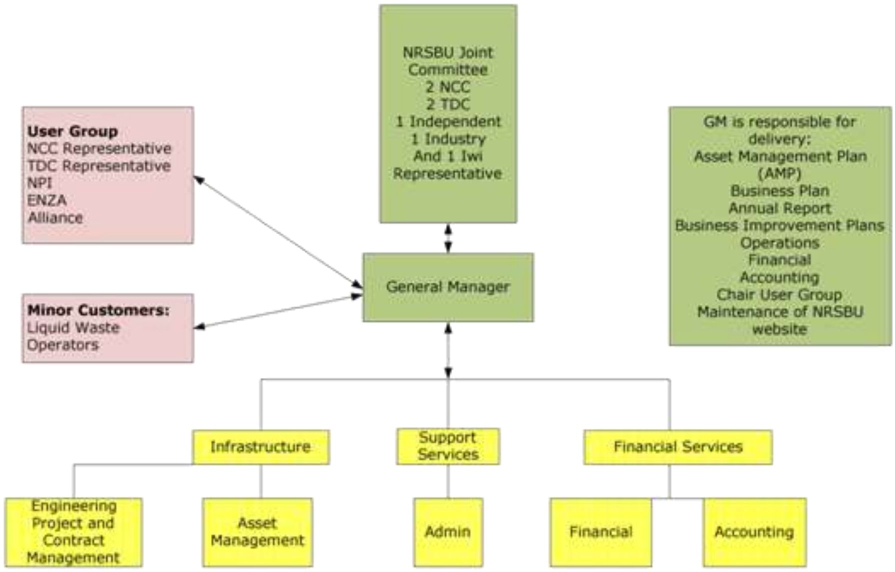
- The costs of wastewater reticulation, treatment and disposal services are minimised.
- Risks associated with the services provided are identified and mitigated to a level agreed with customers and owners.
- We engage the right people with the right skills and experience
- NRSBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social and cultural impact.
- 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.

6. NRSBU STRUCTURE AND BACKGROUND

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



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

Following the adoption of a new Strategic Plan in August 2013 the 2014 Wastewater Asset Management Plan was developed and adopted on 28 November 2014. A draft of the long term financial plan based on the Asset Management Plan was provided to Nelson City and Tasman District Council Engineers in October 2014 to enable them to consolidate the NRSBU long term plan into their own strategic documents.

The Memorandum of Understanding (MOU) was reviewed during 2015. The new MOU commenced on 1 July 2015 and shall terminate on 30 June 2025.

With the completion of significant upgrade programmes over the last few years the treatment plant now has adequate capacity to treat projected loads to 2025 without further significant capital investment. A review of the biosolids produced at the plant, as well as the capacity of the Radiata pine plantations on Bell Island and Rabbit Island to receive biosolids, has demonstrated that the land available for the disposal of biosolids is also adequate for projected loads up to 2025.

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 or six monthly, as appropriate, to the shareholding Councils.

Long Term Objectives	Key Performance Measures
Wastewater reticulation, treatment and disposal services meet customers' long term needs	
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).
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.
The cost of wastewater reticulation, treatment and disposal services are minimised	
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.	That progress made by NCC and TDC with the implementation of load management policies, priorities and plans will be reported by June 2016. Combined loads do not exceed the capacity of the components of the system.

Long Term Objectives	Key Performance Measures
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.
Risks associated with the services provided are identified and mitigated to a level agreed with customers and owners.	
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 which require activation of the plan.
Contingency plans adequately address emergency events.	Customer representatives review and approve the plans annually. Effectiveness of plans is reviewed and confirmed following incidents which require activation of the plan.
We engage the right people, with the right skills and experience.	
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.
NRSBU operates sustainably and endeavours to remedy or mitigate any identified adverse environmental, social or cultural impact	

Long Term Objectives	Key Performance Measures
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 by June 2016. Current capacity to utilise beneficial application of biosolids to land is sustained. Beneficial economic and environmental reuse of treated waste water is maintained or increased. Environmental, social and cultural impacts are considered in all decision making.
Good relationships are maintained with all stakeholders	
Shareholders are satisfied with the strategic direction and the economic performance of the business unit.	All strategic and business plans are approved by shareholders. All budget projections are met.
Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community.	All complaints or objections are addressed promptly. All applications for resource consents are approved. Up to date information on activities and achievements is publically available.
All statutory obligations are met	
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. THREE YEAR RENEWAL EXPENDITURE FORECAST ($'000)

Renewal Plan ($,000)	Budget 2015/16	2016/17	2017/18	2018/19
Miscellaneous	20	20	20	20
Pump Stations and Rising Mains	22	69	139	258
Inlet, Aeration Basin, Clarifier and Ponds	450	281	724	199
Solids Handling	507	521	51	526
Rabbit Island	98	98	0	46
Roads	30	30	0	
Consents		20	215	
Total =	**1,127**	**1,040**	**1,149**	**1,049**

The renewal programme of 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 the review of remaining useful life of assets.

Condition assessment reports are commissioned where additional information is required to ensure optimal spend on renewals. This approach works well due to the relatively small number of different assets managed by the NRSBU.

The major components that will be considered for renewal during 2016/17 are:

- Electrical renewal at sludge and dissolved air flotation facilities;
- Control upgrade at Activated sludge and sludge facilities.

9. NRSBU Capital Upgrade Plan ($,000)

The following table outlines the capital upgrades proposed over the next 3 years. This is followed by a commentary outlining more detail on each of the proposals.

Year	Description of Projects	Estimated Costs
2016/17	Modification pond M1	140,000
	Desludging oxidation ponds	200,000
	Automation of discharge monitoring	110,000
2017/18	Desludging oxidation ponds	1,400,000
	Regional pipeline upgrade (Review strategy)	40,000
2018/19	Modification pond F3	140,000
	Treatment Plant Upgrade (Consent dependent)	2,500,000

Commentary on Upgrade Proposals for 2016/17;

Pond Improvements: The installation of the curtains in M1 will create directional flow through the pond which will result in improved treatment and removal of algae. The work will only commence once the effectiveness of improvement in M5 has been assessed.

Desludging of Ponds: The desludging will be carried out over two financial years.

Process Monitoring: A thorough assessment of the value of the implementation of continuous process monitoring will be carried out once the value of automated load monitoring at the inlet has been evaluated.

10. FINANCIAL PLAN

Nelson Regional Sewerage Business Unit
Budget Summary for 2016 to 2019

	Projection	Budget		
	15/16	16/17	17/18	18/19
Income				
Contributors	7,155	7,752	7,874	7,869
Interest	1	1	1	1
Other Recoveries	156	156	156	156
Total Income	7,312	7,909	8,031	8,026
Expenditure				
Operations & Maintenance	2,968	2,977	3,077	3,002
Interest	755	874	883	952
Insurance	63	63	63	63
Depreciation	1,777	1,821	1,862	1,892
Total Operating Cost	5,563	5,735	5,885	5,909
Surplus/Deficit	1,749	2,174	2,146	2,117
Use of Funds				
Loan Repayment	650	781	713	843
Renewals	1,127	1,040	1,149	1,049
Owners Distribution	1,749	2,174	2,146	2,117
Upgrades	1,235	450	1,440	2,640
	4,761	4,445	5,448	6,649
Sources of Funds				
Surplus/Deficit	1,749	2,174	2,146	2,117
Depreciation	1,777	1,821	1,862	1,892
New Loans	1,235	450	1,440	2,640
	4,761	4,445	5,448	6,649

LONG TERM FINANCIAL STRATEGY

The long term financial strategy (Appendix D) is a complete picture of the operations and maintenance costs and capital projects to be undertaken over the next 10 years. This strategy is based on the Nelson Regional Sewerage Business Unit Asset Management Plan 2014.

APPENDIX A

NELSON REGIONAL SEWERAGE BUSINESS UNIT BOARD ACTIVITY SCHEDULE 2015-16

Date	Activity	Papers required
By 31 August 2016	Review draft Annual Report and Financial Statement.	Draft annual report and financial statement.
By 30 September 2016	Deliver annual financial statement to Councils.	Financial Statement.
By December 2016	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.
February/March 2017	Present Annual Report and Business Plan to Tasman District Council and Nelson City Council.	Annual Report and Business Plan.

Date	Activity	Papers required
By 30 June 2017	Review board performance	Checklist for board effectiveness.
	Review governance policy	Governance Policy
	Review Demand Management Plan	Draft Demand Management Plan.
	Receive report on Contingency Plan review by customer representatives.	Report on Contingency Plan review by customer representatives.
	Receive report on Risk Management review by customer representatives.	Report on Risk Management review by customer representatives.
	Review customer satisfaction survey results	Customer survey report.
	Annual review of Strategic Plan	Strategic plan.
	Adopt Energy Conservation Plan	Energy Conservation Programme.
	Review Audit Management Report	

APPENDIX B

LEVELS OF SERVICE

The following levels of service are included in the Nelson Regional Sewerage Business Unit Asset Management Plan 2014 and compliance demonstrates progress towards achieving the Strategic Goals:

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

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CAPACITY	Category	Level of Service
Treatment & Disposal	Overloading system capacity	Treatment and disposal up to all contracted loads and flows
Pump Stations	Overloading system capacity	No overflows for all pump stations for the contributor flows
RELIABILITY	Category	Level of Service
Treatment & Disposal Pump Stations Pipelines	Equipment failure of critical components	No equipment failures that lead to non-compliance with resource consent conditions

RESPONSIVENESS	Category	Level of Service
Treatment & 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 & 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 2014 Wastewater Asset Management Plan.

IP	Description	Resource Requirements	Progress
IP-1	Review manuals annually.	In-house	Part of O&M contract.
IP-2	Consolidate all natural disaster information and review 3 yearly.	In-house	On-going.
IP-3	Internal benchmarking carried out annually.	In-house	Annually.
IP-4	Review risk of contributors leaving NRSBU.	In-house	Annually.
IP-5	Review capacity of treatment components.	In house, O&M contractor and consultants.	Annually.
IP-7	Annual review of contractor performance.	In-house.	Annually.
IP-13	Renewal of effluent discharge permit	In-house and contractors.	2016/17

APPENDIX D

10 YEAR PLANS

OPERATIONS, MAINTENANCE AND CAPITAL EXPENDITURE

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

	Proj 15/16	1 16/17	2 17/18	3 18/19	4 19/20	5 20/21	6 21/22	7 22/23	8 23/24	9 24/25	10 25/26
Total Management	209	213	213	213	213	213	213	213	213	213	213
Total Financial	755	874	883	952	1,052	1,082	1,040	995	957	930	927
Depreciation	1,777	1,821	1,862	1,892	1,906	1,917	1,917	1,917	1,917	1,929	1,955
Total Electricity	789	824	824	824	824	844	844	844	844	844	844
TP Maintenance	903	915	915	937	937	937	937	937	937	937	937
PS & RM Maintenance	281	225	225	225	225	225	225	225	225	225	225
Total Monitoring	100	102	184	112	112	154	102	162	104	102	102
Consultancy	75	75	75	75	75	50	50	50	50	50	50
Insurance	63	63	63	63	63	63	63	63	63	63	63
Rates & Rental	41	42	42	42	42	42	42	42	42	42	42
Water Charges	22	22	22	22	22	22	22	22	22	22	22
Forestry and spit restoration	9	9	27	2	20	13	2	2	2	2	2
Biosolids Disposal	538	549	549	549	549	549	549	549	549	549	549
Telephone/Computers	3	3	3	3	3	3	3	3	3	3	3
Total Expenses	**5,563**	**5,735**	**5,885**	**5,909**	**6,042**	**6,112**	**6,007**	**6,022**	**5,926**	**5,909**	**5,932**

NELSON REGIONAL SEWERAGE BUSINESS UNIT

10 Year Renewal Plan ($,000)	Proj 15/16	1 16/17	2 17/18	3 18/19	4 19/20	5 20/21	6 21/22	7 22/23	8 23/24	9 24/25	10 25/26
Miscellaneous	20	20	20	20	20	20	20	20	20	20	20
Pump Stations and Rising Mains	22	69	139	258	72		173	406	222	278	232
Inlet, Aeration Basin, Clarifier and Ponds	450	281	724	260	256	247	563	30	400	400	215
Solids Handling	507	521	51	526	357	794	268	719	350	401	546
Rabbit Island	98	98		46	8	46	32	11	50	22	
Roads	30	30									
Beach road septage reception					66						
Consents		20	215		235						
Total =	1,127	1,040	1,149	1,049	1,014	1,107	1,057	1,186	1,042	1,121	1,013

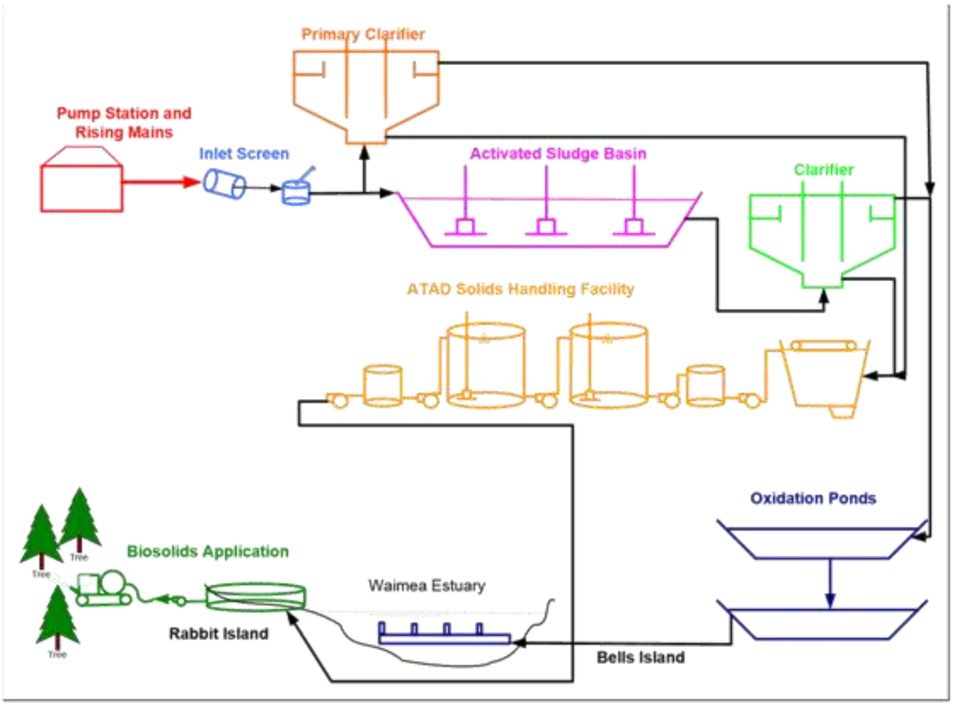
Note: More detailed review of expected life of solids handling facilities and electrical control and equipment are likely to affect the renewal programme.

The renewal programme beyond tear 1 is indicative total cost only. Specific renewal items will be subject to condition and lifecycle assessment leading up to the development of the 2017/18 Business Plan.

Upgrade programme		
Year	**Description of Projects**	**Estimated Costs**
2016/17	Modification pond M1	140,000
	Desludging oxidation ponds	200,000
	Automation of discharge monitoring	110,000
2017/18	Desludging oxidation ponds	1,400,000
	Regional pipeline upgrade (Review strategy)	40,000
2018/19	Modification pond F3	140,000
	Treatment Plant Upgrade (Consent dependent)	2,500,000
2019/20	Modification Facultative Pond (Consent dependent)s	420,000
	Treatment Plant Upgrade (Consent dependent)	2,500,000
2024/25	Disposal of dried sludge	700,000
2025/26	Songer street upgrade (Demand dependent)	100,000
	Disposal of dried sludge	700,000
2026/27	Disposal of dried sludge	700,000
2029/30	Richmond Regional Pipeline (Demand dependent)	1,000,000
2030/31	Activated sludge management (2nd Secondary clarifier)	2,800,000
2031/32	Richmond Regional Pipeline (Demand dependent)	6,500,000
2032/33	Richmond Regional Pipeline (Demand dependent)	6,500,000

APPENDIX E

BELL ISLAND TREATMENT PLANT SCHEMATIC



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REPORT R5302

Betts Carpark Special Housing Area

1. Purpose of Report

1.1 To approve the Design Controls to be included in a Request for Expressions Of Interest (REOI) for the sale and development of Betts Carpark (343 Trafalgar Square) as a Special Housing Area.

2. Delegations

2.1 No committee of Council has delegations for the Housing Accord and Special Housing Areas Act 2013 and therefore this matter needs to be considered by Council.

3. Recommendation

THAT ***the report Betts Carpark Special Housing Area (R5302) and its attachments (A1503472 and A1499622) be received;***

AND THAT ***the design controls in attachment 1, (A1503472) to be included in a Request for Expressions of Interest for the sale and development of Betts Carpark Special Housing Area, be approved;***

AND THAT ***Council expresses a preference for the sale of Betts Carpark (Pt Lot 2 DP 224) for development as a Special Housing Area.***

4. Background

4.1 On 17 December 2015 Council resolved that Betts Carpark be recommended to the Minister of Building and Housing for consideration as a Special Housing Area (SHA) under the Housing Accord and Special Housing Areas Act 2013 (HASHA).

4.2 Council also resolved "that officers report back to Council on specified design controls which could be included in a Request for Expressions of Interest (REOI) process to dispose of Betts Carpark (Pt Lot 2 DP 224)".

4.3 Cabinet has since made an Order In Council gazetting Betts Carpark a Special Housing Area on 18 February 2016. Council is now able to accept applications under HASHA for the development of the site until the 16 September 2016 when the Order in Council is revoked.

4.4 The Betts Carpark SHA provides for qualifying development criteria of:
- Must be a predominantly residential development
- Maximum number of storeys that a building may have : 4
- Maximum calculated height that the building must not exceed: 15m
- Minimum dwelling or residential site capacity: 12

4.5 Betts Carpark SHA is a means for Council to lead and stimulate residential activity in the city centre. The Property Asset Review indicated a desire to sell the site subject to specifying design controls at the time of sale. Design criteria will assist in ensuring that the future development of the site contributes to Council's strategic outcomes of providing greater opportunities for inner city living, quality urban design and enhancing the vitality of the city.

5. Discussion

Process and Timeline

5.1 The Order in Council making Betts Carpark a SHA will be revoked on 16 September 2016 providing a short window of opportunity for developers to submit an application for resource consent. Council will need to implement an REOI process for Betts Carpark as soon as possible if it wishes to provide for a resource consent process under HASHA. This would be closely followed by Council considering the Expressions of Interest and the information provided by the respondent, seeking Request for Proposals (RFP) from shortlisted parties.

5.2 Concept design proposals and a purchase price are not required as part of the REOI. Respondents to the REOI will be shortlisted based on their skills, experience and financial and delivery capacity, along with their acknowledgment of the outcomes Council seeks for the site.

5.3 The RFP will require the parties to submit concept designs and will enable Council to negotiate for the sale and purchase with the preferred developer. The RFP's received will be reported back to Council for a decision on the preferred developer and that report will also seek that the Chief Executive be delegated authority to negotiate and conclude agreement for the sale and purchase of Betts Carpark. The likely timeframe is as follows:

3 March	Report to Council seeking approval of REOI
7 March	REOI requested
4 April	REOI closes
11 April	Panel decides Shortlisted Parties and issues RFP's
16 May	RFP process closes

2 June Report to Extraordinary Council meeting seeking conditional sale of Betts Carpark to winning RFP.

1 July Sale and Purchase Agreement signed

5.4 This will enable the developer to get a consent application submitted under HASHA within the window from July to September 2016.

5.5 It is proposed that a panel of officers including an independent external adviser with either urban design or commercial development expertise (such as Graeme McIndoe) shortlists the REOI's prior to seeking RFP's.

5.6 The REOI and RFP processes create no obligation on Council to sell Betts Carpark for any of the proposals put forward. In the event that Council decides not to proceed with any of the proposals, the SHA will simply fall away when the Order in Council is revoked on 16 September 2016.

Design Controls

5.6 Officers have sought the architectural advice of Irving Smith Jack for the development of the specified design criteria that are to be included in the REOI. The criteria are drafted to ensure that:

- Special Housing Area requirements are met, including the qualifying development criteria and timeframes.
- Future development represents the outcomes sought by Council.
- Site opportunities are maximised and constraints acknowledged.
- They provide a viable and attractive proposition for potential purchasers/developers.

5.7 The controls define a series of criteria against which proposed development schemes can be assessed by Council. Key objectives are for a design that:

a. is suitable adjacent to residential and open space uses in this prominent central city location.

b. is a high quality, interactive design to the street edge.

c. uses appropriately scaled design elements and an appropriate provision of space, openings and materiality.

d. considers amenity and liveability of residential units.

e. integrates vehicle and pedestrian circulation within development.

f. incorporates suitable landscape elements.

g. includes quality, sustainable design and building practices.

5.8 Officers have commissioned a concept under the design controls to test them and illustrate spatially to the Council, particularly in terms of bulk, location and orientation, what might be expected as an outcome of the RFP process. These concept plans are provided in attachment 2. The concepts do not illustrate a potential design in terms of the look and materiality, just the bulk, location and orientation in terms of the design criteria.

5.9 The concept plans are not part of the REOI or RFP process, they are only for the purpose of illustrating to the Council as part of this report what the design controls mean spatially. Council can expect that there will be a range of designs proposed by developers that are able to meet the Design Controls and will be assessed by Council as part of the RFP process.

6. Options

6.1 Council approved Betts Carpark to become a SHA on 17 December 2015, and Cabinet has since made an Order in Council to formalise that. Council has three options:

6.2 Option 1 : Do nothing. Council can choose not to advance the development of the site as a SHA any further. This option would not achieve Council's goals in terms of enhancing city centre vitality and inner city housing opportunities, and it would not make use of the significant opportunity to add value to a Council owned asset through the SHA process. This option is in conflict with Council's previous resolution and does not maximise the potential financial return to ratepayers from the management of this asset, particularly given the Property Asset Review has signalled this site should be disposed of.

6.3 Option 2: Council Development/Partnership. Council could choose to either develop Betts Carpark as a SHA itself, or in partnership with a developer. This option would potentially achieve Council's goals in terms of enhancing city centre vitality and inner city housing opportunities, and it would make use of the significant opportunity to add value to a Council owned asset through the SHA process. However given the short development window before HASHA is repealed and given there is no staff resource to enable this to occur this is not seen as a realistic option.

6.4 Option 3: Sell Betts Carpark subject to controls. This option is low risk to Council, particularly given the design controls and development delivery requirements of the REOI and RFP process. Council retains certainty over the outcome without the financial risk, and enables the selected developer to maximise appropriate development potential of this prime site, thereby adding value to Council's asset for ratepayers and levering some of Council's strategic outcomes for the city centre.

Option 3 is the recommended option.

7. Alignment with relevant Council policy

7.1 This matter is not in contradiction with any Council policy or strategic document. Council previously approved in 17 December 2015 that Betts

Carpark become a SHA, with the intention that it be developed via an REOI process. This report seeks approval for the REOI document.

8. Assessment of Significance against the Council's Significance and Engagement Policy

8.1 This matter is not significant in terms of Council's Significance and Engagement Policy.

9. Consultation

9.1 The public have not been consulted on this matter. The purpose of HASHA is to enhance housing affordability by increasing land and housing supply through a streamlined consent process. The process of establishing SHAs under HASHA does not require public consultation and consideration of resource consents under HASHA have reduced consultation and appeal rights.

9.2 The report to make Betts Carpark a SHA received by Council on 17 December 2015 was publicly available and received some media attention. The limited notification process available under HASHA can provide opportunity for those adjacent landowners considered to be most affected by the proposal to participate in the planning process.

9.3 Betts Carpark is currently leased to a number of parties for the purpose of parking at $85 per month per park. The term of the lease is monthly and requires one month's notice of any intention to terminate. Should Council approve this report then officers intend to contact the tenants to advise of the REOI process and the possibility that the monthly leases may be cancelled by one month's notice.

9.4 The decision to sell Betts Carpark is a decision that is subject to the decision making process set out in the Local Government Act 2002. Council will need to consider who may be affected by or has an interest in Council's decision to sell the land, and give those persons an opportunity to comment on the proposal to sell. This can occur concurrently with the REOI process. Feedback will also be sought from Betts Carpark leasees and reported to Council for consideration.

10. Inclusion of Māori in the decision making process

10.1 Maori have not been consulted on this matter.

11. Conclusion

11.1 This report seeks Council approval of the Design Controls to be used as part of a Request for Expressions Of Interest (REOI) for the sale and development of Betts Carpark as a Special Housing Area. The Design Controls will ensure that Council retains certainty over the development outcome without the risks of undertaking it itself. It also enables the selected developer to maximise appropriate development potential of this prime site, thereby adding value to Council's asset for ratepayers while leveraging strategic outcomes and urban design goals for the city centre.

11.2 The Design Controls will ensure that any future development on Betts Carpark considers the sites locality, adjoining development and residences, while maximising development opportunity under HASHA and achieving high quality urban design.

11.3 The timeframe available for achieving the REOI and subsequent RFP process prior to finalising the sale and purchase agreement is very tight given HASHA is being repealed on 16 September 2016. If Council wishes to utilise the SHA over Betts Carpark then the REOI process needs to begin now.

Lisa Gibellini
Senior Planning Adviser

Attachments

Attachment 1: A1503472 Betts Carpark Design Controls

Attachment 2: A1499622 Betts Carpark Concept from Design Controls

BETTS DESIGN CONTROLS

DESIGN CONTROLS

These controls have been established to guide the scale and quality of residential and urban design outcomes sought for the development of Betts Carpark.

Key objectives for the site include:

- Design compatibility with the adjacent residential and open space uses in the central city location.
- High quality, interactive design to the street edge.
- The use of appropriately scaled design elements and an appropriate provision of space, openings and materiality.
- Amenity and liveability of dwellings as defined in HASHA.
- Integration of vehicle and pedestrian circulation within development.
- Incorporation of suitable landscape elements.
- Inclusion of quality, sustainable, design and building practices.

The intent of the controls are to encourage quality design outcomes for this prominent central city residential site. Where controls breach permitted activity standards in the Nelson Resource Management Plan (NRMP), consent will be required.

SITE REQUIREMENTS

Development will:

- Preserve the existing Rata tree in the Northwest corner of site.
- Preserve the existing Nikau tree in the Southwest corner of the adjoining site (Lot 1 DP 224).
- Reroute or otherwise accommodate all existing Council stormwater and sewer pipes.
- Accommodate all existing registered easements on the site.
- Reroute or otherwise accommodate any existing overland flowpaths on site.

HEIGHT AND YIELD REQUIREMENTS

Development will:

- Have a maximum of 3 complete levels, and 1 partial level on the southern side of level 4.
- Have a maximum height of 15m total (measured from the lowest internal floor level).
- Provide a minimum of 12 dwellings and a maximum of 20 dwellings as defined in HASHA.
- Provide a mix of dwelling types, including but not limited to one, two and three bedroom units.

EXTERNAL STREET AMENITY

Development will be set back by a minimum dimension of 4.8m to the northern boundary. At ground floor level the setback will be suitably landscaped. This control is intended to protect the amenity of Northern neighbouring lots, incorporate retention of trees noted and enable architectural design and inclusion of openings to the north face of development.

Development will setback by a minimum of 2.4m to the eastern boundary above ground floor level. This control is intended to protect the amenity of Eastern neighbouring lots, and enable architectural design and inclusion of openings to the east face of development.

Development will maintain *continuity of the street edge*, other than as required to preserve noted trees, achieve setback requirements, and provide vehicle access.

Development will provide a maximum of two vehicle crossings, with no more than one to each street frontage.

Development will, as far as practicable, make provision for *dwellings as defined in HASHA* or *commercial activity* to be provided at ground floor level and on the *street edge*.

No *built elements* will extend beyond a daylight envelope measured at 25 degrees from the back of the footpath at the southern edge of Nile Street. (This control is to minimise shading effects on the adjacent residential neighbours).

Building entrance will be provided to the street edge at ground level. A minimum of four entry points will be located to each street frontage.

Building entrance will be setback a minimum of 1.2m from the street edge; overhead cover, hard and soft landscape elements will be installed to signify building entry.

Walls at ground floor level on the street edge will have a maximum length of 8 metres without visual relief. Visual relief can be provided by:

- Building Setback of minimum dimension 0.6m
- Installation of Building Entrance, Window or Door opening
- Material Change
- Inclusion of Landscape elements.

INTERNAL DEVELOPMENT AMENITY

Development will avoid, as far as practicable, shading the north face of *dwellings* within the site at midday June 20 (a daylight angle of approximately 25 degrees. This control is intended to ensure year round access to sunlight for all dwellings)

All *Habitable* spaces within development will have access to an opening window for daylight and ventilation.

Development will provide a maximum of 1.2 carparks per dwelling. Resource Consent under HASHA will need to be sought for carpark provision less than the requirements stated in the NRMP.

Where carparks are provided the carpark size, turning and manoeuvring requirements of the NRMP will apply as a minimum standard. (This control is intended to avoid unworkable or restrictive carpark layouts).

Where vehicle turning and manoeuvring areas are provided, pedestrian access and safety will be provided.

Provision of external balconies is not mandatory. Resource Consent will need to be sought for any balcony provision outside the permitted activity standards stated in the NRMP.

In lieu of, or in addition to, external balconies, provision of a shared outdoor space is encouraged. The outdoor space will be located with a northern aspect, and a minimum dimension of 6m. The space will include hard and soft landscape elements enabling year round flexible occupation.

Noise Insulation requirements of the NRMP to habitable spaces are not mandatory. Resource Consent under HASHA will need to be sought for acoustic insulation provision outside the requirements stated in the NRMP.

Betts Carpark Plans to Illustrate Spatial extent of Design Controls

This concept is provided under the design controls to illustrate spatially to the Council, particularly in terms of bulk, location and orientation, what might be expected as an outcome of the RFP process.

The concept does not illustrate a potential design in terms of the look and materiality, just what is possible in terms of the bulk, location and orientation as a result of the design criteria.

Council can expect that there will be a range of designs proposed by developers that are able to meet the Design Controls and will be assessed by Council as part of the RFP process.

<u>For the purpose of this planning exercise the concept consists of:</u>

16 Residential Units:	2 x 3 Bedrooms 8 x 2 bedroom units 6 x 1 bedroom units

All units have allowance for outdoor living space.
All 3 bedroom units have ensuite facilities
5 out of 8 of the 2 bedroom units have ensuite facilities

Allowance is made for 18 covered on site carparks and a dedicated ground floor storage area for each unit.

All access and vehicle turning is contained on site.

A supplementary developed area of approximately $60m^2$ is available as a residential unit / management accommodation pr as a small commercial tenancy.

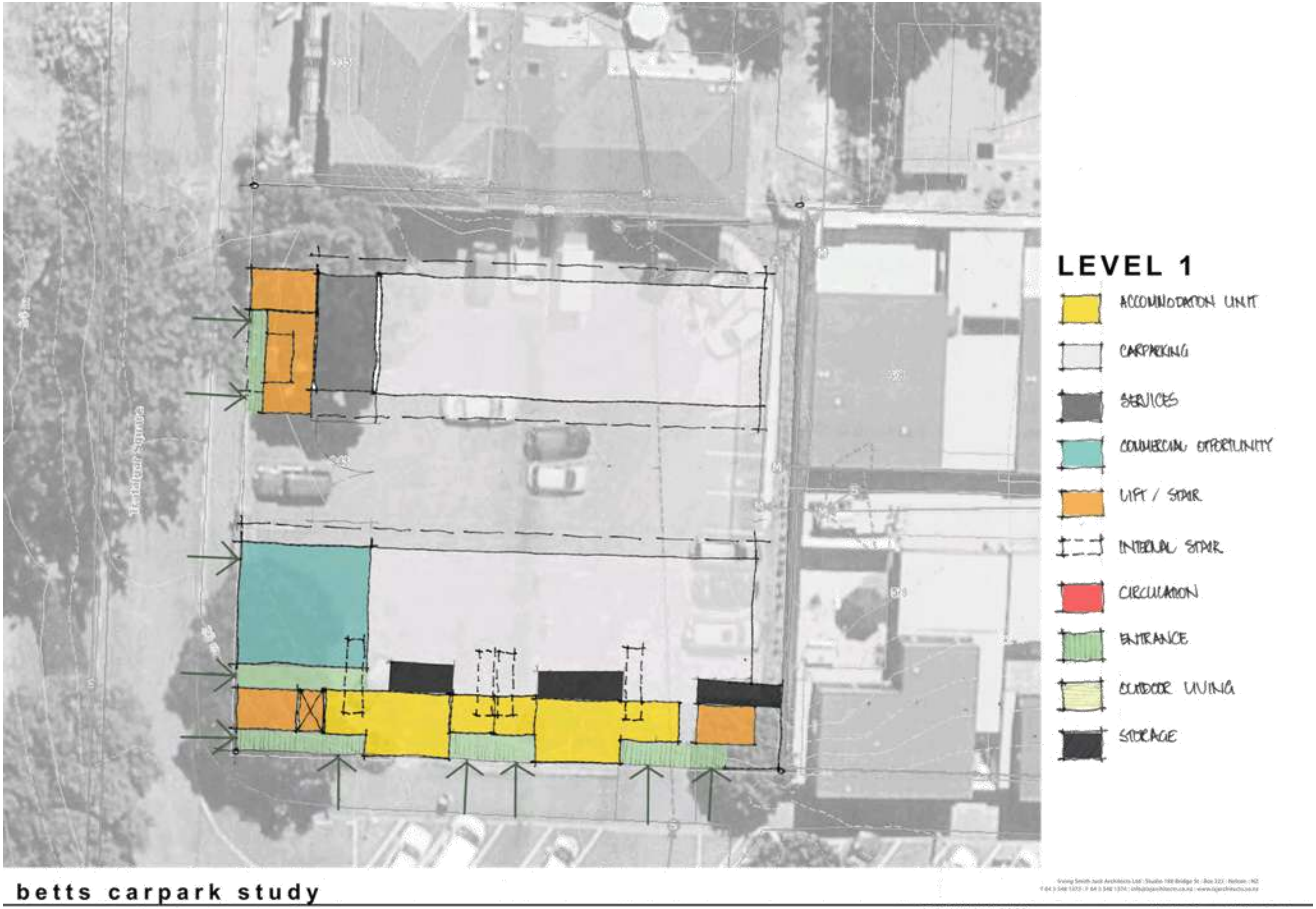
Development is serviced by 2 lifts and 3 stair towers.
5 x First floor units are serviced by their own, internal stair.

betts carpark study

DIAGRAM 1 - SITE SETBACKS

date 4-02-16
job number 2063
scale 1:200 @ A3

irving smith jack ARCHITECTS


LEVEL 1
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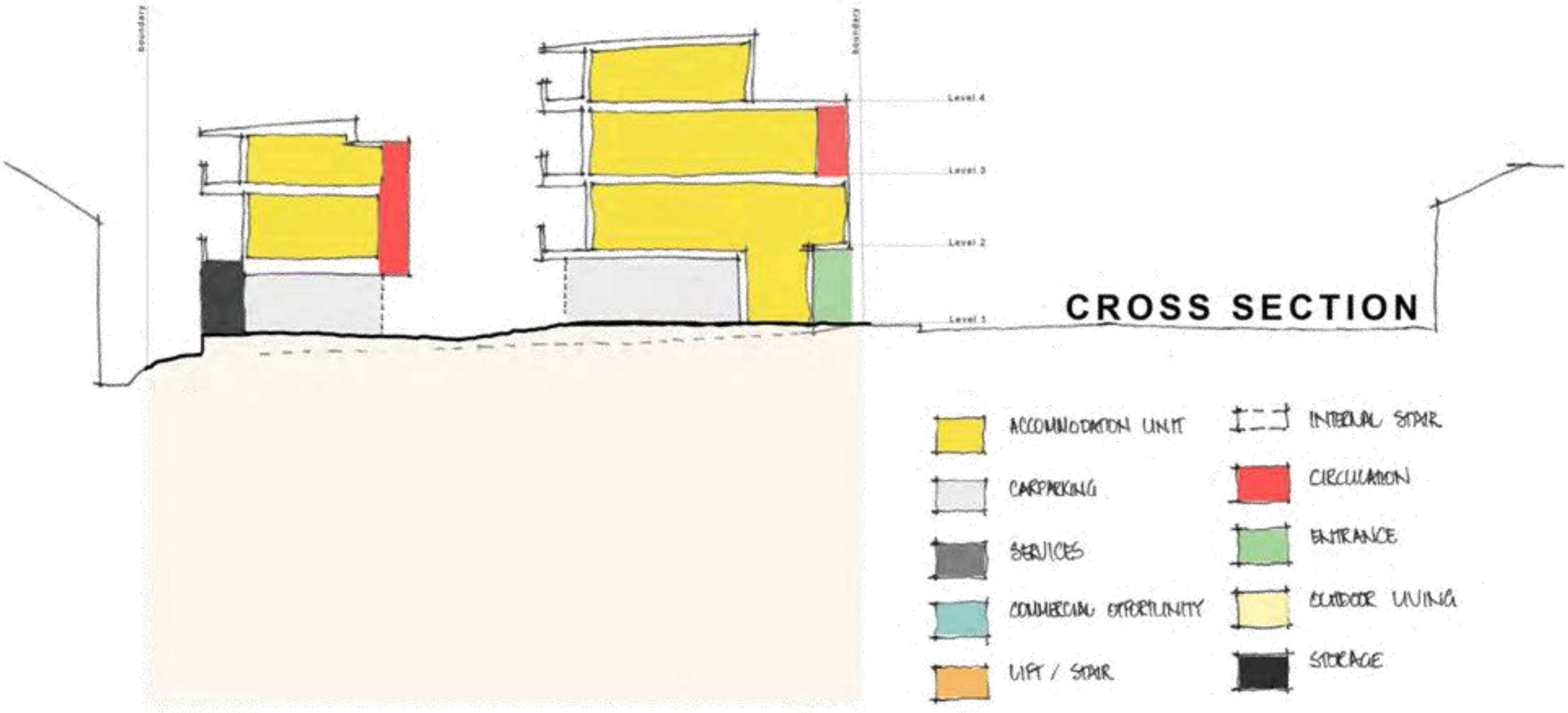
CARPARKING
SERVICES
COMMERCIAL OPPORTUNITY
LIFT / STAIR
INTERNAL STAIR
CIRCULATION
ENTRANCE
OUTDOOR LIVING
STORAGE
betts carpark study

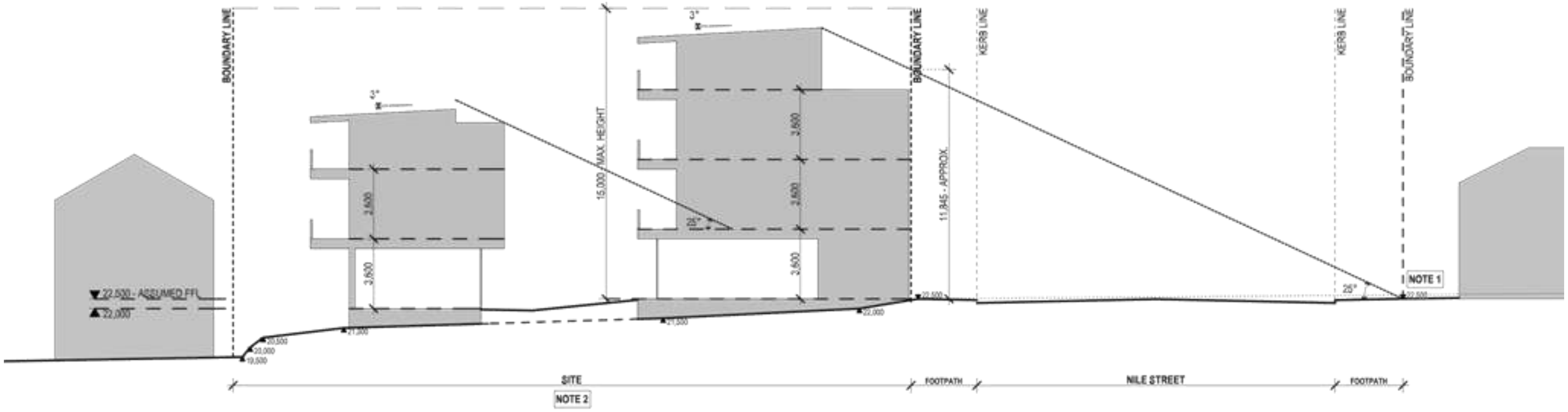
betts carpark study


LEVEL 3
ACCOMMODATION UNIT
CARPARKING
SERVICES
COMMERCIAL OPPORTUNITY
LIFT / STAIR
INTERNAL STAIR
CIRCULATION
ENTRANCE
OUTDOOR LIVING
STORAGE
betts carpark study

betts carpark study



betts carpark study



NOTES:

NOTE 1
CONFIRM LOCATION AND LEVEL BY SITE SURVEY

NOTE 2
ALL TOPOGRAPHIC DATE INFERRED FROM GIS SYSTEM.
CONFIRM ALL BY SITE SURVEY

0 1 2 3 4 5 10
SCALE 1:200

betts carpark study

DIAGRAM 2 - SITE SECTION WITH SHADING

date 4-02-16
job number 2063
scale 1:200 @ A3

irving smith jack
ARCHITECTS

REPORT R5354

Special Housing Areas

1. Purpose of Report

1.1 To provide an update to Council on targets under the Housing Accord and to approve one additional Special Housing Area (SHA), and extend another.

2. Delegations

2.1 No committee of Council has delegations for the Housing Accord and Special Housing Areas Act therefore the matter needs to be considered by full Council.

3. Recommendation

THAT ***the report Special Housing Areas (R5354) and its attachment (A1503228) be received;***

AND THAT ***Council approve the extension of Saxton Special Housing Area over part of the Richards property (Lot 4 DP 8212) as shown in the attachment (A1503228), subject to the Saxton master plan agreement specified in the Council resolution of 17 December 2015 being entered into;***

AND THAT ***Council approve a new Beach Road Special Housing Area adjoining the Ocean Lodge Special Housing Area over the Elliot and Menzies (Lots 1 & 2 DP 530) properties as shown in the attachment (A1503228);***

AND THAT ***Her Worship the Mayor recommend the Beach Road area to the Minister of Building and Housing for consideration as a Special Housing Area under the Housing Accord and Special Housing Areas Act 2013;***

AND THAT ***Her Worship the Mayor recommend the Saxton Special Housing Area after the master plan conditions have been met.***

4. Background

4.1 On 17 December Council resolved that ten sites be recommended to the Minister of Building and Housing for consideration as Special Housing Areas (SHA) under the Housing Accord and Special Housing Areas Act 2013(HASHA). Cabinet has since approved nine of those sites and they have been made SHAs by an Order in Council dated 18 February 2016.

4.2 The tenth site, Saxton, has not yet been recommended to the Minister of Building and Housing as a SHA because Council resolved that the Saxton SHA was approved subject to an agreement between Council and the landowners requiring a master plan. The purpose of the master plan is to ensure infrastructure and open space network connectivity is achieved.

4.3 This report provides an update on progress towards the Housing Accord targets, the creation of SHA's, the Saxton master plan agreement and additional interest registered in the creation and expansion of SHA's.

4.4 Due to HASHA being repealed on 16 September 2016, the close off date for Council to consider additional SHA's will be the 2 June 2016 Council meeting. After that date it will be administratively difficult to get areas gazetted and still allow time for resource consent applications to be submitted.

5. Discussion

Housing Accord Targets

5.1 The Accord contains housing and allotment supply targets to measure Council's progress in increasing residential supply. Progress against the targets 6 months on from signing the Accord, is shown in the table below.

5.2

Nelson Housing Accord: Progress against Year 1 Targets February 2016		
	Year 1 Aspirational Targets	Half-year Progress July-December
Yield of serviced residential lots (titled) from residential zoned land	100	49
Total dwellings	240	89

Data Sources:
Yield of serviced residential lots (titled) from residential zoned land: LINZ Data Service, NZ Property Titles dataset
Total dwellings: Statistics NZ – Building Consents Issued, July-December.

5.2 Targets for both titled lots and total dwellings have not been met for the half year. Council is only one titled lot short of achieving the target, but 31 building consents below the target. The new titles include 18 lots in Waimeha Stage 3 of the Wahanga development near Champion Road.

The new consents include 12 townhouses at Summerset Retirement Village in Stoke.

Saxton Special Housing Area

5.3 Officers invited the landowners of the Saxton SHA to a meeting to discuss Council's master plan resolution on 29 January 2016. The purpose of the meeting was to facilitate a collaborative approach to the landowners, to assist with identifying what information needs to be provided as part of the master plan, and how infrastructure is timed and funded across the SHA given the short timeframe of HASHA. The landowners have since advised that they will be working together and have appointed one team of professional advisers to assist them with the master plan.

5.4 Following Council's decision on the 17 December 2015 and subsequent media attention, officers received requests from two adjoining landowners Rick Griffin (187 Champion Road) and Tony Richards (3A Hill Street North) seeking that part of their properties also be included in the Saxton SHA.

5.5 Officers have consulted with the existing landowners in the Saxton SHA. Their view on extending the area is that it is appropriate for the Richards property to be included as its right of way passes through the SHA and they are therefore already involved in negotiations. Officers agree with this view and support this area being added to Saxton SHA.

5.6 The existing Saxton SHA landowners consider that the Griffin property which is zoned residential and has access off Champion Road, could be a separate SHA so as to limit the number of parties involved in the Saxton master plan. The concern is that the more landowners involved, the more difficult it is to arrive at an agreement on a master plan under the time constraints. Officers agree with the existing Saxton SHA landowners and consider it impractical to add a 7th property into the mix when Saxton SHA is not reliant on it, given the time constraints of HASHA. Further investigation of the ability to service the Griffin property is required, including an approach to Tasman District Council, before it can be considered as an independent SHA.

Beach Road Special Housing Area

5.7 Officers have also received a request from a landowner adjoining the Ocean Lodge SHA that their property be considered as an SHA. The Ocean Lodge SHA has been approved by Cabinet and is unable to be extended. A new SHA could however be proposed for the adjoining sites at 45 & 47 Beach Road. This SHA should have a slightly lower qualifying development criteria than the Ocean Lodge site so that it transitions from the suburban commercial zone to the residential zone.

6. Options

6.1 The criteria for SHAs are detailed in Attachment 1 and are summarised below along with officer recommendations as to whether they would be suitable and meet the requirements of HASHA:

Option	Name	Recommendation
1	Saxton	Suitable subject to master plan approach
3	Beach Road	suitable

6.2 The criteria used to evaluate suitability and each sites assessment are detailed in Attachment 1 along with a map identifying each area. The criteria include the HASHA requirements that need to be satisfied (adequate infrastructure and demand for residential housing), consistency with the Accord, and alignment with the Nelson Resource Management Plan.

6.3 Some sites already have sufficient infrastructure connections. Other sites require additional connection and/or capacity to be provided. Where this isn't already a project in the Long Term Plan the necessary infrastructure will need to be provided by the developer. The SHA's will not result in any additional infrastructure costs on Council.

7. Alignment with relevant Council policy

7.1 This aligns with the direction set by Council for SHA's at the 17 December 2015 Council meeting.

8. Assessment of Significance against the Council's Significance and Engagement Policy

8.1 This matter is not significant in terms of Council's Significance an Engagement Policy.

9. Consultation

9.1 The public have not been consulted on this matter. HASHA does not require that any consultation is undertaken in identifying SHAs. Time has not allowed for specific community consultation on the location of potential SHAs. Notification of adjacent landowners may occur when resource consents relating to qualifying developments are considered.

10. Inclusion of Māori in the decision making process

10.1 Maori have not been consulted on this matter.

11. Conclusion

11.1 It is now 6 months since Council signed the Housing Accord. The Accord Steering Group will be meeting shortly to discuss Council's progress in meeting its Accord targets. This report provides an update to Council on how Council is tracking against the Accord targets.

11.2 Following the approval of ten SHA's by Council on 17 December 2015, officers have received requests for two new SHA's. This report seeks Councils approval for one new SHA and the extension of Saxton SHA to include part of an adjoining property.

Lisa Gibellini
Senior Planning Adviser

Attachments

Attachment 1: A1503228 Saxton and Beach Rd Special Housing Areas

Nelson City Council
te kaunihera o whakatū

Nelson City Housing Accord – Special Housing Area

Area 4 – Saxton

Recommendation	suitable - subject to master plan requirement
SHA Name	Saxton
Address	467 Suffolk Road, part of farm adjoining Hill Street North 3A, 3C & 3D Hill Street North, 25 Hill Street
Approximate size	21.1ha
Landowners	Raine Estates Oaklands Ltd Michael and Maria-Luisa Lowe Peter and Andrea Hamilton Anthony Scott Richard Smith McFadden Family Trust Anthony & Margaret Richards
Developer	To be confirmed
SHA request received	Above landowners
Brownfield/Greenfield	Greenfield
Approximate yield	320

Qualifying Development Criteria
• *Maximum number of storeys that building may have: 3* • *Maximum calculated height that building must not exceed: 12* • *Minimum dwelling or residential site capacity: 150*

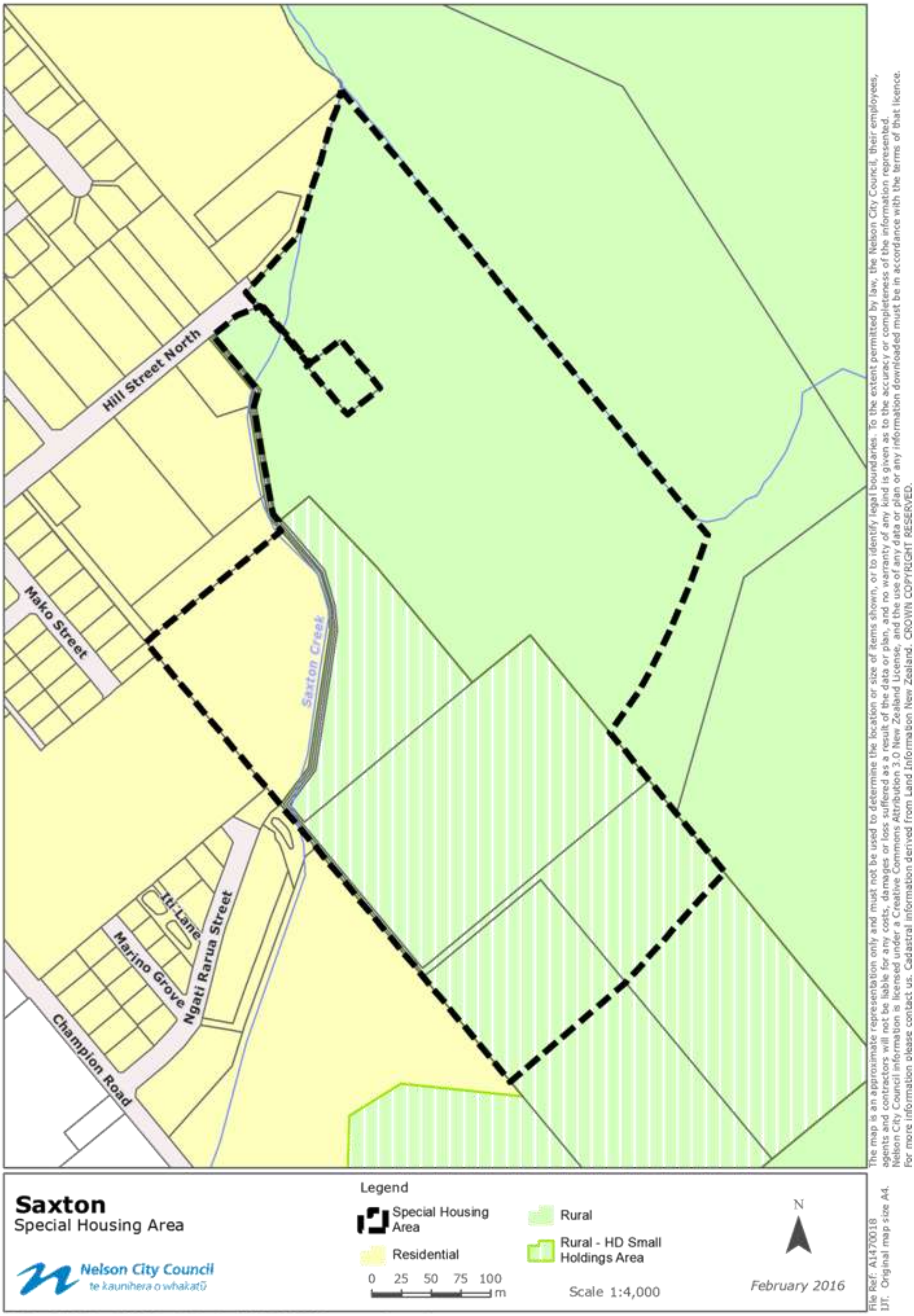
Criteria	**Summary**	**Notes**
Consistent with Nelson City Housing Accord	yes	The area will contribute to the diversity of the housing stock and typology, thereby contributing to the Housing Accords aim of improving housing supply and affordability
Alignment with the District Plan	No	The proposed SHA is located predominantly on rural zoned land on the edge of recent residential development/residential plan change 18 area. The Rural Zoning (including some rural small holdings) is not supportive of residential development. The major landowner has indicated that they will seek rezoning as part of the Nelson Plan review.

Infrastructure availability/readiness, including available capacity	yes	The area can be provided with infrastructure to support development. There are no projects in the LTP to provide supporting infrastructure to this area and therefore all infrastructure requirements needed to support the development of this site will need to be provided by the developer(s). Stormwater: Insufficient downstream stormwater capacity exists and the development will be required to provide onsite measures to off-set the additional capacity required by the development. Water: Tasman District Council have advised that they cannot provide water supply to this area. The developer will be required to extend the NCC water supply network to serve the site. Transport: The development will create further pressure on the three roundabouts and may need to be supported via a new roading connection from Hill Street North to the Ridgeway through Raine Estates Oaklands Ltd. NZTA have been consulted but have yet to provide any feedback. Officers consider that a master plan approach is required to coordinate infrastructure and open space networks across the properties involved and to ensure a connected and efficient infrastructure network is achieved. All internal infrastructure will be provided by the developer(s) in accordance with the NCC Land Development Manual 2010.
Landowner views	yes	Supportive of SHA
Demand to build	yes	There is ongoing demand to build.
Demand for housing	yes	There is ongoing demand for housing**.**

Other Comments	Possible flood hazard requires assessment.
Reasons for using SHA process	To provide for development in the area.
Planning history	The site is located close to Richmond centre and is on the edge of existing residential development and currently part of a dairy farm/lifestyle area. Upstream of the site is a large dam which needs re - consenting.

Reviewed by:	Shane Overend and Sue McAuley
Transport Stormwater Waste water/water	Susan McAuley

Landowner approval:	I acknowledge that any infrastructure network or capacity constraints to enable the development of this site in accordance with Councils Land Development Manual 2010 (or as varied by any conditions of consent), will need to be designed, constructed and funded by the developer unless the project is provided for in the Long Term Plan 2015-2025.
Name .... Sign .... Date	


Hill Street North
Mako Street
Saxton Creek
Iti Lane
Marino Grove
Ngati Rarua Street
Champion Road
Saxton
Special Housing Area
Nelson City Council
te kaunihera o whakatū
Legend
Special Housing Area
Residential
Rural
Rural - HD Small Holdings Area
0 25 50 75 100 m
Scale 1:4,000
N
February 2016

Nelson City Council
te kaunihera o whakatū

Nelson City Housing Accord – Special Housing Area

Beach Road

Recommendation	suitable
SHA Name	Beach Road
Address	45 & 47 Beach Road
Approximate size	0.0668
Landowner	Elizabeth Elliot & Iain Menzies
Developer	unknown
SHA request received	Elizabeth Elliot
Brownfield/Greenfield	Brownfield, apartments
Approximate yield	6

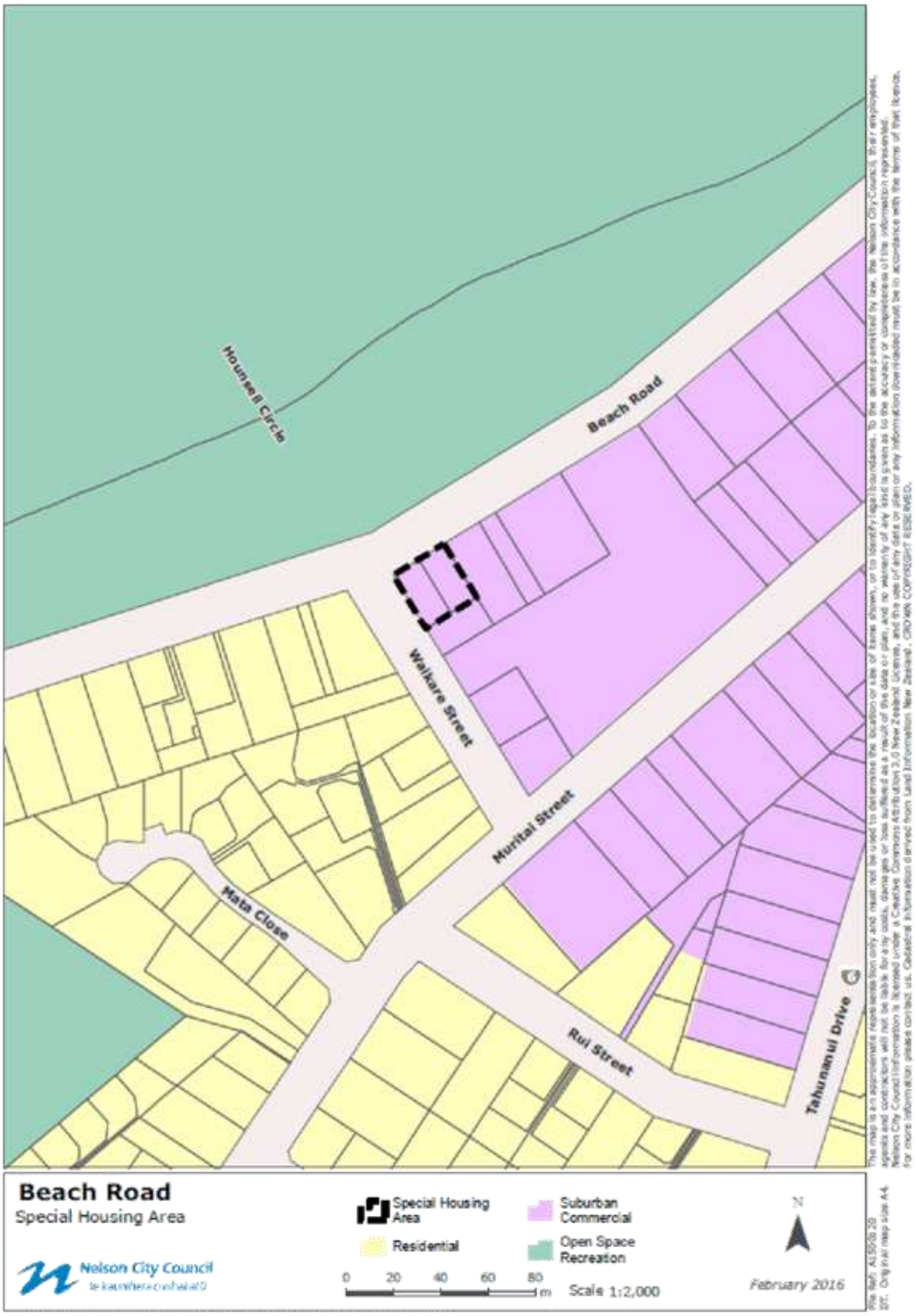
Qualifying Development Criteria
• *Maximum number of storeys that building may have: 3* • *Maximum calculated height that building must not exceed: 15m* • *Minimum dwelling or residential site capacity: 4*

Criteria	**Summary**	**Notes**
Consistent with Nelson City Housing Accord	yes	The area will contribute to the diversity of the housing stock and typology, thereby contributing to the Housing Accords aim of improving housing supply and affordability.
Alignment with the District Plan	yes	The proposed SHA aligns with the NRMP provisions for residential development as part of a mixed use development in the Suburban Commercial Zone.
Infrastructure availability/readiness, including available capacity	yes	The area has suitable provision for infrastructure to support development. This will be a mixture of Council supplied capacity available to the site and developer supplied infrastructure capacity/connection where there is insufficient capacity/connection. Stormwater: Insufficient downstream stormwater capacity exists and the developer may be required to provide for onsite measures (off site could be explored) to off-set any additional flows created by the development.

		All internal infrastructure will be provided by the developer in accordance with the NCC Land Development Manual 2010.
Landowner views	yes	Supportive of SHA
Demand to build	Yes	There is ongoing demand to build.
Demand for housing	yes	There is ongoing demand for housing**.**

Other Comments	Coastal inundation from sea level rise and liquefaction hazards will need to be addressed.
Reasons for using SHA process	To further incentivise development in the area.
Planning history	The site is located close to Tahunanui centre with urban development surrounding it, access to open space and reserves and sufficient infrastructure capacity.

Reviewed by:	Shane Overend and Sue McAuley
Transport Stormwater Waste water/water	Susan McAuley



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REPORT R5512

Nelson City and Tasman District Regional Landfill - Joint Venture Proposal

1. Purpose of Report

1.1 To approve the option of establishing a joint venture to operate a regional landfill for the Nelson City Council and Tasman District Council.

2. Delegations

2.1 Council has the delegation to make this decision.

3. Recommendation

***THAT** the report Nelson City and Tasman District Regional Landfill - Joint Venture Proposal (R5512) and its attachments (A1504294 and A1504295) be received;*

***AND THAT** Council approve a Joint Venture model as the preferred option for the management of Tasman District and Nelson City Councils' landfills;*

***AND THAT** a 50:50 Joint Venture is preferred, with a one-off payment of $4.2 million paid by Tasman District Council to Nelson City Council to compensate for the difference in midpoint landfill values between York Valley and Eves Valley be approved;*

***AND THAT** for Eves Valley, operational control of all land used for the existing landfill and for Stage 3 landfill purposes will be transferred to the Joint Venture and that for York Valley operational control of all of the land currently used (but not the land designated for Stage 2) will be transferred to the Joint Venture (noting that, for formal decision-making purposes, maps and legal descriptions will be provided);*

***AND THAT** both councils retain buffer land and designations, and that should any alternative*

use be proposed, the views and preferences of the joint venture will be taken into account in determining the future use of that land;

<u>AND THAT</u> the structure, governance, funding and ownership aspects of the landfill Joint Venture will be the subject of a future report to both Councils, noting the intention that this Joint Venture be similar to Nelson Regional Sewerage Business Unit;

<u>AND THAT</u> the Nelson City Council will undertake consultation on the proposal through its Annual Plan 2016/17 process and that, concurrently, Tasman District Council will engage with its community through its engagement on its Annual Plan 2016/17 whilst acknowledging that Tasman District Council may need to amend its Long-term Plan in July 2016 to enable this transaction (as the Eves Valley landfill is a strategic asset);

<u>AND THAT</u>, subject to confirmation through the Annual Plan consultation processes, the Joint Venture formally commence 1 July 2017 with the one-off payment of $4.2 million to be made from Tasman District Council to Nelson City Council on that date;

<u>AND THAT</u> from the date of 3 March 2016 (being the date both Councils consider the proposal) both Councils will continue to support the model in the way they manage their landfills in anticipation of it being the approved outcome;

<u>AND THAT</u> prior to commencement of the Joint Venture on 1 July 2017, that each Council continue with all necessary work to establish the Joint Venture in anticipation of approval of the proposal;

<u>AND THAT</u> all direct and external costs for establishment of the Joint Venture will continue to be shared 50:50 between both Councils;

<u>AND THAT</u> the Chief Executive be instructed requested to establish with Tasman District Council a Joint Venture project team for this purpose and do all necessary work for the purpose of establishing the Joint Venture for landfill operations from 1 July 2017;

***AND THAT** all the statements in this recommendation be subject to the Tasman District Council passing equivalent resolutions on the joint landfill management.*

4. Background

4.1 Both Nelson City Council and Tasman District Council are responsible for promoting effective and efficient waste management and minimisation within their respective territorial boundaries (collectively the Nelson-Tasman region) under Part 4 of the Waste Minimisation Act 2008 (the Act).

4.2 Nelson City Council owns and operates the York Valley landfill at 34 Market Road, Bishopdale, Nelson and the Tasman District Council owns and operates the Eves Valley landfill at 214 Eves Valley Road, Waimea West, Tasman.

4.3 Both Nelson City and Tasman District Councils have prepared and adopted a Joint Waste Management and Minimisation Plan (JWMMP) dated April 2012 pursuant to section 45 of the Act.

4.4 Policy 3.1.5 of the JWMMP states that the Councils will jointly make the most effective and efficient use of York Valley and Eves Valley landfill space. Method 3.1.5.1 to achieve this policy states:

> *The Councils will investigate a joint landfill solution as a matter of priority in the first year this plan is operative (and the options will include using one landfill as a regional facility serving both Districts or that the two landfills will be used for separate materials).*

4.5 Policy 3.1.6 of the Joint Plan states that the Councils are to ensure jointly that there is landfill capacity in the two Districts for the safe disposal of waste. Method 3.1.6.1 to achieve this policy states:

> *The Councils will continue to provide a landfill disposal service for the disposal of approved waste that is sourced from within the Districts.*

4.6 In 2014, following further investigation by the Councils, Nelson City and Tasman District proposed joint use of a single regional landfill facility to accept all residual solid waste generated in the Nelson-Tasman region. The proposal was for:

- the York Valley landfill to become the regional landfill facility from 1 July 2015 to accept all waste generated within the Nelson-Tasman region until the current operational area of the landfill is at capacity (anticipated at the time to be in approximately 2031);
- the Eves Valley landfill to have all necessary consents and approvals to accept up to two years waste from the Nelson-Tasman region in case of unforeseen temporary closure of the York Valley landfill;

- at the point where the current operational area of the York Valley landfill reaches capacity, Tasman to have established a regional landfill facility (whether at Eves Valley or elsewhere) which will be operated by Tasman and available to accept all waste generated within the Nelson-Tasman region on terms and conditions that reciprocate operation of the York Valley landfill as a regional landfill facility by Nelson.

4.7 In August 2014 the two Councils signed a Memorandum of Understanding (MoU). The MoU outlined a "contract for service" approach, where Nelson City Council would own and operate York Valley and Tasman District Council would pay the standard landfill disposal fees, but receive an annual lump sum and a share of the operating surplus of the landfill from the Nelson City Council. This MoU was the basis of public consultation by Nelson City Council.

4.8 In December 2014, following public consultation by NCC, the Councils considered a modified MoU and in April 2015 the MoU was signed by the Councils. The key change in the MoU was regarding the funding of future landfill capacity from 2030.

4.9 In April 2015 the MoU was signed by both Councils.

4.10 In parallel with this, work had commenced on development of a binding agreement. During the development of this binding agreement it became clear that the reciprocal terms and conditions (as outlined in Clause 11 of the MoU) were being interpreted differently by each Council. Agreement was therefore not reached on the 'contract for service' approach.

4.11 Both Councils still wanted to reach agreement and therefore agreed to undertake an independent review to assess options and associated implications for each Council. It was intended that this review would help both Councils reach an agreement.

4.12 This independent review was completed by Deloitte in October 2015. Although it provided accurate and factual information on the solid waste activities undertaken by each Council, it did not result in an agreement being reached.

4.13 Both Councils still wanted to reach agreement. During deliberations on the independent review it was agreed that perhaps it would be better to consider a joint venture model – one along the lines of the Nelson Regional Sewerage Business Unit (NRSBU).

4.14 In the NRSBU model the Councils effectively share assets and capital expenditure 50:50 and operations are governed by a joint committee of the Councils. This NRSBU approach has worked well for over 15 years.

4.15 It was agreed that before any deliberations could occur that a valuation be undertaken of each Council's landfills and landfilling operations.

5. Landfill Valuations

5.1 In November 2015, both Councils agreed to commission a valuation. A scope and process was developed for the purpose informing the level of assets/equity that each Council could contribute to a joint venture proposal to operate a regional landfill.

5.2 In December the Councils jointly engaged Deloitte to provide them with an independent commercial / business valuation of the landfill operations of each Council. Morrison Low and Associates were also jointly engaged to peer review the Deloitte valuation.

5.3 A separate valuation was completed of each landfill operation based on each Council continuing with the status quo (i.e. no regional landfill) for the next 45 years. This included operating the current landfills, re-consenting existing areas as necessary and consenting, developing and operating new areas over this period.

5.4 The following were the key features of the valuations;

- valuing the current day consented landfills operations as an ongoing business proposition;
- a discounted cashflow approach (which involves forecasting the cash revenue and expenses that the landfill operations could generate over their life and deducting the capital costs that are necessary to generate that revenue);
- inclusion of post closure costs of each landfill;
- inclusion of the capital costs of extending, consenting and developing additional stages to enable landfilling to occur for the 45 year period;
- using 2014/15 waste disposal volumes and the Councils' own growth projections for the life of the consented landfills;
- current gate charges remaining unchanged over the 45 year period;
- an appropriate range of commercial Weighted Average Costs of Capital (WACC) that would apply to landfills;
- sensitivity analysis around changes in waste volumes, operating costs, gate charges and capital costs over the 45 year period.

5.5 A draft Valuation Report (Deloitte) and a draft Peer Review Report (Morrison Low) were released to both Councils in early February 2016. Council officers met with Deloitte and Morrison Low to discuss the report and on 10 February the valuation was presented by Deloitte to a joint workshop of the Councils. Copies of finalised reports are attached to this report.

5.6 The Valuation Report outlines the reasoning behind adopting a 'fair value' standard to each landfill asset. It then outlines the valuation approaches and assumptions.

5.7 The valuation report highlights that the accounting aspects of the landfilling operations are treated differently by each Council. Deloitte has reviewed and assessed the financial information and has 'ring fenced' the respective costs and revenues of each Council's operations to ensure that both landfills have been valued on a similar basis.

5.8 The valuations have been determined based on the landfilling operations for each Council over the next 45 years. This is considered standard practice within the valuation sector.

5.9 The following tables summarise the valuations outlined in the Deloitte Report, using the range of appropriate Weighted Average Cost of Capital (WACC) for a landfill. The value split between existing and future landfill stages is shown in the pie charts following the tables;

Eves Valley Landfill	**Low ($'000)**	**High ($'000)**
Current Stage Valuation	3,722	3,733
Future Stage 3 Valuation	8,881	10,015
Combined Landfill Valuation	**12,603**	**13,749**
Midpoint	**13,176**	

Table 5.9A Eves Valley Landfill Valuations

York Valley Landfill	**Low ($'000)**	**High ($'000)**
Current Stage Valuation	21,023	22,090
Future Stage 2 Valuation	17	91
Combined Landfill Valuation	**21,040**	**22,181**
Midpoint	**21,611**	

Table 5.9B York Valley Landfill Valuations

Pie Charts showing contributions of Current and Future Stages to the Landfill Valuations

5.10 As shown above, the value of the future stage at Eves Valley makes a significant contribution to the Eves Valley combined valuation. While the capital investment required at Eves Valley Landfill beyond Year 3 would be significant, it would be gradual and spread over the life of the Stage. The associated revenue generated compensates for that capital investment and consequently has increased the value of the Eves Valley landfill.

5.11 Correspondingly, the tables show that the value of the future stage at York Valley makes very little contribution to the York Valley combined valuation. This is because the capital investment for York Valley is not required until Year 32 and any revenue would not be realised until Year 33. The discounting factor over 32 years severely diminishes that value of that investment and revenue in today's dollars.

5.12 The Valuation Report and the Peer Review Report are robust. They give a good indication of the value of each Council's landfilling operations and are a fair assessment of the value that each would bring to a joint venture.

5.13 At a joint workshop of the Councils on 10 February, Councillors from both Councils indicated support for a joint venture and that the joint venture model should be structured along the lines of the Nelson Regional Sewerage Business Unit.

5.14 A joint venture on an equal value basis is important. An equal joint venture enables better decision making and sharing of risk and benefits. Because of the difference in values of the landfills, if the two Councils are to hold equal value in the joint venture then a "true up" payment will be required from Tasman District Council to Nelson City Council to recognise the greater value of the York Valley landfill. This true up payment would be half the difference of the landfill values.

5.15 Although the valuation for York Valley includes future Stage 2 being constructed in year 32, Council has indicated that at this stage it would prefer not to include it in the valuation (although it would need to be protected for future use). This would then limit the York Valley value to the current operational footprint. The value would then range between $21.023 million and $22.090 million, giving a midpoint of $21.557 million. The value of Stage 2 at York Valley ($0.17-$0.91 million) is not significant in the overall valuation.

5.16 It is proposed therefore that the joint venture regional landfill model would include:

- the Eves Valley current stage (Stage 2) plus future Stage 3 (which combined have a midpoint value of $13.176 million), and
- the York Valley current stage ($21.557 million).

5.17 The difference in the midpoint values is in the order of $8.4 million. To create a 50:50 joint venture ownership model Tasman District Council would need to contribute half of the difference ($4.2 million) to Nelson City Council.

5.18 There will be a need to protect the future landfill development options and therefore both Councils need to retain buffer land and designations accordingly. Should either Council propose any alternative use of bordering land then the views and preferences of the joint venture will need to be taken into account in determining the future use of that land.

5.19 It is proposed that the Joint Venture will formally commence on 1 July 2017. It is recommended that a joint venture project team be established to work through the details of establishing the joint venture model.

6. Options

6.1 The options available to Council are;

- Status Quo - Retain the status quo and continue with owning and operating York Valley landfill and TDC continue to own and operate Eves Valley landfill;
- Regional Landfill - Establish a regional landfill with a 50:50 joint venture model between NCC and TDC, as recommended in this report;
- Consider other options – Continue discussions with Tasman District Council on other options to establish a regional landfill.

6.2 The status quo option does not align with the JWMMP, so if it was pursued the JWMMP would need to be amended to remove the objective of establishing a regional landfill.

6.3 The regional landfill option comprising a 50:50 joint venture ownership model aligns closely with the objectives of the JWMMP. Previous work has shown that a regional landfill is the most efficient and cost-effective and reduces commercial risk and overall capital requirements.

6.4 Considering other options is still available to both Councils, should the 50:50 joint venture option not be pursued, but a joint venture approach is considered the most equitable and workable model.

7. Strategy and Risks

7.1 Continuing to work on a regional approach for landfill management, on a joint venture basis is consistent with discussions held recently in a joint workshop of the Councils. Discussions with Tasman District Council indicated a high level of support for the proposal.

7.2 There remains a risk that following consultation Council decides not to proceed. The same risk exists for Tasman District Council.

7.3 These risks are partially mitigated by:

- the resolutions considered at that joint workshop
- the joint objectives of the JWWMP, and
- considerable work to date that has illustrated the long term benefits of a joint landfill arrangement.

7.4 Further risks arise if the proposal is delayed and decisions are not programmed to be made until after the local government elections in October 2016. The priorities and commitment of each council may change following the election.

7.5 Risks relating to the joint venture model itself will be presented in a subsequent report when matters of governance and finances will be considered in detail.

8. Alignment with relevant Council policy

8.1 The management and minimisation of solid waste aligns with the JWMMP which has been adopted by both NCC and TDC.

8.2 This decision is consistent with Council's intentions of establishing a regional landfill.

8.3 The costs of establishing and operating the Joint Venture model have not been established to date. However the indicative forecasted costs and revenues derived from the management and operation of a regional landfill have indicated savings to both Councils.

8.4 This proposal aligns with Nelson 2060, as it helps Council deliver its vision and goals in regard to waste management and minimisation and creating a desirable place to live. It meets its sustainability principles and it is a good investment.

9. Assessment of Significance against the Council's Significance and Engagement Policy

9.1 This decision is not significant in terms of Council's Significance and Engagement Policy.

9.2 The York Valley landfill is not a strategic asset.

10. Consultation

10.1 The Joint Venture model proposal, should it be approved, will be included in the Draft Annual Plan 2016/17.

11. Inclusion of Māori in the decision making process

11.1 Maori have not been consulted.

12. Conclusion

12.1 The Valuation Report and the Peer Review Report are robust and give a good indication of the value of each Council's landfilling operations over the next 45 years.

12.2 The Eves Valley Landfill has an indicative value between $12.603 million and $13.749 million giving a midpoint of $13.176 million.

12.3 The York Valley Landfill has an indicative value between $21.040 million and $22.181 million giving a midpoint of $21.611 million.

12.4 Although the valuation for York Valley includes future Stage 2 being constructed in year 32, the Nelson City Council has indicated that it would prefer not to include it in the valuation at this stage. This would limit the York Valley value to the current operational footprint. The value would then range between $21.023 million and $22.090 million giving a midpoint of $21.557 million.

12.5 It is proposed that the joint venture regional landfill model include the Eves Valley Current Stage plus future Stage 3 with midpoint value of $13.176 million plus the York Valley current stage with midpoint value of $21.557 million.

12.6 The difference in the midpoint values is in the order of $8.4 million. To create a 50:50 Join venture model TDC would need to contribute half of the difference being $4.2 million to NCC.

12.7 Both Councils have indicated that the joint venture model should be structured similar to the Nelson Regional Sewerage Business Unit.

12.8 It is proposed that a joint venture project team be established to work through the details of establishing the joint venture model.

12.9 It is proposed that the Joint Venture will formally commence on 1 July 2017.

12.10 There is a need to protect the future landfill development options and therefore both councils need to retain buffer land and designations accordingly. Should either Council propose any alternative use then the views and preferences of the joint venture will need to be taken into account in determining the future use of that land.

Richard Kirby
Consulting Engineer

Attachments

Attachment 1: A1504294 Deloittes Landfill Valuation Report

Attachment 2: A1504295 Morrison Low Landfill Valuation Peer Review Report

Deloitte.

Nelson City Council and Tasman District Council
Indicative Valuation
York Valley Landfill and Eves Valley Landfill

February 2016
Strictly private and confidential

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February 2016

Nelson City Council
PO Box 645
Nelson 7040

Tasman District Council
189 Queen Street
Private Bag 4
Nelson 7020

Dear Sir / Madam

Landfill Valuations

We enclose our report prepared for Nelson City Council and Tasman District Council setting out our indicative valuation of the Nelson City Council York Valley Landfill and Tasman District Council Eves Valley Landfill.

This report has been prepared in accordance with the terms of our engagement letter dated 9 December 2015 and is subject to our Disclaimer set out in Appendix 1.

Yours sincerely
DELOITTE

S. McClay

Scott McClay
Partner
(03) 363 3834

his Report capitalised terms have the meaning given to them as defined
ɔw:

	New Zealand Dollars
ΛP	Asset Management Plan
'S	Emissions Trading Scheme
'15	Year ended 30 June 2015
'16	Forecast year ended 30 June 2016
;T	Goods and Services Tax
/MMP	Nelson City Council and Tasman District Council Joint Waste Management and Minimisation Plan
	Thousand
'P	Long Term Plan
	Million
ɔU	Memorandum of Understanding
:C	Nelson City Council
	Tonne
ıC	Tasman District Council
ACC	Weighted Average Cost of Capital

troduction

Deloitte has been engaged to provide an assessment of the indicative fair value of the York Valley Landfill and the Eves Valley Landfill.

We understand that the indicative valuation is required to inform the level of assets / equity that Nelson City Council and Tasman District Council will contribute to a proposed joint venture entity that will provide and operate a joint regional landfill facility. We understand the effective valuation date is to be as at the present date. Our indicative fair value assessment may not be used for any other purpose nor disclosed to any other party without our prior written consent.

For the purposes of our indicative valuation we have relied on the Council's Long Term Plans, Solid Waste Asset Management Plans, as well as other information provided to us by the Councils.

Our valuation is an indicative valuation in the context of Advisory Engagement Standard Number 2 ('AES-2') as promulgated by the Chartered Accountants Australia New Zealand ("CAANZ"), accordingly there is no requirement to comply with AES-2.

This indicative valuation is prepared subject to the terms of our engagement letter dated 9 December 2015.

In preparing our indicative fair valuation, we have relied on the assumptions and information provided to us as set out in Appendix 2 and 3 to this report.

All dollar amounts referred to are New Zealand dollars.

ackground

In April 2012 Nelson City Council ("NCC") and Tasman District Council ("TDC") released the 'Nelson City Council and Tasman District Council Joint Waste Management and Minimisation Plan' ("JWMMP").

The JWMMP sets out a number of policies and methods by which the Councils will pursue their joint vision of "*Valuing Resources and Eliminating Waste*" and focus on joint goals of:

1. Avoiding the creation of waste
2. Improving the efficiency of resource use
3. Reducing the harmful effects of waste

One of the policies set out in the JWMMP in respect of Goal 3 was Policy 3.1.5: *The Councils will jointly make the most effective and efficient use of York Valley and Eves Valley Landfill space.*

Method 3.1.5.1 specified the action in respect of Policy 3.1.5, whereby *The Councils will investigate a joint landfill solution as a matter of priority in the first year this plan is operative (and the options will include using one landfill as a regional facility serving both Districts or that the two landfills will be used for separate materials).*

Since releasing the JWMMP several avenues have been explored for providing a joint landfill solution. This included commissioning MWH New Zealand Ltd to investigate possible joint landfill options. MWH's May 2013 report concluded that options involving the joint use of NCC's York Valley landfill facility resulted in the lowest cost for the region, followed by the status quo, whilst the most expensive option was the long term disposal of joint waste at Eves Valley.

Following the MWH report, NCC and TDC prepared a proposal which (at a high level) involved the joint use of York Valley, with Eves Valley remaining available as a back up facility and splitting the York Valley financial surpluses between the Councils.

- Deloitte first became involved in this process in February 2014 when NC sought an independent review by Deloitte of the proposal described abov focussed on the financial implications to NCC. Following the release of th Deloitte report NCC went out for public consultation on the joint landf proposal during July and August 2014. The full consultation process wa completed in December 2014.
- As a result of further consultation between NCC and TDC a Memorandum Understanding ("MOU") was prepared and signed by the Mayor's of th respective Councils in April 2015 which at a high level was an extension the earlier proposal including the joint use of York Valley, a 60/40 operatin surplus split in favour of the landfill operator and confirming TDC would fun and operate the next landfill facility once the current stage of York Valley wa full.
- Prior to progressing the MOU NCC and TDC sought a review from Deloitte the financial impacts of the regional landfill proposal to each Council. Th report was released to both Council's in October 2015. Two key conclusior from the report were:
  - The proposal is financially beneficial to NCC and TDC and the wid Nelson/Tasman region.
  - The benefits arise at different points in time for each Council. TD benefits in the short term by delaying capital expenditure and NC benefits more over the longer term due to increased operating cash flow from the (more financially efficient) joint landfill facility and deferrin replacement capital expenditure in the long term.
- Following discussions between the two Councils of how to progress the joi landfill proposal further it was agreed to investigate the possibility establishing a joint venture entity which would provide a joint regional landfi To establish this entity each Council would contribute their current landf assets.

asis of Valuation and Valuation Approach

tandard of Value

As this valuation is required for the purposes of determining the value of assets / equity that would be contributed to a joint regional landfill entity, we have applied a fair value standard to this valuation. Fair value recognises that the transaction will not be in the open market and as such the buyer has not been able to negotiate the lowest price nor has the seller been able to hold out for the highest price.

Fair value can be the same as fair market value, but fair market value can also take into account possible values that may be achieved in the market, rather than a closed sale process. For example premiums may be paid by competitors or suppliers to buy a business reflecting a variety of specific strategic reasons, and it is possible that these premiums may be attainable by the Councils if the landfills were sold on the open market.

Of key importance has been the need to be fair and equitable to both NCC and TDC. As the two Councils structure their solid waste management operations in different ways we have needed to make a number of assumptions (outlined throughout this report) in order to consider the valuations of the landfills on a consistent basis.

Given the need for the assumptions made, the resulting valuation ranges are necessarily indicative in nature and appropriate for informing the merger ratio / true-up between the Councils, but may not reflect the specific value that one or other of the landfills may fetch on the open market.

aluation Methodologies

The appropriate valuation methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

- There are three general approaches to estimating the value of a busines: These three approaches are often referred to as the:
  - Income approach
  - Market approach
  - Asset approach.
- These approaches are described in detail in Appendix 4.

Valuation Approach

- We understand that the Councils wish to value both the current landf operations and separately the value of the additional land held which designated for future landfill use.
- Given the differing remaining life spans the current stages at Eves Valle Landfill and York Valley Landfill have and the differing future capit expenditure profiles for each Council we have applied a discounted cash flo method to value the respective landfills and future stages. A valuation base on a discounted cash flow approach involves forecasting the cash revenu and expenses that the landfill operations could generate over their life an deducting the capital costs that are necessary to generate that revenue.
- We have been instructed to and have completed our valuation of eac Council's landfill on the basis that NCC and TDC continue to separate operate their landfills under the current competitive arrangements.
- We have applied a discount rate to the cash flows that reflects th commercial risks of the landfill operations, to better reflect what a third par might be prepared to pay for the operations and cash flow stream.
- The discounted cash flows for the remaining life of the current landfills refle the value of the current landfill operations for each Council.
- At the end of the current landfill stage lives it is assumed each Council incu the necessary capital costs to develop and operate the next stage of th landfill.

asis of Valuation and Valuation Approach (continued)

The discounted cash flows from extending and operating the landfills post their current lives represents the value of the future designation / air space. This also assumes that a landfill represents the highest and best use for this land.

The value of the current and future operations of the landfills represent debt free enterprise values, i.e. the value of operating assets unencumbered from the way that they are financed.

While theoretically in some circumstances future cash flows are indefinite, ultimately a landfill asset will eventually reach an end point in terms of its useful life / ability to generate cash flows. Therefore, for the current valuation we have applied a 45 year discounted cash flow period. This period has been used as it captures the full 44 year capital expenditure profile of TDC and it allows for a reasonable operation period after NCC builds their next landfill. Due to the nature of discounted cash flows extending the cash flows beyond this time period has a diminishing impact on the valuation.

urrent Landfill Operations

andfill Operations

The cash flows captured in our indicative valuation reflects each landfill on a stand alone basis. In other words we have only captured revenue and expenses that directly relate to the operation of the landfill as if the landfill was operated on a basis separate from the other solid waste activities within each Council.

Set out below is a brief description of how each Council recognises landfill revenue within their wider solid waste activity in order to provide context when comparing the landfill valuation cash flows with the landfill cost centres budgets and actual performance.

elson City Council

NCC accounts for its solid waste activity across five cost centres; Transfer Station; York Valley Landfill; Greenwaste; Waste Minimisation; and Recycling.

The majority of refuse disposed of at the York Valley Landfill comes from commercial operators who are approved by NCC and are able to take refuse directly to York Valley. Revenue from these commercial operators is recognised directly in the York Valley Landfill cost centre.

The balance of refuse disposed of at York Valley is first disposed of at the Pascoe Street Transfer Station for further transportation to York Valley. Revenue from this disposal is recognised in the Transfer Station cost centre with an internal charge to transfer this income between the Transfer Station and the York Valley Landfill cost centre. The use of this internal transfer means the revenue recorded in the York Valley Landfill cost centre closely reflects the revenue the York Valley Landfill would receive on a stand alone basis as if all refuse went direct to landfill.

Tasman District Council

- TDC accounts for its solid waste activities across fourteen cost centre including; Kerbside Refuse and Recycling; Transfer Stations (which ai further split into five cost centres for each location); Eves Valley Landfi Greenwaste Management; Closed Landfills; Waste Minimisation Activitie General District; and Illegal Dumping.
- All refuse disposed of at the Eves Valley Landfill is first collected at one the five Transfer Stations around the region before being transported to Eve Valley (the exception being Buller refuse and special waste which goes dire to landfill). Revenue from the disposal of this refuse is recognised in eac Transfer Station's cost centre, noting that each Transfer Station has different disposal charge depending on its location. An internal charge made from the Transfer Stations to the Eves Valley landfill cost centi sufficient to cover the operating costs of the landfill. In the FY15/16 budg this represented approximately 37% of the disposal charges received at th Transfer Stations.
- As the internal transfer reflects only a portion of the disposal revenue for th refuse that ends up at the landfill, revenue as it appears in the Eves Valle Landfill cost centre does not reflect what the landfill would earn on a stan alone basis. For the purpose of this valuation we have calculated revenue fo the Eves Valley Landfill as if the volume of refuse received at the Transfe Stations went directly to the Eves Valley Landfill and a commercial gat charge was applied.

aluation Assumptions

olumes

Starting volumes for Eves Valley are sourced from TDC's FY15/16 Long Term Plan which has refuse from the Transfer Stations at 26,553 tonnes, 1,750 tonnes of Buller waste and 1,200 tonnes of special waste. These volumes are comparable with recent actual volumes to the landfill with 26,968 tonnes (excluding Buller and special waste) going to landfill from the Transfer Stations during the 2015 calendar year. Tasman District waste (waste via the Transfer Stations) is forecast to grow at 0.5% per annum due to population growth in the District. Buller waste and special waste is forecast to remain flat.

Starting volumes for York Valley are based on recent actual volumes to the landfill. Between 2009 and 2015 the average annual volume disposed of at York Valley (excluding Buller waste) was 30,462 tonnes and during the 2015 calendar year 30,943 tonnes went to York Valley. Using 2015 as a basis 31,000 tonnes per annum has been used as the starting volume for the discounted cash flow forecasts. In line with NCC's Solid Waste Asset Management Plan this volume is projected to remain flat given the expected population growth and waste minimisation initiatives.

rice

The gate price used for the York Valley Landfill valuation is $105.22 per tonne (excluding GST) which is the current gate charge at the landfill. This price represents a current commercial gate charge that could still be charged if the landfill was operating on a stand alone basis.

As discussed in the "Current Landfill Operations" section Eves Valley does not currently offer direct to landfill disposal. Instead all refuse is first collected at one of the five Transfer Stations around the region before being transported to Eves Valley. This system means the rates charged at the Transfer Stations do not represent an appropriate landfill gate charge as they include additional location driven price factors.

- In arriving at an appropriate gate charge we have considered what Eve Valley would be likely to charge on a stand alone basis when it is in mark equilibrium with York Valley (i.e. not aggressively competing for increase volumes from Nelson).
- Further we have considered the current charge at the Richmond Transf Station and adjusted for refuse transport costs to give a proxy for what TD could charge if refuse in the Tasman area went direct to Eves Valley. Th Richmond Transfer Station currently charges $116.09 (excluding GST) an based on FY15/16 projections from TDC's Long Term Plan incurs transpo costs of $9.30 per tonne to deliver refuse to Eves Valley. The resulting pric per tonne is $106.79 which is comparable to the current gate charge at Yo Valley indicating a price that is close to the market equilibrium.
- Based on these considerations we have applied a gate charge for the Eve Valley Landfill of $105.22 per tonne (excluding GST) which is the same pric charged by York Valley Landfill.

Future Landfill Capital Expenditure

- Due to the limited remaining lifespan of Stage 2 at Eves Valley TDC hav undertaken significant recent research to quantify the cost of developing th next stage of the landfill facility.
- TDC's capital expenditure profile assumes the next Stage at Eves Valle (Stage 3) will be operational in four years time and Stage 2 will be ful utilised and closed at this point. Capital expenditure of $30.3 million (i FY15/16 dollars) is forecast to be spent on Stage 3 spread over a 44 yea period which will provide an operational landfill for 40 years (i.e. 4 years development and 40 years of operations).
- NCC forecast their current landfill will need replacing in 32 years time an $14.0 million (in FY15/16 dollars) will be spent on a new landfill. It estimated this capital expenditure will provide approximately 20 years further capacity.

aluation Assumptions (continued)

uture Landfill Capital Expenditure (continued)

The capital expenditure profile used by TDC for the valuation is based on recent cost estimates of developing a joint regional landfill facility that would operate for 20 years. These estimates have been converted by TDC to a 40 year operational landfill profile assuming TDC continues to dispose of refuse at Eves Valley.

NCC have previously utilised TDC's projected capital expenditure workings for estimating the future cost of developing the next valley at York Valley. NCC have confirmed that their assumptions have not changed with the updated estimates from TDC and we note that $14.0 million (FY15/16) of capital expenditure for a 20 year operating landfill remains comparable to $30.3 million for a 40 year operating landfill (on an average dollars per year basis) and is considered reasonable for the purpose of the comparative valuation.

onsents

We have assumed that consents will be granted for the development of new landfills at Eves Valley and York Valley and we assumed York Valley will be able to obtain a consent in FY35 for the continued operation of the current landfill.

Reasonable estimated costs for extending the existing York Valley consent and for obtaining consents for the next stages of York Valley and Eves Valley have been allowed for in the valuation forecasts.

ftercare Costs

At the end of the operating life of the current landfills TDC and NCC are required to incur costs capping the landfills and monitoring for several years after closure. TDC and NCC provided their respective projected cash expenditure for these costs. For the valuation these costs have been allocated to the current landfill value. For example TDC's current landfill has four more years of operations remaining but after closure there is 35 further years of aftercare costs that are taken into account when determining the cash flows relating to the current landfill.

Operating Expenses

- Operating expenses for both Council's are based on their respective Lon Term Plan projections and underlying price per tonne assumptions for ETS landfill operator and waste levy costs.
- One exception is the overhead cost for each landfill. TDC and NCC allocat overheads to their respective landfill cost centres based on their intern Council driven cost structures. To ensure a comparable overhead management charge is made for both Councils we have applied $135,00 per annum as a reflection of what a commercial operator may incur fo management and administration costs for operating the landfill. This amou is based on the average of the overhead charges for TDC and NCC in the FY15/16 Solid Waste Management Plans.
- We note that the projected operating costs of the landfills are inline wi recent actual operating costs.

Tax and Depreciation

- The discounted cash flows used are on an after tax basis consistent with th use of a post tax WACC. In arriving at the after tax cash flows, the tax bene of depreciation of the existing fixed assets and future capital expenditure accounted for. A depreciation rate of 6% diminishing value has been applie to the existing asset values (on a recent replacement cost basis excludin land) and to the capital expenditure profile.
- It is noted that this may not fully reflect the exact timing of specific ta deductions which may be available to a tax-paying owner of the landfills, b the depreciation assumption is considered reasonable for considering th relative value of the two landfills (particularly acknowledging the general non-tax paying status of the current owners).

aluation Assumptions (continued)

/ACC

An important component of any valuation is the assessment of the Weighted Average Cost of Capital, which forms the discount rate applied to the future cash flows of the business when calculating the present value of the business.

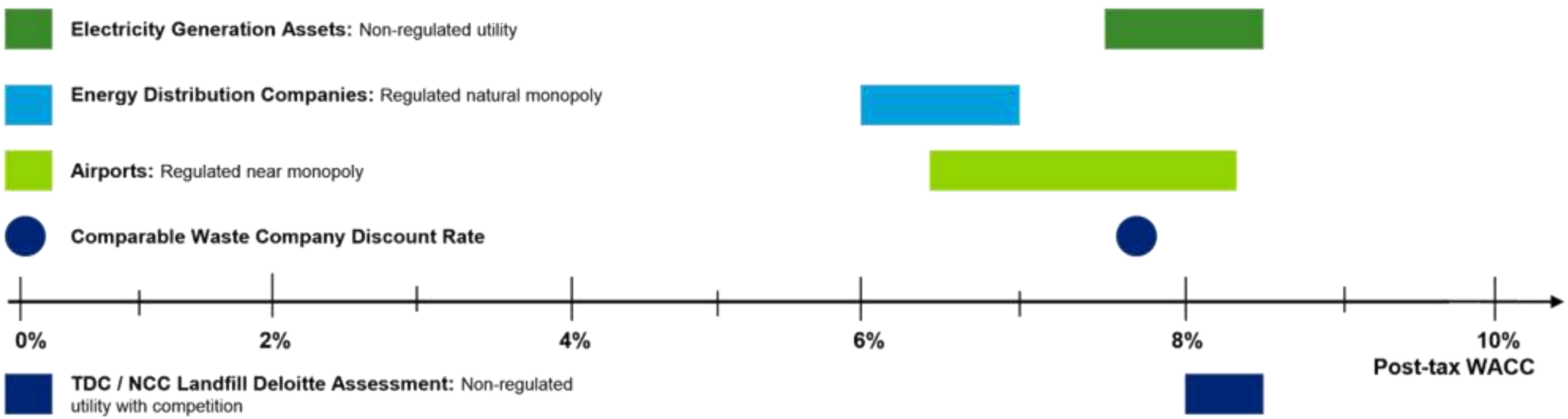
Whilst derived from detailed formulae, the assessment of an appropriate WACC is fundamentally a matter of professional judgement.

Given the nature of the landfill assets, we do not consider it appropriate to attempt to mathematically calculate a WACC based on standard capital asset pricing models.

Accordingly we have considered the WACC's of companies / assets / industries which have a similar utility nature to the landfills, and have cross referenced this against landfill specific comparable companies where publicly available.

WACC Discussion

- Energy distribution companies are natural monopolies providing an essenti service, facing (practically) no competition and are (price) regulated in Ne Zealand. We have presented a WACC range for these companies of 6% t 7% based on recent valuations that we have performed for a number (electricity distribution companies.
- We consider that the WACC for the NCC and TDC landfills would be highe than this range given that they are not regulated and face competition bo from each other and also from alternative approaches / attitudes to wast management such as recycling.
- Whilst airports typically hold a natural monopoly in their specific region, the face greater competition from other passenger and freight transportatic systems such as road and rail. New Zealand's major airports are subject t regulation, and we have presented the Commerce Commission's 25th to 75 percentile assessment of post-tax WACC for the 2015 disclosure year (6.4 to 8.4%). (Continued following page).



aluation Assumptions (continued)

/ACC Discussion (continued)

We are also aware of WACC assessments made by other smaller airports that are consistent with the upper end of this range.

Relative to airports, we consider that the non-regulated nature of the landfills suggests a higher level of risk and consequently WACC. However there are similarities in that there is generally an intrinsic level of underlying demand for the service (be it waste disposal or transport) in the local region, but both face a level of competition given the availability of alternative service providers. Given the close proximity of the Eves Valley and York Valley landfill facilities we consider the competitive risk of the landfills to be higher than airports (which increases WACC) but partially offset by the more certain level of intrinsic underlying demand (which reduces WACC).

We consider that electricity generation assets are the most comparable to the York Valley and Eves Valley landfills in terms of supply and demand risks.

Both operate in overall markets where there is a sustaining level of demand expected in the foreseeable future (albeit both sectors face market desires to reduce demand – i.e. lower waste and lower energy consumption – but any reductions would likely be at the margin), but face competition to be the asset that fulfils that demand.

In particular, the close proximity of the two landfills means that pricing decisions can result in waste funnelling to one landfill over the other (after allowing for additional transport costs). This is similar to New Zealand's wholesale electricity market whereby generators competitively offer prices into the market and the market demand is satisfied by the cheapest generators first.

- We have presented a WACC range for New Zealand electricity generatic assets of 7.5% to 8.5% based on recent valuations that we have performe for a number of generation assets.
- We note that the lower end of this range reflects that most New Zealan generation assets are held in portfolios which reduces the overall risk face by generation companies relative to the two landfills.
- Based on the comparable utility industry analysis, we consider that a WAC in the range of 8% to 8.5% (post-tax) is appropriate for the Eves Valley an York Valley landfill businesses at this time.
- We have cross referenced this view against some further benchmarks a follows:
  - Cleanaway, an Australian subsidiary of Transpacific Industries Grou Limited, owns and manages a number of waste processing operation: Cleanaway recently acquired the Melbourne Regional Landfill. Fc financial reporting valuation purposes Cleanaway applies an industı WACC of 7.7% (post-tax). We consider this to be consistent with oı assessed range after allowing for the larger scale and portfolio benefits ı Cleanaway.
  - Transwaste Canterbury Limited (which is owned by Waste Manageme NZ Limited, Christchurch City Council and the four surrounding distri councils) owns and operates the Kate Valley landfill and the Burwoc Resource Recovery Park. Transwaste Canterbury had a performanc objective for the 2015 financial year to provide a fair rate of return to i shareholders and an associated target to achieve an average return c invested capital of 11.6%. However it is unclear from the publicly availab information whether this represents a pre- or post-tax return on assets ı equity. Accordingly it is not possible to directly compare this target wi our assessed WACC range.

aluation Conclusions

ves Valley Landfill

Using the assumptions discussed in the previous section implies an enterprise value for the Eves Valley Landfill in the range of $12.6 million to $13.7 million. This value is made up of $3.7 million for the current landfill operations and $8.9 million to $10.0 million for the future designation / airspace available at the next stage of Eves Valley.

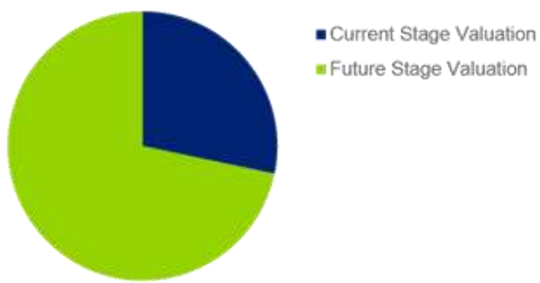
Eves Valley Landfill Valuation

$000	Low		High
Current Stage Valuation	3,722		3,733
Future Stage Valuation	8,881		10,015
Combined Eves Valley Landfill Valuation	12,603		13,749
Mid Point		13,176	

As expected the current stage of operations at Eves Valley represents a relatively small portion of the combined Eves Valley operation. The current stage is operational for only four more years and following this there is 35 years of aftercare costs.

The value for the future stage of the landfill is significantly impacted by the capital expenditure requirements which commence in FY17 and are spread over the next 44 years.

Eves Valley Landfill Valuation Split



York Valley Landfill

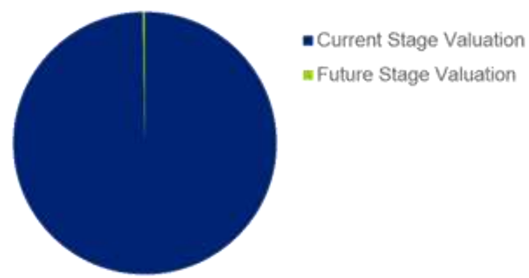
- Using the assumptions discussed in the previous section implies a enterprise value for the York Valley Landfill in the range of $21.0 million t $22.2 million. This value is made up of $21.0 million to $22.1 million for th current landfill operations and $0.0 million to $0.1 million for the futu designation / airspace available at York Valley.

York Valley Landfill Valuation

$000	Low		High
Current Stage Valuation	21,023		22,090
Future Stage Valuation	17		91
Combined York Valley Landfill Valuation	21,040		22,181
Mid Point		21,611	

- As highlighted in the chart below almost all of the value of the York Valle landfill is in the current stage of operations. This is expected due to the lor time span, 32 years, before the current stage is fully utilised. During this 3 year period there is minimal projected capital expenditure meanir operational cash flows remain steady during this period.
- The future stage of the York Valley landfill has minimal value on a discounte cash flow basis due to the length of time before the next stage is required ar the front loading of capital expenditure before the next landfill is operationa (Continued following page).

York Valley Landfill Valuation Split

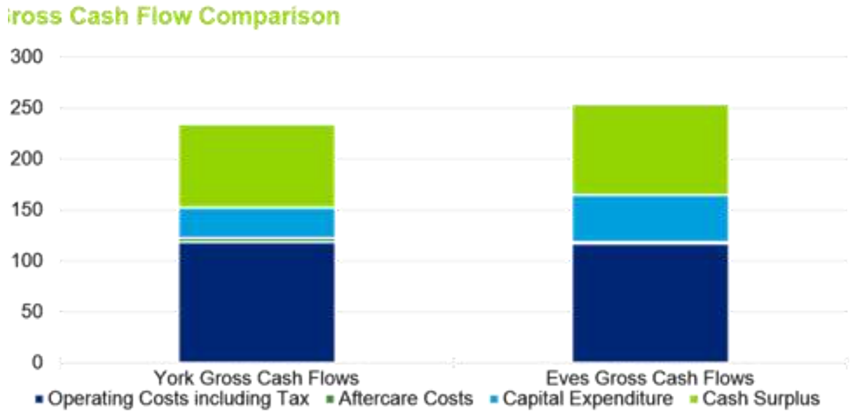


aluation Conclusions (continued)

Whilst consistent with the forecast cash flows and capital expenditure required to activate the next stage of York Valley in 32 years time, a close to nil value does not fully reflect the option value that the designation would provide closer to the time that it is required which is difficult to establish a value for at the present time (or indeed the current value of the land for other purposes).

Accordingly, for the purpose of equity / fairness between the Councils, we would expect that only the current operational landfills and the next stage of Eves Valley would be sold into the proposed joint venture and the respective Councils would retain their ownership of further land parcels until such time as their likely future highest and best use can be established.

aluation Conclusions (continued)



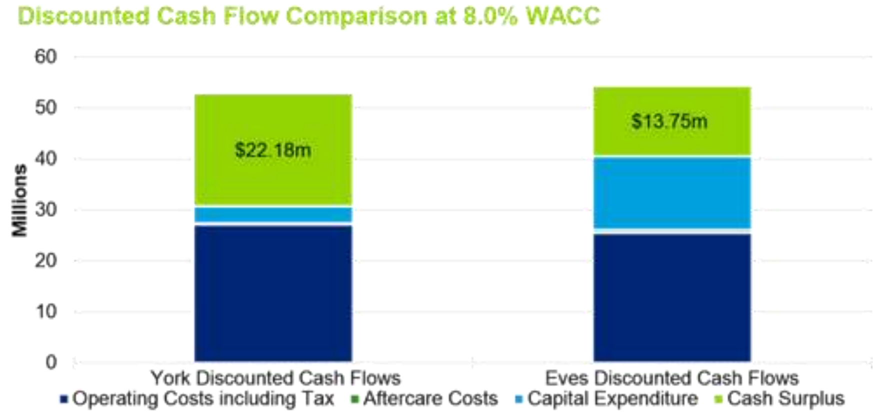
The chart above shows the gross (inflated) cash flows of each landfill over the 45 year cash flow period. The total of each column represents the gross revenues of each landfill. Over the 45 year period Eves Valley Landfill earns $253 million of revenue compared with $234 million earned by York Valley. The difference is driven by the expected growth in Tasman's volumes.

Revenue from each landfill is spent on three categories of expenses. The first is operating costs (dark blue in the chart) which are similar between the landfills over the 45 year period.

The second is aftercare costs (dark green in chart) which again are similar (and comparatively minimal) between the landfills.

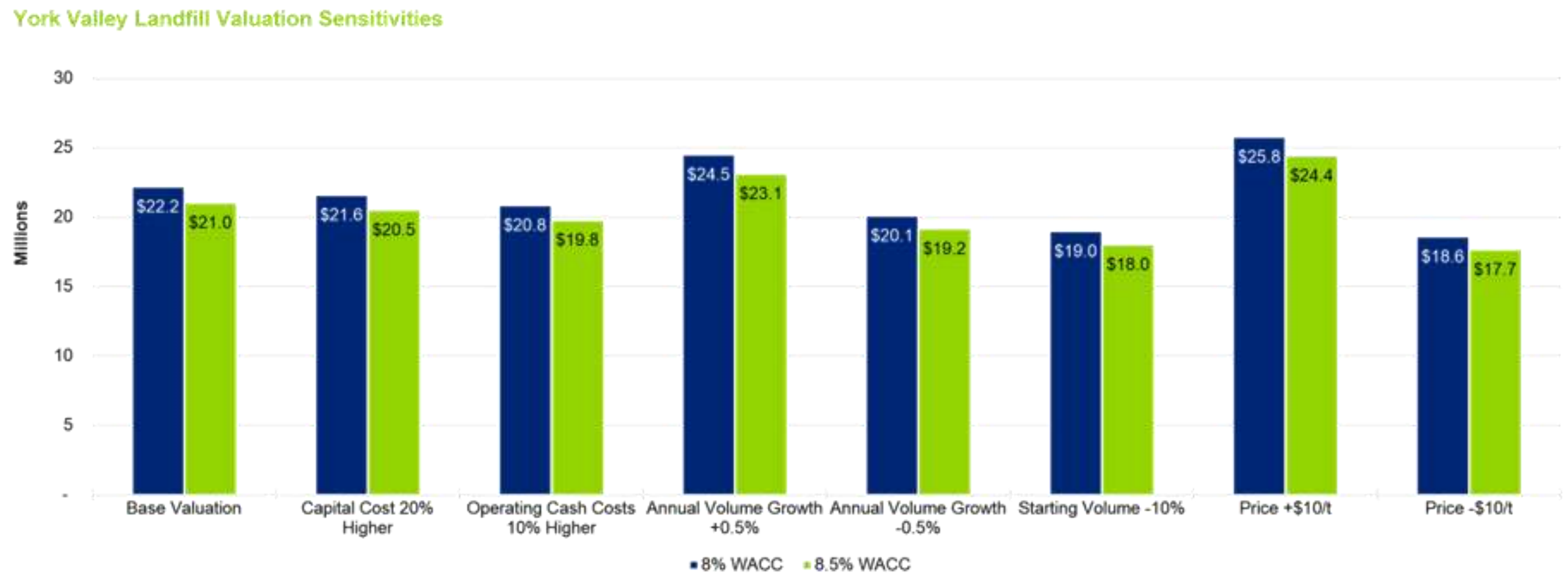
The third is capital expenditure (light blue). As highlighted in the chart capital expenditure at York Valley is lower compared with Eves Valley over the 45 year period.

The light green box represents the cash surplus to each landfill. Eves Valley has a higher surplus over the period, $89 million, compared with York Valley of $82 million due to higher revenue which is only offset in part by higher capital costs.



- The chart above shows the same cash flows on a discounted basis. Total revenue in Eves Valley is $54 million compared with $53 million in York Valley. The revenue difference between the two landfills has decreased on a discounted cash flow basis as the impact of the volume growth in Eves Valley is offset by the delayed timing of the higher revenues.
- Again operating and aftercare costs are similar between the two landfills on a discounted basis.
- The notable difference is the proportion that capital expenditure represents between York Valley and Eves Valley. As gross capital expenditure is higher for Eves Valley and the expenditure is required sooner it has a much greater impact on a discounted basis compared with York Valley which has lower gross capital expenditure and which mostly occurs 32 years into the cash flow period.
- The light green box represents the value of each landfill (or the discounted cash surplus). Eves Valley has a smaller value compared with York Valley primarily due to the higher immediate capital expenditure requirements of Eves Valley in order to generate the revenue.

aluation Sensitivities – York Valley

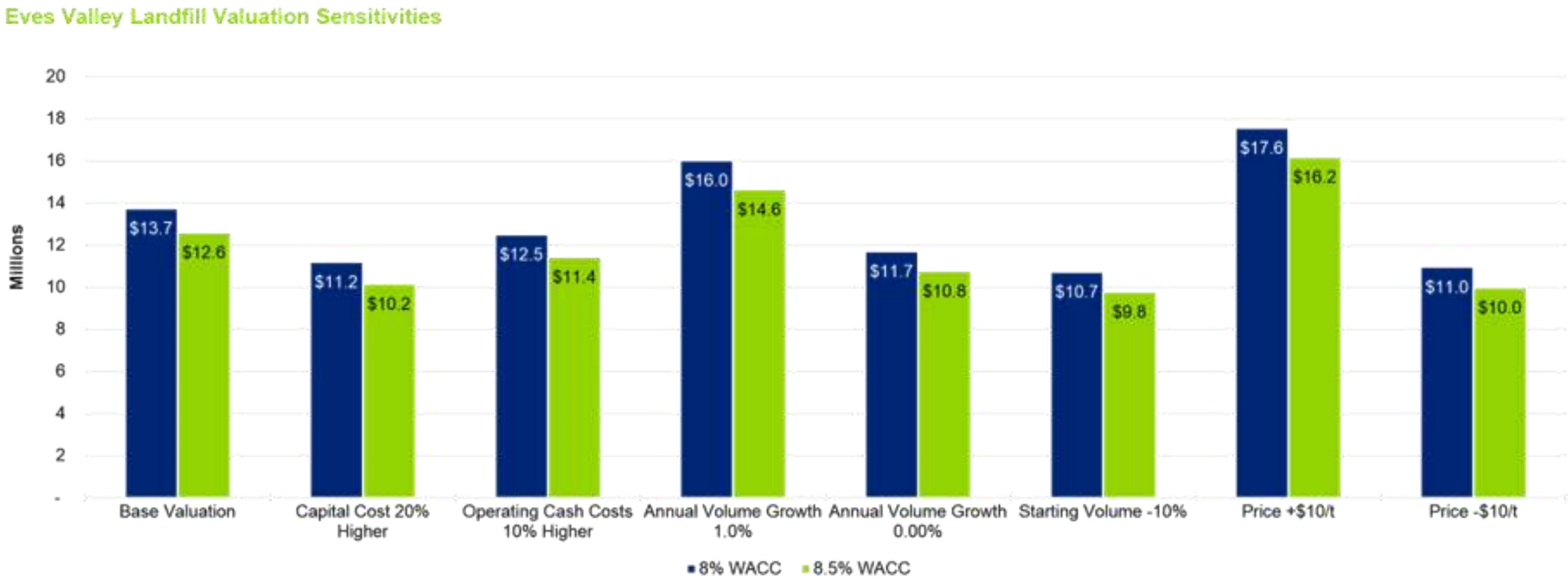


The chart above shows the discounted cash flow valuation for the York Valley Landfill under a range of sensitivity assumptions.

The York Valley Landfill valuation is most sensitive to assumptions about volumes and price. This is because the cash flows for the York Valley Landfill in the early years of the discounted cash flow model are almost totally driven by operating cash flows and therefore landfill revenue.

We have not applied any sensitivities to the timing of the capital expenditure profile due to the length of time before the projected capital expenditure will take place and the counteracting impact a change in volumes would have in order to change the timing of the next landfill stage.

aluation Sensitivities – Eves Valley



The chart above shows the discounted cash flow valuation for the Eves Valley landfill under a range of sensitivity assumptions.

The Eves Valley Landfill valuation is sensitive to assumptions about volumes, price and capital expenditure. Like the York Valley valuation, the Eves Valley valuation will change notably to different assumptions about pricing and volumes. Further, due to the imminent nature of capital expenditure at Eves Valley an increase in the projected capital expenditure will have a notable negative impact on the valuation.

We have not applied any sensitivities to the timing of the capital expenditure profile due to imminent nature of this expenditure. Based on current Eves Valley usage there would be little scope to change, at least in the initial phase, the capital expenditure profile at Eves Valley if TDC were to continue operating the landfill on a stand alone basis.

Restrictions, Reliance on Information, Disclaimer and Indemnity

estrictions

This report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than that outlined in the "Background" section without our prior written permission in each specific instance. We do not assume any responsibility or liability for losses occasioned to NCC, TDC or to any other parties as a result of the circulation, publication, reproduction or use of this report or any extracts there from contrary to the provisions of this paragraph. In any event, our total liability to all and any parties for any reasons whatsoever is limited to five times the fee charged for this assignment.

We reserve the right, but not the obligation, to review all calculations included or referred to in this report and, if we consider it necessary, to revise our indicative valuation in the light of any information existing at the valuation date which becomes known to us after the date of this report.

This indicative valuation is at the date noted and will not necessarily be appropriate for determining the relative value of the landfills at any other date.

eliance on Information

In preparing this valuation we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources and all information that was furnished to us by NCC and TDC.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our indicative valuation assessment. However, we have not verified the accuracy or completeness of any such information nor conducted an appraisal of any assets. We do not warrant that our enquiries have identified or revealed any matter which an audit, or extensive examination might disclose.

We have also relied upon key assumptions made by NCC and TDC, and we have highlighted these within the report.

Disclaimer

- This report has been prepared with care and diligence and the statemen and conclusions in this report are given in good faith and in the belief, c reasonable grounds, that such statements and conclusions are not false c misleading. However, in no way do we guarantee or otherwise warrant th any forecasts of future profits, cash flows or financial position of NCC or TD will be achieved. Forecasts are inherently uncertain. They are predictions c future events that cannot be assured. They are based upon assumption many of which are beyond the control of NCC, TDC and the manageme teams. Actual results will vary from the forecasts and these variations ma be significantly more or less favourable.
- We assume no responsibility arising in any way whatsoever for errors c omissions (including responsibility to any person for negligence) for th preparation of this report to the extent that such errors or omissions resu from the reasonable reliance on information provided by others c assumptions disclosed in this report or assumptions reasonably taken a implicit.

Indemnity

- NCC and TDC have agreed that to the extent permitted by law, it w indemnify Deloitte and its partners, employees and consultants in respect c any liability suffered or incurred as a result of or in connection with th preparation of the review. This indemnity will not apply in respect of ar negligence, wilful misconduct or breach of law. NCC and TDC have als agreed to indemnify Deloitte and its partners, employees and consultants fc time incurred and any costs in relation to any inquiry or proceeding initiate by any person. Where Deloitte or its partners, employees and consultan are found liable for or guilty of negligence, wilful misconduct or breach of lav Deloitte shall reimburse such costs.
- Our indicative valuation is subject to our letter of engagement with you date 9 December 2015.

Discounted Cash Flow Assumptions

rting volume	NCC: 31,000t Deloitte approximation based on recent actual volumes.
	TDC: 26,553t TDC, 1,750t Buller waste and 1,200t TDC special waste, Solid Waste Activity model.
ume growth	0% per annum NCC, 0.5% per annum TDC, 0% per annum Buller waste and TDC special waste.
rting Price	$105.22 excl GST NCC York Valley gate charge.
s sales	$23,687 NCC Asset Management Plan.
erational costs ndfill Operator)	NCC: $286,776 fixed costs plus, $3.52/t first 40,000t, $0.45/t between 40,000-60,000t and $4.75/t over 60,000t. NCC contracted prices.
	TDC: $344,114 fixed costs plus, $1.38/t.
3 costs	NCC: $2.52 per tonne, Asset Management Plan.
	TDC: Starting price $4.58 per tonne, TDC Solid Waste Activity Model, reducing by 50% from year five per TDC confirmation.
ste levy	$10 per tonne both TDC and NCC.
source consent iditions costs	NCC: $63,759 Asset Management Plan.
	TDC: $73,000 Long Term Plan.
erheads/Staff sts	$135,000 both landfills representing an estimated commercial level of overheads.
s operating costs	NCC: $14,877 Asset Management Plan.
ichate control	NCC: $17,002 Asset Management Plan.
e embankment intenance	NCC: $102,000 Asset Management Plan.
sure costs	NCC: $860,000 capping costs and $1,801,200 aftercare costs spread over 13 years from FY48.
	TDC: $480,000 capping costs and $920,800 aftercare costs spread over 35 years from FY20.

Maintenance	NCC: $20,000 Asset Management Plan.
	TDC: $40,000 Solid Waste Activity Model.
Other miscellaneous operating costs	NCC: $13.933 Asset Management Plan.
	TDC: $33,361 Long Term Plan.
Capital Expenditure	NCC: $16,655,964 (uninflated) per NCC confirmation and Deloitte estimat for other ongoing capital expenditure (based on recent actual levels).
	TDC: $31,638,634 (uninflated) per TDC workings spread over 44 years.
WACC	8.0%-8.5% Deloitte estimate.
Inflation rate	2%. Deloitte estimate. Applied to market prices and costs.
Opening Fixed Asset Value (replacement cost)	NCC: $5,207,063 Asset Management Plan.
	TDC: $2,757,00 per TDC confirmation.
Depreciation Rate	6% diminishing value based on an estimated useful life of 25 years.
Current Stage York Valley fully utilised.	2047.
Current Stage Eves Valley fully utilised.	2019.

Sources of Information

completing this indicative valuation we have reviewed and relied upon the llowing principal sources of information:

- The audited 2015-2025 Long Term Plans for each Council.
- TDC 2015-2025 Solid Waste Activity Management Plan.
- NCC 2015-2025 Solid Waste Asset Management Plan.
- TDC Income and Expense Model May 2015.
- Discussions with management at each Council.
- Other publicly available information on the internet.
- Valuation databases maintained by and available to Deloitte.

Valuation Approaches

aluation Approaches

The appropriate valuation methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

There are three general approaches to estimating the value of a business. These three approaches are often referred to as the:

- Income approach;
- Market approach; and
- Asset approach.

Within each of these three general approaches there are a number of specific methodologies. The selection of a given approach and methodology is based on the facts and circumstances of the subject business.

ıcome Approach

The income approach measures the value of an asset or business by the present value of anticipated future economic benefits.

There are two primary variants of the income approach. One of these is the discounted cash flow (DCF) method. In the DCF method the cash flows anticipated over a discrete time horizon, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate required rate of return. The DCF and other prospective methods are considered to be the most theoretically correct approaches to valuation because they explicitly consider the future benefits associated with owning the business.

- Another variant of the income approach, the capitalisation of earning method, is based on capitalising some measure of financial performanc such as earnings or dividends using a capitalisation rate which reflects bot the risk and long-term growth prospects of the subject firm. Th capitalisation of earnings method is most appropriate for shares an businesses with a long history of relatively stable returns and which do n have large or irregular capital expenditure requirements.

Market Approach

- In the market approach the value of a business is estimated by comparin the subject company with businesses in a similar industry or businesses wi common characteristics whose securities are actively traded in publ markets or which have recently been sold in private transactions.
- In using merger and acquisition data to develop indications of value, it important to have adequate knowledge of the terms of the transaction to b able to make appropriate valuation judgments regarding the subject. Fo example, vendor financing or the use of shares to pay for an acquisition ma require adjustment relative to an all-cash transaction.
- The market approach is closely related to the capitalisation of earning approach when guideline companies are used to determine the capitalisatic rate.

Asset Approach

- The asset approach involves estimating the fair value of all assets on th balance sheet (tangible and intangible) and then subtracting the estimate fair value of the liabilities.
- An assets based methodology is often used in circumstances where th assets of a company have a market value independent of the profitability of the entity that owns them. A common application of this approach is valuing an entity whose sole function is investing in other businesses.

Statement of Qualifications and Independence

Deloitte is one of the world's leading professional services firms. Deloitte Corporate Finance is the corporate finance practice of Deloitte, providing corporate advisory, mergers and acquisitions, capital raising, valuation and transaction services.

The person in the firm responsible for issuing this report is Scott McClay, BCom, BCom(Hons).

Mr McClay is a Partner in the Deloitte Corporate Finance practice in New Zealand. He specialises in providing corporate finance advice on acquisitions and divestments and the valuation of shares and businesses.

Deloitte Corporate Finance has significant experience in the valuation of shares, businesses and intangible assets for merger, acquisition and divestment purposes.

Deloitte and its partners are independent of Nelson City Council and Tasman District Council. The firm is not the auditor of either of the Councils.

Deloitte will receive a fee for the preparation of this report based on its normal time charges. This fee is not contingent on the outcome of the valuation assessment. Deloitte will receive no other direct financial benefit for the preparation of this report.

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MorrisonLow

tasman

Nelson City Council
te kaunihera ō whakatū

Peer Review Report

On the Indicative Valuation of the York Valley and Eves Valley Landfills

February 2016

Document status

Ref	Version	Approving director	Date
2144	Draft	Ewen Skinner	4 February 2016
2144	Final	Ewen Skinner	16 February 2016

Contents

Summary opinion

We are satisfied that Deloitte, in reaching their indicative valuation of the York Valley and Eves Valley Landfill, has used appropriate standards, approach and methods for the particular purposes of this valuation and that the outcome should meet the objectives of both Nelson City Council (NCC) and Tasman District Council (TDC) in commissioning the valuation.

Background

Nelson City Council and Tasman District Council commissioned Deloitte to conduct a commercial valuation of both the York Valley and Eves Valley Landfills. In addition a separate arrangement was entered into with Morrison Low to conduct a peer review of the Deloitte valuation.

This report summarises the findings and conclusion of the peer review of the Deloitte draft valuation report.

Scope and purpose of the peer review

Valuation scope

The Deloitte valuation report sets out the context, scope and requirements of both NCC and TDC for the valuation exercise. We particularly note these aspects of the scope:

- The valuation is in two parts:
  - The valuation of the existing landfills as they currently operate (as indicated by their remaining lifespan which is either their resource consent period or anticipated life of the landfill)
  - The value of the additional land held which is designated for future landfill use. Applying the 'best use' principle this value is the extended life of each landfill beyond their current life, assuming re-consenting and development will occur
- The limitations Deloitte place on the use of the valuation, the use of forecasts and assumptions and the use of information provided by NCC and TDC.

Peer review scope

Our peer review role, as set out in our engagement letter of 14 December 2015, is to pass a considered and objective opinion on the Deloitte valuation covering:

- The application of appropriate standards and approach in carrying out the valuation
- The output meeting the objectives of NCC and TDC in commissioning the valuation.

Our scope does not extend to passing an opinion on the specific valuation arrived at by Deloitte.

Our approach

Deloitte, Morrison Low and the NCC/TDC client Project Manager successfully adopted a 'work with' approach to the peer review, where we sought to agree key elements of the valuation and address issues as they arose, including:

- Receiving for review all information provided by NCC and TDC to Deloitte in carrying out the valuation; and any additional information we reasonably required
- Before Deloitte commenced their work, going through their intended method and approach with both them and the client Project Manager. Agreement was reached at this stage on how we would work through and deal with issues particular to commercial landfill valuations
- Engaging at key points in the process and where possible reach agreement on issues raised , including:
    - Aspects where more than one approach to setting assumptions or the basis of the valuation could be made
    - Where Deloitte had formed a view on key aspects of the valuation
    - Reviewing the supporting financial modelling in both draft and final form.

We then reviewed the key assumptions used by Deloitte against NCC and TDC source information and tested decisions Deloitte had reached themselves in establishing information to complete the valuation.

Finally we reviewed the Deloitte draft and then final reports, the latter dated February 2016 titled 'Nelson City Council and Tasman District Council, Indicative Valuation York Valley Landfill and Eves Valley Landfill'.

Our final Morrison Low view on the Deloitte valuation approach and on it meeting client objectives, remains our own independent and objective assessment.

Findings

The following are our key findings on the approach and outcome of the valuation:

- The following aspects of the valuation are considered appropriate:
    - The application of valuation standards
    - The approach to valuing the current and designated landfills
    - Use of the fair value method
    - The Weighted Average Cost of Capital approach used, the percentage range established and its application in establishing the Discounted Cash Flow of the landfill forecasts
    - Using a 45 year forecast period to establish a fair representation of cash flows
    - The assumptions and financial forecasting of operating costs, capping costs, aftercare costs, and consent costs
- Critical in a commercial valuation is the influence of market competitiveness. The market strongly influences waste volumes and landfill gate rate assumptions and the valuation result is sensitive to both these factors. We consider the volume and gate rate assumptions used are appropriate based on these factors:

- The NCC/TDC landfill market is relatively 'closed' and not realistically subject to competition by commercial landfill operators
- The indicative landfill gate rate pricing of the two Councils and the volumes handled are largely in 'equilibrium' at present. Hence the status quo forms a reasonable 'best fit' competitive positioning and can be used for forecasting future operating cash flows
- During the 45 years forecast, both Councils have a realistic opportunity to extend their respective landfill activity through further consenting of designated landfills. It is therefore appropriate to take a long run view that the current market equilibrium is sustainable

- The largest difference between the two Councils cash flows is in their capital expenditure quantum and timings. It also is the area where the basis for establishing financial figures is at its most divergent between the two Councils. As TDC has only a few years capacity remaining in the current landfill, they have carried out in-depth engineering assessments of the capital expenditure required for consenting and operating stage 3 of the Eves Landfill. NCC in turn, with current York Landfill capacity available to around 2047, has only needed to establish capital expenditure out to 2025, for inclusion in their Long Term Plan. Therefore Deloitte has made reasonable assumptions of what their long run capital expenditure might be over the 45 year forecast period. We note there is no independent engineering basis for validating these NCC related assumptions
- The assumptions used to drive the financial modelling in support of the valuation have been consistently and equitable applied across the two Councils and are mainly reliant on the information provided by NCC and TDC. This information has been assessed for appropriateness and reasonableness by Deloitte and ourselves
- We have reviewed the overall approach and logic Deloitte has used in their financial modelling and examined a range of calculation formulae used. We have applied our industry knowledge and 'top down' assessments on the reasonableness of the forecast results. We have also tested the basis of most assumptions and the analysis and assessments put forward by Deloitte in their valuation report. These assessments have allowed us to form a considered view on the standards, approach and methods Deloitte has used and are not intended, and do not hold out to be, a full Quality Assurance review of the valuation.

Conclusion

We are satisfied that the Deloitte valuation has applied appropriate standards, approach and methods suited to the particular purpose of the landfill valuation. We are also satisfied it provides an outcome that should meet the objectives of NCC and TDC in commissioning the valuation work.

We note that the York Valley valuation is larger than the Eves Valley valuation. This is to be expected in a discounted cash flow model where the TDC current landfill is nearing the end of its useful life and the NCC landfill has some 32 years of remaining life; and consequently the large capital expenditure needed for opening and operating new landfill stages occurs some 30 years apart.

NCC and TDC requested the valuation be assessed on two scenarios. One modelling the existing landfill operations and one including the value of the land held which is designated for future landfill use. It is our view and common practice to treat each Council landfill activity as a going concern and to combine the existing and designated future landfill valuations to arrive at the Council's value of their landfill asset.

Peer Reviewer

David Taylor

Director

Ewen Skinner

Morrison Low & Associates Limited

16 February 2016

Nelson City Council
te kaunihera o whakatū

Council

3 March 2016

REPORT R5525

Approval of Draft Annual Plan 2016/17

1. Purpose of Report

1.1 To approve the draft Annual Plan 2016/17 and Consultation Document.

1.2 To consider an amendment to the Significance and Engagement Policy.

2. Delegations

2.1 This is a decision for Council.

3. Recommendation

THAT ***the report Approval of Draft Annual Plan 2016/17 (R5525) and its attachments (A1448943, A1458865 and A1509118) be received;***

AND THAT ***Council adopts the amended Significance and Engagement Policy (A1509118);***

AND THAT ***Council approves the Draft Annual Plan 2016/17 (A1448943) as an accurate reflection of its proposed variations to year two of the Long Term Plan 2015-25;***

AND THAT ***Council approves the Consultation Document for the Draft Annual Plan 2016/17 (A1458865) for public consultation from 11 March 2016 to 5pm 11 April 2016;***

AND THAT ***the Mayor, Deputy Mayor and Chief Executive be delegated to approve any minor amendments required to the draft Annual Plan 2016/17 or the Consultation Document.***

4. Background

4.1 The draft Annual Plan 2016/17 is an exceptions document. It presents changes to the 2016/17 work programme and financial policies from what was outlined in the Long Term Plan 2015-25.

4.2 The Draft Annual Plan 2016/17 and Consultation Document have been developed after discussion at Council workshops held on 24 and 25 November 2015, 8 December 2015 and 10 and 11 February 2016.

4.3 The Annual Plan 2016/17 is prepared under section 95 of the Local Government Act 2002 (LGA), and the Consultation Document is prepared under section 95A of the LGA.

4.4 The Consultation Document is proposed to be released to the public for feedback through the submissions process which will run from 11 March to 11 April. Submitters who wish to speak directly to Council will have the opportunity at hearings on 3 and 4 May. Council listens to and reflects on the community views provided through that process. Officer advice on the matters raised by the community and on any new issues that have emerged will be provided by way of a report to the 11 and 12 May deliberations meeting. Having deliberated on all relevant matters Council will make decisions on any changes to the draft Annual Plan. The Plan will be updated accordingly and adopted at the Council meeting on 2 June.

5. Discussion

Significance and Engagement Policy

5.1 The Significance and Engagement Policy (the Policy) was adopted ahead of the Long Term Plan 2015-25. The Policy sets out how Council will engage with the community on issues in relation to the level of "significance" of the issue. There are some matters which still require a Special Consultative Procedure (SCP) to be undertaken, however the number of such situations was reduced following changes to the Local Government Act in 2014.

5.2 Currently, the Policy notes that a SCP will be undertaken where mandated by law, and also states specific cases where the LGA still requires a SCP.

5.3 Recent advice from the Society of Local Government Managers (SOLGM) is that it is preferable that policies do not specifically set out circumstances where a SCP is mandated. As legislation changes, these requirements will also change. Current wording of the policy is ambiguous and may be interpreted as requiring a SCP for all changes to financial policies which is not the case.

5.4 It is recommended that an amendment is made to the Policy to remove the specific references to when a SCP is to be used. The recommended amendment is highlighted in the draft revised Significance and Engagement Policy (see Attachment 3).

5.5 Consultation on this amendment to the Significance and Engagement Policy is not recommended. It is an amendment for the purposes of clarity, as the current wording could be misleading and lead to the policy becoming outdated as legislation changes.

Performance measures and Targets

5.6 In a change from previous years, only performance measures and targets will be reported in the Annual Plan. Previously, where data was available, interim updates on current performance were included. This has been less than ideal as the format of the Annual Plan did not provide a good vehicle to tell the story of progress towards achieving each measure. Some targets had updates, others used figures that were quite out of date. The best place for reporting on achievement of targets is the Annual Report and all measures will have detailed treatment in that document which is to be prepared at the end of the financial year. At that point a full year's new data is available to measure achievement of targets against.

5.7 There are some wording changes to performance measures to reflect the new mandatory performance measures required by the Department of Internal Affairs. The wording changes were recommended by Audit in its letter to Council on the audit for the year ending 30 June 2015. This matter was reported to the Audit, Risk and Finance Committee meeting on 18 February and consequent changes have been made and explained in the draft Annual Plan.

5.8 The Historic Places Act 1993 was repealed by the Heritage New Zealand Pouhere Taonga Act 2014. The performance measure relating to this Act has been updated to reflect this name change.

5.9 Council provides a regulatory programme (resource consents and compliance). The target for this level of service for 2016/17 has been updated from the Long Term Plan 2015-25 to correct an inconsistency in the target relating to limited notified consents.

Changes to Financial Policies

5.10 Proposed changes to financial policies are included in the draft Annual Plan. These changes include:

- Adding wording to the definition of 'separately used or inhabited part of a property' to assist in clarity of interpretation.

- Providing for remission of Uniform Annual General Rates and Wastewater Charges for SUIPs that are less than $20m^2$.

- Removing the requirement for professional financial advice to be sought in the Rates Postponement Policy and adding clarity to how the 80% equity limit is calculated.

5.11 Legal advice has been sought on the changes to financial policies. Initial indications are that separate consultation may be required and officers will update at the meeting.

5.12 There is also a change to the differential rates due to changes to recycling. Council proposes to adopt a policy that commercial rates are set to collect 25.1% of the total rates excluding water annual charge and water volumetric rate, Clean Heat Warm Homes and Solar Saver charges. The rationale for this policy change is to ensure that the commercial ratepayers do not bear the cost of recycling bins as they do not receive this service. If the percentage collected from commercial rates had not been adjusted downwards for the recycling bins initiative then commercial ratepayers would have paid through the general rate.

Carry Forwards

5.13 Requests to carry forward 2015/16 budget into the 2016/17 financial year will be made through the Corporate Reports to the Audit, Risk and Finance Sub-Committee throughout the remainder of this financial year. A final carry forward request will be compiled after reconciliation work has been completed at financial year end, with approval requested from the Governance Committee on 25 August 2016.

6. Options

6.1 Council is required by the Local Government Act 2002 to prepare and adopt an Annual Plan for each financial year. Council has the option to approve the attached draft Annual Plan 2016/17 and Consultation Document. Alternatively Council can agree changes to the draft Annual Plan or the Consultation Document, noting that substantive changes will require amending the timetable for consultation and decision making.

7. Alignment with relevant Council policy

7.1 The draft Annual Plan 2016/17 is an exceptions document and presents changes from the Council Long Term Plan 2015-25.

8. Assessment of Significance against the Council's Significance and Engagement Policy

8.1 The Annual Plan is significant to members of the community and, consistent with the Significance and Engagement Policy, will be consulted on through a Consultation Document to be delivered to each household. Submissions are invited from the community and hearings will be held for those who wish to speak directly to Council.

9. Consultation

9.1 Consultation on the draft Annual Plan 2016/17 will run from 11 March 2016 to 5pm on 11 April 2016.

9.2 During consultation there will be three public drop-in sessions. Drop in sessions will be advertised in the consultation material and Live Nelson. The sessions are as follows:

- Wednesday 23 March, 5-6pm, Elma Turner Library
- Sunday 3 April, 11am – 12pm, Nellie Nightingale Library Memorial
- Wednesday 6 April, 11.30am – 12.30pm, Stoke Library

9.3 The Consultation Document will be distributed as a Live Nelson special edition to be delivered 16 March. The Consultation Document covers major changes to projects and the public is directed to the full draft Annual Plan for more information. Note that a Word version of the Consultation Document is attached to this report but the design version will be tabled at the Council meeting on 3 March 2016.

10. Inclusion of Māori in the decision making process

10.1 Maori will have the opportunity to provide feedback on the draft Annual Plan 2016/17 as part of the consultation process.

11. Conclusion

11.1 It is recommended that Council approve the draft Annual Plan and Consultation Document and approve the amendment to the Significance and Engagement Policy.

Nicky McDonald
Senior Strategic Adviser

Attachments

Attachment 1: A1448943 Draft Annual Plan 2016/17 *(Circulated separately)*

Attachment 2: A1458865 Consultation Document on the Draft Annual Plan 2016/17

Attachment 3: A1509118 Amended Significance and Engagement Policy

NELSON CITY COUNCIL
Consultation document on the Draft Annual Plan 2016/17

Amendments to Year 2 of the Long Term Plan 2015-25

Nelson City Council
te kaunihera o whakatū

The draft Annual Plan 2016/17 is open for submissions

Council's draft Annual Plan spells out what it plans to do differently to what was approved in the Long Term Plan 2015-25.

The Annual Plan 2016/17 is what is known as an exceptions document. It contains changes to Year Two (2016/17) of the Long Term Plan 2015-25.

In this consultation document you can read a summary of the draft Annual Plan 2016/17 and see the main changes at a glance. A more complete list of changes and financial tables are contained in the full draft Annual Plan 2016/17. The full draft is available from Civic House, all Nelson City Council Public Libraries, or online at www.nelson.govt.nz

Submissions can be made online. There is also a submission form with this document. Submissions must be received by 5pm Monday 11 April 2016.

As part of the consultation on the draft Annual Plan 2016/17, there will be public drop-in sessions as follows:

- Wednesday 23 March, 5-6pm, Elma Turner Library
- Sunday 3 April, 11am to 12pm, Nellie Nightingale Library Memorial, Tahunanui
- Wednesday 6 April, 11.30am to 12.30pm Stoke Library

Mayor's message

To be added

Rachel Reese

MAYOR OF NELSON

Chief Executive's Message

Council is a critical organisation in the Nelson community: amongst its many responsibilities, it sets the scene for the City's strategic direction; it carries out a regulatory function and provides a range of services for development which contribute to the prosperity of the region, and we are a major employer. Recognising this, I have been working with the Senior Leadership Team to encourage all staff to see we work *in* and *with* our community.

We do this in a variety of ways, depending upon the activity.

Our work to build stronger relationships with the business community through organisations such as the Contractors' Federation, the Chamber of Commerce and other groups will continue. Better decisions are made by being more informed. Council owns a number of properties in the city – some are for core Council business, and some were purchased for strategic purposes. We are engaging with a range of stakeholders to ensure sound decisions are made on the future of these.

Council is not a business, but it must act in a business-like fashion. As part of my ongoing commitment to improving the efficiency and value for money of Council services, a business case approach to all our capital projects has been implemented. This ensures better understanding of all the costs, benefits and risks of projects before they commence. Although this approach is in its early stages the benefits can already be seen.

The commitment to working closely with willing partners in the community continues. Where groups and individuals have already built a coalition in support of a project it is easier to justify Council becoming involved. And the resources such partnerships bring reduce the reliance on ratepayer dollars. This can be seen in the approach made by stakeholders in Church Lane; they'd like to see changes in their area and want to partner with Council to make this happen.

Similarly, our consents team is working to make the process for resource and building consents more seamless. Early indications are that this has been well received.

The job of providing such a wide range of services across the city is a complex and busy undertaking. It would not be possible without the team of dedicated staff at Council and their passion for making Nelson an even better place for us all to live in.

Clare Hadley

Chief Executive Officer

Key issues and new projects

This section describes a *selection* of key issues and changes in the draft Annual Plan 2016/17. For full details, please refer to the full draft Annual Plan 2016/17 and the Long Term Plan 2015-25.

Haven Precinct

The beautiful Nelson waterfront is a significant asset for our city and one we can, and must, do more with. Council believes it is time to unlock the potential of the Haven Precinct and make the most of Nelson's natural and recreational assets.

Council's vision is for a waterfront that is a drawcard for both visitors and residents alike and helps reconnect our city to the coastline. To achieve this Council proposes to use sites it has purchased on Haven Road to create walking and cycling connections, quality public spaces and opportunities for private investment that enhance recreation and enjoyment of the area. This will recognise an important gateway to our city, support active recreation and encourage the use of our waterfront as a valued community space.

Work to achieve this vision will be staged over a number of years commencing in 2016/17 with an allocation of $150,000[1] for development of early concept design work.[2]

Central Business District enhancement

In the Long Term Plan 2015-25, Council set aside $894,000 for capital projects to enhance the Central Business District (CBD), spread over multiple years. The aim was to work collaboratively with other partners involved in the CBD to determine priorities. Feedback from CBD stakeholders has highlighted that encouraging activity is as important as physical works. Council is supporting initiatives to ensure our CBD continues to be attractive to visitors, including pop-up parks, events and promotion initiatives by Uniquely Nelson. Council's intention is to manage these initiatives within existing budgets or by securing sponsorship and grants. Council has been approached by building owners and tenants from Church Street to work together on an upgrade of the area. In 2016/17 this will be investigated as part of work to make the most of the city's laneways. Options for increasing street dining opportunities and encouraging other activity in the central city will also be considered. There will be a budget of $307,000 for capital works in 2016/17 to assist with this work.

Trafalgar Theatre

Encouraging venues, activities and events that celebrate our city and support the city's business sector is a priority for Council. To achieve this, Council is continuing to invest in a range of community facilities and spaces for locals

[1] Funded from the general rate.
[2] Although this is a broader, urban design issue funding for this project has been included in the Transport Activity for accounting purposes.

and visitors to enjoy. Council has identified an opportunity to create a 1000-1200 seat flexible theatre space within the Trafalgar Centre, with the use of curtaining and temporary seating. This is a relatively low cost way to meet the demand for a venue of this size and attract a range of touring shows to Nelson that currently bypass our city. This is not, however, expected to fill the gap we have in Nelson around a larger performance venue and Council has $25,000 allocated in 2017/18 to support a review of material previously prepared on development of a Performing Arts Centre.

Most of the elements needed to create this theatre are already funded in the Long Term Plan 2015-25. Council proposes to bring forward budget for seating and lighting from future years and allocate an additional $400,000[3] in 2016/17 to allow the theatre to be completed. Council believes that for a relatively marginal cost this project will add significant value to the Trafalgar Centre and to activity in the city.

Landfill

In April 2012 Nelson City Council and Tasman District Council agreed a Joint Waste Management and Minimisation Plan. That Plan included a goal to jointly make the most effective and efficient use of the Councils' respective landfills, York Valley and Eves Valley. Investigation showed, in the first instance, that joint use of Nelson's York Valley landfill was the most cost-effective approach and this was consulted on in 2014. At that stage it was expected the joint landfill would become operational in 2016/17.

Since then, further work on the project has resulted in a proposal for the two landfills to be combined under a joint venture model, with each Council having a 50% share. As Nelson's landfill has a higher value due to available space under the resource consent, this will require a $4.2million balancing payment from Tasman District Council to Nelson City Council. The joint entity will use a model similar to the Nelson Regional Sewerage Business Unit which has looked after both Councils' interests successfully for the past 15 years. It is proposed that the new arrangement would become operational from 1 July 2017.

Business case approach to projects

As part of work to ensure that Council is making cost-effective decisions based on sound prioritisation, organisational business cases are being developed for all capital projects. Business cases are a tool to test assumptions about a project, its fit with Council goals and options for delivery. They enable Council to make better informed decisions on value for money and achievement of outcomes. A small proportion of projects will be delayed in 2016/17 as Council implements this new organisational business case approach. This will allow the time needed for robust analysis and ensures

[3] Funded by cash surpluses from depreciation, and debt which is serviced from the general rate.

that Council is focussing its efforts on the highest priority projects. Overall, the delayed projects have only a minor impact on the size of the capital work programme in 2016/17.

Some of these projects are included in this summary below but to see more information about projects that have had a change to their timing since the Long Term Plan 2015-25, please refer to the full draft Annual Plan 2016/17.

Changes to financial policies

Separately Used or Inhabited Part of a Property (SUIP)

Council is proposing to add additional wording to the definition of separately used or inhabited parts of a property (SUIPs) in order to clarify how the policy is applied.

Rates Remission Policy

In addition, Council is proposing to provide remission of uniform annual general charges and wastewater charges on separately used or inhabited parts of commercial rating units that are less than $20m^2$.

Rates Postponement Policy

Council's Rates Postponement Policy in the Long Term Plan 2015-25 requires residents to have professional financial advice before applying for rates postponement. Council considers it is more appropriate to encourage residents to do so but to leave the final decision to their judgement. The Policy is proposed to be amended to make this change. As a result of the change to the Rates Postponement Policy, Council also proposes to reduce the associated fee from $400 to $100. In addition, the Policy is also to be amended to clarify how the 80% of equity limit is calculated.

For more information on these changes to Council's financial policies see the Funding Impact Statement, Changes to the Rates Remission Policy, and Changes to the Rates Postponement Policy sections in the draft Annual Plan 2016/17.

Updates on Council projects for year 2 (2016/17)

The following sections cover a *selection* of changes in activity areas from what was stated in Year 2 (2016/17) of the Long Term Plan 2015-25. A full list of projects is available in the draft Annual Plan 2016/17.

Transport

Walking and cycling projects

Cycling continues to be a popular activity in Nelson with solid continued growth averaging 3.4% each year for the last 15 years on our popular urban roads and paths. More recently the Tasman Great Taste Trail experienced 46% growth over the Christmas 2015/16 period compared to 2014/15. Council has prioritised work on the Nelson sections linking to the Trail to ensure users can start their Trail experience from Nelson CBD via the waterfront.

Council has worked closely with the community to create the Out and About Policy which sets a vision and the outcomes desired for a safe and accessible network of pathways for all users. Council has reprioritised its work programme against the new policy and adjusted the timeframes of a number of walking and cycling connection projects accordingly. The updated programme of works will be supported by ongoing education around pathway etiquette. Council wants people to be able to use Nelson pathways safely, and to enjoy walking and cycling in our city.

Council has decided to deliver walking and cycling projects as follows:

The Rocks Road to Maitai pathway will be developed in stages. The first stage is planned along the waterfront between the Plant and Food building and the Reliance building. The second stage is planned from the Reliance building back to the Maitai Path at Rutherford Park. The expenditure in 2016/17 is less than was forecast in the Long Term Plan 2015-25 due to timing adjustments.

The Maitai Path and associated Nile Street Path has been deferred until 2019/20.

The implementation of the link between St Vincent Street and the CBD has been deferred from 15/16 to 16/17.

The Rocks Road walking and cycling investigation commenced as a joint Nelson City Council / NZ Transport Agency project. The funding split between Council and the NZ Transport Agency changed, as the investigation proceeded, to the Transport Agency being the main contributor. At that point it was determined it should take leadership of the Rocks Road project. It has been conducting the investigation on Rocks Road in parallel with the work it is undertaking on the Nelson Southern Link.

The Nelson Southern Link project is considering options for a route to connect the state highway from Whakatu Drive to QEII Drive as part of the Government's Accelerated Regional Roading Package for state highway projects and is currently at the Programme Business Case stage. Council, while an important stakeholder, is not driving either project. The Transport Agency will be collecting views from the community on the Nelson Southern Link project during March and April 2016. The Transport Agency will consider and provide advice to Government on next steps following the Programme Business Case after July 2016.

Expenditure of Council's funding (allocated for design of non-transport elements associated with the Rocks Road Walking and Cycling project) has been retained and carried forward to be available as soon as the Transport Agency is ready to proceed.

For further information see the NZTA project website (https://www.nzta.govt.nz/projects/nelson-southern-link/). A detailed view of the Transport Agency's programme and a brief description of what a Programme Business Case is can be found on the NZTA website (https://www.nzta.govt.nz/assets/projects/nelson-southern-link/nelson-southern-link-programme.pdf.

Please note Nelson City Council is not consulting on the Nelson Southern Link.

Water supply

Waimea Community Dam

The funding model for the dam is still being finalised amongst the key stakeholders. As Council is yet to receive confirmation of the funding basis for the dam, no specific financial allocation has been made in this Annual Plan. However headroom for the debt associated with a possible contribution has been allowed for in 2018/19 to align with construction phases, should the dam proceed.

Atawhai No.2 Reservoir

Council proposes to delay the project to identify and purchase a site for a future reservoir for the Atawhai area from 2016/17 to 2017/18 ($103,000 in 2016/17). Construction of the reservoir is not planned until 2021-2023 and will not be impacted by the delay. Council's objective is to achieve the right outcomes and site purchase should follow that assessment.

This project has been delayed as part of an adjustment to Council's work programme to allow development of organisational business cases to better inform decision making and cost effective solutions. (See Business case approach to projects section for more information).

Wastewater

Atawhai Rising main

A non-invasive investigation was undertaken on the Atawhai rising main to identify any immediate areas of concern that require programming of repair works. Preliminary results have identified approximately 200m of pipeline where pockets of gas have been found. These pockets can lead to a weak acid developing on the soffit of the pipe that weakens concrete and can result in the pipe failing. Results of a more detailed study will be available at the end of 2015/16 and remedial works and repairs will be carried out in 2016/17. An additional budget of $70,000 for 2016/17 is expected to be required for these works.

Stormwater

In the Long Term Plan 2015-25, Council agreed to a significant programme of works for improvements to the stormwater network throughout the city. To ensure there are adequate resources to complete projects to a high standard it is proposed to delay a small number from 2016/17. The stormwater projects that are proposed for rescheduling in the draft Annual Plan are those smaller projects that have lower levels of risk or those that are best carried out in conjunction with other utility projects to minimise cost and disruption. The rescheduling to future years does not impact on Council's commitment to providing an adequate stormwater network to the city.

Strawbridge Square Investigation

Council proposes to include $20,000 in the 2016/17 financial year stormwater budgets to provide for investigation into flooding in Strawbridge Square and associated design works.

Montcalm/Arrow/Washington Valley/Hastings stormwater

This project is to complete design and then construct an updated stormwater system for the length of Washington Valley. The first stage in 2015/16 was upgrading Arrow Street in conjunction with the Arrow Street pavement reconstruction. Council proposes that the next stage of the project currently scheduled to occur in 2016/17, costing $154,000, is delayed for one year to 2017/18.

This project has been delayed as part of an adjustment to Council's work programme to allow development of organisational business cases to better inform decision making and cost effective solutions. (See Business case approach to projects section for more information).

Coleridge Place secondary flow path

Council proposes a one year delay to the Coleridge Place secondary flow path project (costed at $21,000 in 2016/17) to 2017/18.

This project has been delayed as part of an adjustment to Council's work programme to allow development of organisational business cases to better inform decision making and cost effective solutions. (See Business case approach to projects section for more information).

Nayland Road/Galway

This project is to address localised flooding to a small number of properties. The construction works for this project at a cost of $72,000 in 2016/17 is proposed to be delayed until 2017/18.

This project has been delayed as part of an adjustment to Council's work programme to allow development of organisational business cases to better inform decision making and cost effective solutions. (See Business case approach to projects section for more information).

Environment

River ecology monitoring

The State of Environment River and Stream Health monitoring programme has increased from quarterly to monthly to meet regional and national environmental monitoring information requirements. This monitoring is used to describe the state of our waterways, for national reporting to Land, Air and Water Aotearoa (LAWA) and will also contribute to the discussions that describe and prioritise the freshwater values and limits for the Nelson Plan. A review of the monitoring programme indicated additional sites in which monitoring should be occurring to ensure a robust data set for flow and water quality. As a result of these changes, Council proposes an annual increase in the River Ecology Monitoring budget of $75,000 which includes river low flow monitoring.

Social

Commemorations

The 2016/17 year will see the anniversaries of a number of important events in the history of Nelson and the nation: the 175th anniversary of the founding of Nelson, the 75th anniversary of the Royal New Zealand Navy and the 75th anniversary of New Zealand's worst naval disaster, the sinking of HMS Neptune. Council has set aside $45,000 towards commemoration of these events and will consider putting this towards legacy projects such as restoration work on the Church Steps.

Nellie Nightingale Library Memorial upgrade

Council proposes to bring forward funding for the Nellie Nightingale Library Memorial refurbishment and development as a community hub from 2021/22 to the 2016/17 financial year. Design of the project ($30,000) is proposed to be finalised in 2016/17 with construction undertaken in 2017/18 with budget allocated accordingly.

Parks and Active Recreation

Rutherford playground

In the Long Term Plan 2015-25, Council signalled that a play space near the Maitai shared path was planned for Rutherford Park as it would attract families and assist with increasing activity levels in the park. Council is looking for partners to help create an exciting and unique facility which appeals to a wide range of ages. It is proposed that the development of this project is delayed as more time is needed to scope the project, look for potential funding partners and to complete carparking and roading changes. A budget of $30,000 will remain in 2016/17 for concept design of the playground.

Airport cycleway

Council proposes to begin work on design of a cycleway around Nelson Airport in 2016/17 at a cost of $10,000. This cycleway is a missing link that will connect the Tahunanui Campground with the Great Taste Trail and will also provide public access to an attractive section of coastline. Depending on the outcome of design and investigation work additional funds may be required in future years towards the construction of the cycleway.

Saxton Pavilion repairs

Council proposes spending $60,000 to replace the curved plywood architectural feature at the entrance to the Saxton Pavilion, which has degraded due to wear and tear and exposure to the elements. Consideration will be given to a more durable material whilst still retaining the high quality finish.

Curtis Street footbridge (link to Manukau Reserve)

This project is to design and construct a footbridge to link the new subdivision to the playground on the opposite bank. This work ($92,000) is proposed to be delayed to start in 2017/18.

This project has been delayed as part of an adjustment to Council's work programme to allow development of organisational business cases to better inform decision making and cost effective solutions. (See Business case approach to projects section for more information).

Economic

Nelson Regional Development Agency (NRDA)

Council is establishing a new economic development services agency to better support our community to do business, grow the regional economy and develop a culture of innovation and entrepreneurship. This new organisation, called the NRDA, combines the Nelson Economic Development Agency and Nelson Tasman Tourism and is an opportunity for integrated delivery out of a single agency. The NRDA will be allocated funding previously allocated to the Economic Development Agency and Nelson Tasman Tourism.

The Transition Group overseeing establishment of the new agency has recommended that more resources be allocated to improve effectiveness. It has scoped the specific economic development deliverables the agency should be tasked with and Council plans to allocate an additional $300,000 to the 2016/17 budget for this work, in recognition of the importance of continuing to grow economic activity in our region.

Council also proposes that a new Events Strategy be developed in 2016/17 in collaboration with the new agency and its work on regional identity.

Cricket

Following the success of the One Day International Cricket games at the Saxton Oval over the summer, Council plans to make a bid for further matches. Funding of $50,000 has been set aside to support the bid. This will include ensuring the pitch meets international standards, development of supporting events and marketing, as well as the bid itself.

Gondola

As noted in the Long Term Plan 2015-18 Council supports, in principle, the development of a gondola and is aware of the economic benefits it could generate through attracting visitors to Nelson. There is potential for government support for the project but in order to attract this, and interest from investors, work is required to gather and refresh a range of geotechnical, land information and other necessary data. Council proposes to include $50,000 in 2016/17 to assist in the next stages of this work developing the project, with the expectation that match funding will be available.

The financials

For the full set of financial statements, please refer to the full Draft Annual Plan 2016/17.

What has changed?

	Long Term Plan 2015/16 ($000)	Long Term Plan 2016/17 ($000)	Draft Annual Plan 2016/17 ($000)	Difference to Long Term Plan 2016/17 ($000)
Total Income	98,802	104,975	101,511	(3,464)
Total Operating Expenditure	94,720	99,323	96,710	(2,613)
Capital Expenditure	60,275	40,072	39,136	(936)

What will my new rates be?

Council proposes the overall increase in rates required for 2016/17 to be 3.1%.

Council will make decisions about the final Annual Plan 2016/17 after a community consultation period running from 11 March to 11 April 2016. Any changes resulting from consultation may affect the final rates and charges. For further information on how Council sets its rates and charges, please refer to the Funding Impact Statement section of the draft Annual Plan.

Examples of proposed rates for 2016/17

The three yearly valuation of the City for rating purposes was undertaken in 2015. The new values will be used as the basis for assessing rates as from 1 July 2016. The revaluation does not generate any additional revenue for Council. Rather, the updated base means rates will be spread between ratepayers in different proportions than before. If your land value has increased by more than the average for the city, you can expect your rates to increase by more than the average. If your land value has decreased, this will usually mean your rates increase will be lower than the average, and in some instances may decrease.

To further clarify the rates changes from 2015/16 to those for the 2016/17 rating year a selection of properties has been shown to provide a guide. The following table is GST inclusive. The table covers general rates and targeted rates as shown in the table.

Summary of Rates Increases for representative properties within the City	Land Value (2012)	Land Value (2015)	Percentage Land Value Increase	2015/16 Rates	2016/17 Rates	% Increase on 2015/16	$ Increase on 2015/16
Residential	$85,000	$90,000	5.9	$1,839.60	$1,890.40	2.76	$50.80
	$105,000	$105,000	0.0	$1,969.90	$1,991.40	1.09	$21.50
	$118,000	$125,000	5.9	$2,054.70	$2,126.20	3.48	$71.50
	$136,000	$147,000	8.1	$2,172.00	$2,274.40	4.71	$102.40
	$185,000	$200,000	8.1	$2,491.40	$2,631.60	5.63	$140.20
	$200,000	$200,000	0.0	$2,589.20	$2,631.60	1.64	$42.40
	$215,000	$230,000	7.0	$2,686.90	$2,833.70	5.46	$146.80
	$285,000	$255,000	-10.5	$3,143.20	$3,002.20	-4.49	-$141.00
	$315,000	$315,000	0.0	$3,338.80	$3,406.50	2.03	$67.70
	$335,000	$330,000	-1.5	$3,469.10	$3,507.60	1.11	$38.50
	$420,000	$445,000	6.0	$4,023.20	$4,282.50	6.45	$259.30
	$580,000	$580,000	0.0	$5,066.10	$5,192.20	2.49	$126.10
Multi Residential (Two flats - Two UAGC & Wastewater Charges)	$220,000	$220,000	0.0	$3,868.30	$3,917.60	1.27	$49.30
	$800,000	$800,000	0.0	$7,828.30	$8,020.20	2.45	$191.90
Empty Residential Section (No Wastewater charge. Water annual charge included if water meter is installed)	$77,000	$82,000	6.5	$1,182.20	$1,249.10	5.66	$66.90
	$225,000	$220,000	-2.2	$2,345.80	$2,375.50	1.27	$29.70
	$405,000	$405,000	0.0	$3,519.10	$3,622.10	2.93	$103.00
Small Holding (No Wastewater charge. Water annual charge included if water meter	$280,000	$280,000	0.0	$2,322.90	$2,394.60	3.09	$71.70
	$385,000	$385,000	0.0	$3,137.80	$3,227.80	2.87	$90.00

Summary of Rates Increases for representative properties within the City	Land Value (2012)	Land Value (2015)	Percentage Land Value Increase	2015/16 Rates	2016/17 Rates	% Increase on 2015/16	$ Increase on 2015/16
installed)							
Rural (No Wastewater, Stormwater/ Flood Protection charge.	$790,000	$790,000	0.0	$3,747.50	$3,875.60	3.42	$128.10
Water annual charge included if water meter installed)	$2,125,000	$1,940,000	-8.7	$9,602.60	$9,109.00	-5.14	-$493.60
Commercial - Outside Inner City / Stoke - 1 Unit	$365,000	$365,000	0.0	$6,945.40	$7,113.70	2.42	$168.30
Commercial - Outside Inner City / Stoke - 1 Unit	$405,000	$355,000	-12.3	$8,299.80	$7,655.80	-7.76	-$644.00
Commercial - Outside Inner City / Stoke - 2 Units	$335,000	$335,000	0.0	$6,957.10	$7,123.80	2.40	$166.70
Commercial - Stoke - 1 Unit	$35,000	$35,000	0.0	$1,560.60	$1,602.90	2.71	$42.30
Commercial - Inner City - 2 Units	$290,000	$290,000	0.0	$8,219.80	$8,533.10	3.81	$313.30
Commercial - Inner City - 2 Units	$330,000	$330,000	0.0	$9,149.00	$9,502.60	3.86	$353.60
Commercial - Inner City - 1 Unit	$1,150,000	$1,160,000	0.9	$27,696.80	$29,106.70	5.09	$1,409.90

General rate

The general rate is 0.67384 cents in the land value dollar (including GST) for the 2016/17 rating year. This compares to the previous year's rate of 0.65183 cents in the land value dollar.

Uniform Annual General Charge (UAGC)

The UAGC is $415.50 including GST per separately used or inhabited part of a rating unit for the 2016/17 rating year. This charge is $15.20 higher than the previous year's charge.

Targeted rate for stormwater and flood protection

The stormwater and flood protection charge is $281.00 for 2016/17. It is payable by all ratepayers other than the rural rating categories and residential properties east of Gentle Annie saddle and Saxton Island and Council's stormwater network. This year's charge is $1.00 higher than the previous year's.

Wastewater charge

The wastewater charge for residential, multi-residential, rural and smallholding properties is $390.90 per separately used or inhabited part of a rating unit including GST compared to the previous year's rate of $406.30. The wastewater charge for commercial properties is set at $97.70 per separately used or inhabited part of a rating unit. Commercial properties are also levied wastewater charges based on Council's Trade Waste Bylaw.

Water Rates

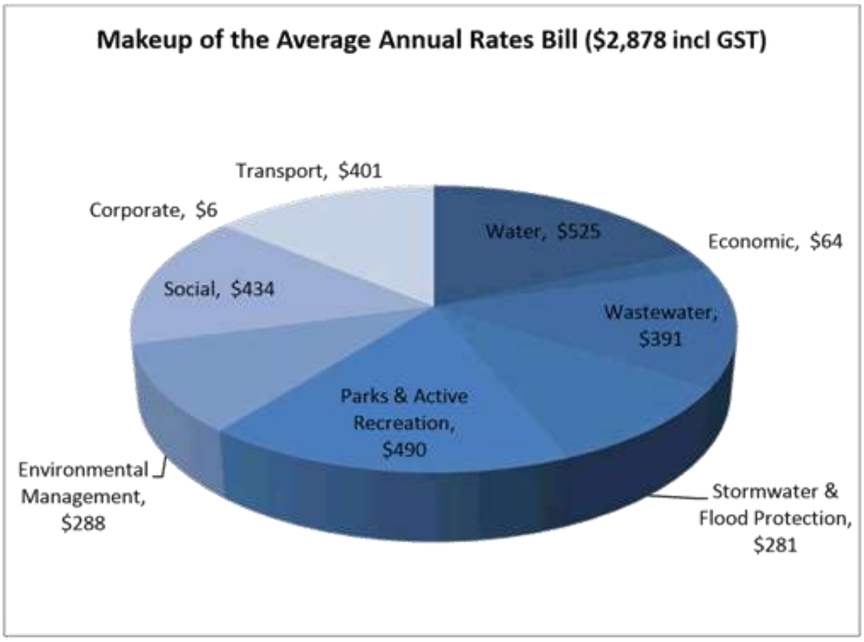
The annual rate for 2016/17 is $196.50 per connection including GST compared with $198.86 in the previous year. The cost per cubic metre for 2016/17 will be $2.046 per cubic metre.

The water charges represent an average decrease of 0.6% for the 2016/17 year for an average water user.

Water charges – residential, commercial and industrial including GST

Amount/type	Cost ($ per m^3) 2015/16	Cost ($ per m^3) 2016/17
Usage up to $10,000m^3$ per year	2.052	2.046
Usage from 10,001 to $100,000m^3$ per year	1.542	1.527
Usage over $100,000m^3$ per year	1.218	1.205
Summer irrigation usage over $10,000m^3$ per year	1.797	1.787

NOTE: An average ratepayer uses 160m3 per annum.


Makeup of the Average Annual Rates Bill ($2,878 incl GST)
Transport, $401
Corporate, $6
Water, $525
Economic, $64
Social, $434
Wastewater, $391
Parks & Active Recreation, $490
Environmental Management, $288
Stormwater & Flood Protection, $281

So what happens now?

Draft Annual Plan timeline

- Consultation opens: **11 March 2016**
- Public drop in sessions:
  - Wednesday 23 March, 5-6pm, Elma Turner Library
  - Sunday 3 April, 11am to 12pm, Nellie Nightingale Library Memorial, Tahunanui
  - Wednesday 6 April, 11.30am to 12.30pm Stoke Library
- Consultation closes: **5pm Monday 11 April 2016**
- Hearings: 3 and 4 May 2016
- Council deliberations: 11 and 12 May 2016
- Council adopts Annual Plan: 2 June 2016
- Annual Plan comes into effect: 1 July 2016

Submission

Submit online or use the submission form at the back of this document. Submissions must be received by 5pm on Monday 11 April 2016.

Submissions can be made:

- Online at nelson.govt.nz
- By post to PO Box 645 Nelson 7010
- By dropping off to Civic House, 110 Trafalgar Street

Submission form

To be included in designed version

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Nelson City Council
te kaunihera o whakatū

Significance and Engagement Policy

November 2014

Amended March 2016

1. Purpose

1.1. This Significance and Engagement Policy lets both Council and the community identify the degree of significance attached to particular decisions, to understand when the community can expect to be engaged in Council's decision making processes, and know how this engagement is likely to take place.

2. Introduction

2.1. The Local Government Act 2002 states that one role of a Council is to enable democratic local decision-making and action by, and on behalf of, communities. This Policy explains how Council will decide the level of significance that a matter has, the types of matters where the community will be involved in the decision-making process and when the community can expect Council to make a decision on its behalf.

2.2. There are many informal ways that Council engages with the community during its everyday business which helps to inform it on community views. There are also decisions that a Council must make which require a more structured form of engagement. This is because of the importance that a matter has within the wider community, or for groups within the community.

2.3. The first part of this policy sets out how Council will decide whether or not a matter is "significant". The second part of this policy sets out when and how the community's views will be heard on these significant, and other, matters.

3. Determining Significance

3.1. Local authorities must make decisions about a wide range of matters and most will have a degree of significance, but not all issues will be considered to be "significant". An assessment of the degree of significance of proposals and decisions, and the appropriate level of engagement, will therefore be considered in the early stages of a proposal before decision making occurs.

3.2. Council will take into account the following matters when assessing the degree of significance of proposals and decisions, and the appropriate level of engagement:

- Whether the asset is a strategic asset as listed in schedule two of this policy;
- The impact on levels of service provided by Council or the way in which services are delivered;
- The degree of impact on Council's debt or the level of rates it charges;
- Whether the decision is reversible and the likely impact on future generations;
- The impact on the community, how many people are affected and by how much;
- Whether the decision or action flows from, or promotes, a decision or action that has already been taken by Council or furthers a community outcome, policy or strategy;

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- Is there a past history or reasonable expectation of the issue generating wide public interest within the district.

It may be that only one of the criteria applies, but to such a high degree that the decision will be considered "significant". Conversely, several criteria may be applicable, but to only a low degree, and therefore will be considered to have a lower level of significance. Each decision will involve staff making an assessment for consideration by elected members. Schedule one of this policy sets out how the criteria will be used to assess significance.

4. Community Engagement

4.1. The ways engagement can take place are varied and will be in proportion to the significance of the matter being considered.

Special Consultative Procedure

4.2. There are still situations where the Special Consultative Procedure must be used under both the Local Government Act 2002 and a number of other statutes.

4.3. It is important to note that formal consultation using a special consultative procedure is a structured process outlined in legislation and supported by case-law. In other engagement processes, however, there are no explicit statutory or legal rules constraining or defining community engagement processes. The Local Government Act 2002 has given local authorities the ability to determine this as appropriate for their communities.

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Engagement on Other Matters

4.4. Outside of matters where it remains mandatory for a special consultative procedure to be undertaken, Council will determine the appropriate level of engagement on a case by case basis.

4.5. Council may decide that it will use a special consultative procedure if the matter is of high significance, or it may choose another form of appropriate consultation. In instances where significance is judged to be moderate, engagement with the community could involve consulting through an advisory committee or focus group, public meetings, or surveys.

4.6. When Council decides that a matter is of low to moderate significance, or in instances where it is considered that the views of the community are already known, it may make a decision on behalf of the community and then inform the community of the outcome. This may be, for instance, through publication on the Council website, in the local media, or other appropriate means.

5. Principles of Engagement

5.1. In any engagement process undertaken with the community, that engagement will be in proportion to the matter being considered. When any engagement takes place, other than simply providing information, we will:

- Seek to hear from everyone affected by a decision;
- Ask for views early in the decision making process so that there is enough time for feedback to be provided, and for this to be considered properly;
- Listen and consider views in an open and honest way;
- Respect everyone’s point of view;
- Provide information that is clear and easy to understand;
- Consider different ways in which the community can share views with us;
- Ensure that the engagement process is efficient and cost effective.

6. Information Requirements

6.1. Council will ensure that, when conducting any engagement or consultation process in relation to a significant decision, it provides:

- Clear information on what is being proposed and why it is being proposed;
- Sufficient information on which to provide meaningful feedback;
- The advantages and disadvantages of each option being considered;
- What impacts, if any, will occur if the proposal goes ahead;
- How the community can provide its views;
- The timeframe for completing the community engagement or consultation;
- How submitters and participants can learn about the outcome.

7. Engagement with Iwi

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7.1. Council will take into account its obligations as outlined under legislation including Te Tau Ihu Claims Settlement Act 2013 and all other relevant Acts. Council will also take into account National Policy Statement Frameworks, and will honour all engagement processes, agreements and memorandums of understanding developed with Maori as they relate to its decision-making processes.

8. Definitions Used in This Policy

Community	A group of people living in the same place or having a particular characteristic in common. Includes interested parties, affected people and key stakeholders.
Decisions	Refers to all the decisions made by or on behalf of Council including those made by officers under delegation. (Management decisions made by officers under delegation during the implementation of council decisions will not be deemed to be significant).
Engagement	Is a term used to describe the process of seeking information from the community to inform and assist decision making. There is a continuum of community involvement.
Significance	As defined in Section 5 of the LGA 2002 in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for: *(a) The district or region;* *(b) Any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter;* *(c) The capacity of the local authority to perform its role, and the financial and other costs of doing so.*
Strategic Asset	As defined in Section 5 of the LGA 2002 in relation to the assets held by the local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community, and includes: *1. Any asset or group of assets listed in accordance with section 90(2) by the local authority; and* *(a) Any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and* *(b) Any equity securities held by the local authority in* *I. A port company within the meaning of the Port Companies Act 1988;* *II. An airport company within the meaning of the Airport Authorities Act 1966.*

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Schedule One: Assessing Significance Against Criteria

Criteria	Higher Significance	Lesser Significance
Change in levels, or delivery, of service provided by Council.	There is a major and/or long term change to services.	There is a medium to low level of change to services.
Level of financial impact.	There is a major and long term financial impact.	There is a medium to low level of impact.
Impact on the community.	The decision would have a major impact on sections or all of the community.	The impact on the community is medium to low.
Decision involves a "strategic asset" as listed in this policy.	The decision involves the sale or transfer of more than 20% of a strategic asset.	The decision does not impact on the Council's ownership of the asset.
Impact on Council debt or level of rates.	The impact is major and/or long term on either debt levels or rates.	The impact is of a medium to low level
Reversibility of decision.	The decision is irreversible and would impact negatively on future generations to a high degree.	The decision is not irreversible, or if it were, the impact on future generations would not be high.
Building on previous decisions.	The matter is considered to be significant by other criteria, and has not been previously consulted with the community.	The decision or action is consequential to, or promotes, a decision or action already taken by Council or the views of the community on this matter are already known.
Historic interest.	There is a history of the matter generating wide and intense public interest and a reasonable expectation that this will again be so.	There is no history of the matter generating widespread interest.

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Schedule Two: List of Strategic Assets

The Local Government Act 2002 definition of a strategic asset is outlined in the Significance and Engagement Policy.

The list of assets outlined below are considered to be "strategic assets", however not all decisions made regarding them will be significant. For example, the road network is strategic but the purchase or sale of small land parcels that make up the network may not amount to a significant decision.

- Water supply catchments and supply network as a whole;
- Wastewater network as a whole;
- Stormwater and flood protection network as a whole;
- Land transport network as a whole;
- Ownership of community housing;
- Ownership in the Nelson Airport Company;
- Ownership in the Nelson Port Company;
- Ownership of Nelmac Ltd.

REPORT R5537

Lewis Stanton Update

1. Purpose of Report

1.1 To respond to Mr Gaire Thompson's public forum expressing concerns about Mr Stanton's on-going protest activity in the CBD.

2. Delegations

2.1 This is a matter for Council.

3. Recommendation

***THAT** the report Lewis Stanton Update (R5537) be received.*

4. Background

4.1 Mr Thompson addressed Council on 18 February. He asked Council to consider a bylaw limiting protests to seven days per year. He suggested this would allow for legitimate protests, but limit the potential for lengthy occupation of inner city locations for protest purposes.

5. Discussion

5.1 Council adopted the Urban Environments Bylaw in June 2015. Amongst a range of provisions, this sets out requirements for trading in public places including busking, begging and soliciting donations.

5.2 Setting a limiting on the number of protests an individual can make in the city to a fixed number per year would contravene the rights and freedoms of individuals as set out in the NZ Bill of Rights Act 1990.

5.3 Council's bylaws must recognise and give effect to legislation. Accordingly, Mr Thompson's request cannot be accommodated.

6. Conclusion

6.1 Mr Thompson seeks a regulatory response to an activity taking place in the Nelson CBD.

6.2 The law does not allow the response sought.

Clare Hadley
Chief Executive

Attachments

Nil