

AGENDA

**Ordinary meeting of the
Nelson Tasman Regional Landfill Business Unit
Tira ā-Rohe Pakihi Ruapara o Whakatū, o Te Tai o
Aorere**

**Friday 8 October 2021
Commencing at 10.30a.m.
Council Chamber
Floor 2A, Civic House,
110 Trafalgar Street, Nelson**

Membership:

| | |
|---------------------------|---|
| Chairperson | Nelson City Councillor Judene Edgar |
| Deputy Chairperson | Tasman District Councillor Trindi Walker |
| Members | Nelson City Councillor Mel Courtney Tasman District Councillor Stuart Bryant and Iwi Representative Andrew Stephens |

Quorum: 3

Nelson City Council Disclaimer

Please note that the contents of these Council and Committee Agendas have yet to be considered by Council and officer recommendations may be altered or changed by the Council in the process of making the formal Council decision.

Nelson Tasman Regional Landfill Business Unit

The Nelson Tasman Regional Landfill Business Unit (NTRLBU) is a joint committee of Nelson City and Tasman District Councils. The NTRLBU is governed by a Terms of Reference (A1983272).

Areas of Responsibility:

- Matters relating to the operation and use of the York Valley and Eves Valley landfills as regional landfill facilities, and the timing of their use.

Powers to Decide:

- Setting of fees and charges for waste disposal at the regional landfill facilities by 30 June each year; including the power to apply discounted fees and charges for the disposal of waste in bulk; and to determine other circumstances where discounted fees and charges may be applied.
- Decisions to accept (or not accept) waste that is generated outside the Nelson-Tasman region.

Power to Recommend to Councils:

- Any other matters under the area of responsibility of the Business Unit
- All recommendations to Council will be subject to adoption of an equivalent resolution by the other Council, unless it is a matter specific to one Council only.

Quorum:

- The Memorandum of Understanding governing the NTRLBU allows for either four or five members to be appointed. The quorum at a meeting is either two (if four members are appointed), or three (if five members are appointed), including at least one from each local authority.

Procedure:

- The Standing Orders of the Council providing administration to the committee shall be applied at each meeting.
- The Chairperson will not have a casting vote
- Copies of minutes of meetings of the Nelson Tasman Regional Landfill Business Unit will be retained by each Council for record keeping purposes

1. Apologies

An apology has been received from Iwi Representative A Stephens

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. Confirmation of Minutes

5.1 25 June 2021

6 - 9

Document number M18750

Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Confirms the minutes of the meeting of the Nelson Tasman Regional Landfill Business Unit, held on 25 June 2021, as a true and correct record.***

6. Chairperson's Report

**7. Nelson Tasman Regional Landfill Business Unit
Treasury Policy 2021 and Carbon Position**

10 - 24

Document number R25894

Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 and Carbon Position (R25894) and its attachment A2605006; and***

2. **Adopts the Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 (A2605006); and**
3. **Notes there is an option for the Committee to direct staff to purchase carbon units in advance of the policy.**

**8. Nelson Tasman Regional Landfill Business Unit
Annual Report 2020-21**

25 - 50

Document number R26180

Recommendation

That the Nelson Tasman Regional Landfill Business Unit

1. **Receives the report Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21 (R26180) and its attachment (A2733183); and**
2. **Approves the Nelson Tasman Regional Landfill Business Unit 2020/21 Annual Report R26180 (A2760709) and Nelson Tasman Regional Landfill Business Unit – Annual Financial Statements 2020/21 (A2733183) for presentation to Nelson City Council and Tasman District Council with delegation of all minor amendments to the Nelson Tasman Regional Landfill Business Unit Chairperson and General Manager.**

Recommendation to Nelson City Council and Tasman District Council

That the Nelson City Council and Tasman District Councils

1. **Receive the Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21 R26180 (A2760709) and its attachment, the Nelson Tasman Regional Landfill Business Unit – Annual Financial Statements 2020/21 (A2733183).**

**9. Nelson Tasman Regional Landfill Business Unit
Quarterly Report**

51 - 60

Document number R26184

Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Quarterly Report (R26184); and***
- 2. Approves the delay in the submission of the Nelson Tasman Regional Landfill Business Unit Draft Business Plan 2022/2023, until December 2021 to align with the delivery dates of the Nelson Regional Sewerage Business Unit.***

CONFIDENTIAL BUSINESS

10. Exclusion of the Public

Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 2. 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 Tasman Regional Landfill Business Unit Meeting - Confidential Minutes - 25 June 2021 | 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: <ul style="list-style-type: none">• Section 7(2)(d) To avoid prejudice to measures protecting the health and safety of members of the public |



Minutes of a meeting of the

Nelson Tasman Regional Landfill Business Unit

Te Rōpū ā-Rohe Ruapara, Whakatū / Te Tai o Aorere

Held in the Council Chamber, Floor 2A, Civic House,, 110 Trafalgar Street, Nelson on Friday 25 June 2021, commencing at 9.30a.m.

Present: Nelson City Councillor J Edgar (Chairperson), Nelson City Councillor M Courtney, Tasman District Councillors S Bryant and T Walker (Deputy Chairperson) and Iwi Representative A Stephens

In Attendance: Tasman District Council Engineering Services Manager (R Kirby), General Manager Regional Sewerage and Landfill (N Clarke) and Governance Adviser (E Stephenson)

Apologies : Nil

1. Apologies

There were no apologies.

2. Confirmation of Order of Business

It was noted that the agenda distributed to members incorrectly stated Councillor B McGurk as a member instead of Councillor M Courtney, however, this had been corrected on the public agenda on Council's website.

3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

4. Public Forum

Attendance: Councillor Courtney entered the meeting at 9.31am.

There was no public forum.

5. Confirmation of Minutes

5.1 14 May 2021

Document number M17632, agenda pages 5 - 9 refer.

Resolved RLBU/2021/022

That the Nelson Tasman Regional Landfill Business Unit

1. Confirms the minutes of the meeting of the Nelson Tasman Regional Landfill Business Unit, held on 14 May 2021, as a true and correct record.

Walker/Courtney

Carried

6. Chairperson's Report

Document number R25954

The Chairperson acknowledged the work of landfill staff and the resignation of the Regional Services Activity Engineer.

7. Nelson Tasman Regional Landfill Business Unit Quarterly Report.

Document number R25940, agenda pages 10 - 18 refer.

Attendance: Mr A Stephens entered the meeting at 9.37am.

General Manager Regional Sewerage and Landfill, Nathan Clarke, summarised the report, and answered questions regarding litter management, earthworks consents, steepness of the landfill face, stability, volume of cover fill, chemicals, review timing and budget

It was noted that ETS credits would be a matter for discussion at the next meeting.

Further questions were answered regarding improved contractor responses, battery collections, gas capture efficiency, carry over budgets and staff resourcing.

Resolved RLBU/2021/023

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Quarterly Report. (R25940).***

Bryant/Walker

Carried

8. Exclusion of the Public

Resolved RLBU/2021/024

That the Nelson Tasman Regional Landfill Business Unit

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 2. 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:***

Bryant/Courtney

Carried

| 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 | Eves Valley Landfill Gas Management Update. | 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: <ul style="list-style-type: none">• Section 7(2)(d) To avoid prejudice to measures protecting the health and safety of members of the public |

The meeting went into confidential session at 10.09am and resumed in public session at 10.31am.

There being no further business the meeting ended at 10.31am.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 and Carbon Position

1. Purpose of Report

- 1.1 To adopt the new treasury policy for the Nelson Tasman Regional Landfill Business Unit (NTRLBU).

2. Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 and Carbon Position (R25894) and its attachment A2605006; and***
- 2. Adopts the Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 (A2605006); and***
- 3. Notes there is an option for the Committee to direct staff to purchase carbon units in advance of the policy.***

3. Background

- 3.1 The current NTRLBU Treasury Policy is due for its three-yearly review.
- 3.2 The Government has changed the way it delivers carbon credits to The New Zealand Emissions Trading Scheme (NZETS) participants from a cash option to auction.
- 3.3 The NTRLBU has a continuing requirement to obtain carbon credits to meet its obligations under the Climate Change response Act 2002 for the carbon emissions from its operational landfill.

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- 3.4 The Government's Climate Change Commission is aiming at getting New Zealand to zero net carbon emissions by 2050, or 5.6% less each year between 2022 and 2025, 14.75% less for every year between 2026 and 2030 and 25.9% less for every year between 2031 and 2035. As a result, the Government has committed to increasing its obligations under the Paris Climate accord. This is likely to result in a significantly higher carbon price under the Emissions Trading Scheme. The Commission expects the cost, which is currently \$50 per tonne, to rise to \$150 per tonne by 2030.

4. Discussion

- 4.1 Nelson City Council (NCC) has updated its Treasury Management Policy following a review by Price Waterhouse Cooper (PwC) to continue to align with sound Treasury management sector practice.

Carbon Credit Policy – Emissions Trading Scheme

- 4.2 The NCC review has highlighted a need to update the Carbon Credit policy – Emissions Trading Scheme portion of the NTRLBU Treasury Policy.
- 4.2.1 The minimum and maximum hedging has been reviewed, with an increase in the minimum and maximum hedging.
- 4.2.2 The Government has changed the way it delivers carbon credits to NZETS participants from cash to auction. Changes to the policy have been made to allow the landfill to use the NZETS auctions to obtain credits to meet its obligations. The First Government auction of carbon units resulted in units being obtained by bidders at a discount to the secondary market price.

Carbon position

- 4.3 The Carbon Credit Policy provides for hedging for current commitments, and a maximum of 50% of the following two years. This enables purchasing units to fix the costs for budgets prepared during the calendar year for the next financial year. However,
- 4.3.1 The policy limits further hedging against expected rises in the price of carbon.
- 4.3.2 During the NTRLBU meeting of 13 September 2019, members of the Board informally requested buying more units.
- 4.3.3 The Board may direct staff to purchase carbon units to meet the NTRLBU's future obligations for emission from its operational landfill beyond the policy limits.
- 4.3.4 Maximum holding of units under the 2021 policy is 109,349.

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- 4.3.5 The NTRLBU paid for its 2020 calendar year obligations using the cash option, and currently holds 115,909 carbon units with an average cost of \$25.71. Based on budgeted volumes and unique emission factors (UEF) this represents 2 years 5 months budgeted obligations (until November 2023).
- 4.3.6 Budgeted requirements for units are \$35,704 in 2023/24 and \$28,848 in 2024/25.
- 4.3.7 Based on the 2021/22 budget assumptions of volumes and UEF, the current holding would be used up in July 2023. Potential additional purchases above the policy to provide cover to June 2024 - 33,000 and to June 2025 - 62,000. Purchasing additional units would fix the price.
- 4.3.8 The March Government auction clearing price was \$36 per unit. The secondary market price at that time was circa \$37 indicating that investors are prepared to a premium to ETS register participants. In the June auction all the available units were sold at \$41.70, which was higher than the secondary market at the time. The price has since risen to \$50, which is the current trigger price for the auction to access additional units from the Cost Containment Reserve (CCR). The Climate Change Commission has recommended increasing the CCR trigger price to \$70 as soon as possible.

5. Options

Treasury policy

- 5.1 There are two options for the Board to consider – adopt or not adopt the Policy. Officers support option 1.

| Option 1: Adopt the NTRLBU Treasury Policy 2021 (Recommended option) | |
|---|--|
| Advantages | <ul style="list-style-type: none">• changes are in line with recommendations from Nelson City Council's treasury adviser and are considered current best practice• will allow for participation in the Governments auction of carbon units. |
| Risks and Disadvantages | <ul style="list-style-type: none">• none |
| Option 2: Do not adopt the NTRLBU Treasury Policy 2021 | |
| Advantages | <ul style="list-style-type: none">• no change from existing policy |
| Risks and Disadvantages | <ul style="list-style-type: none">• policy will not conform to current best practice. |

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| | |
|--|---|
| | <ul style="list-style-type: none"> • will not be able to participate in the Governments auction of carbon units. |
|--|---|

Carbon position

- 5.2 There are three options for the Board to consider. Officers support option 1 which requires no further decision.

| Option 1: Adhere to the policy limits. Recommended option | |
|--|--|
| Advantages | <ul style="list-style-type: none"> • In line with financial management practice. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • Cost of carbon units rises significantly beyond the period covered by the policy resulting in costs exceeding budget. |
| Option 2: Purchase of units below the policy limits | |
| Advantages | <ul style="list-style-type: none"> • Release of funding otherwise used to fund the policy. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • Departure from policy. • Cost of carbon units rises significantly beyond the period covered by the policy resulting in costs exceeding budget. |
| Option 3: Purchase of units above the policy limits | |
| Advantages | <ul style="list-style-type: none"> • Increased surety of costs for future years. • Effect of future rises in the price of Carbon is mitigated by fixing the price for future obligations. • Leverages the low cost of Council funding compared to the pricing of futures. |
| Risks and Disadvantages | <ul style="list-style-type: none"> • Departure from policy. • Price is locked should the cost of units drop in the future. • Earlier funding required than other options. |

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6. Conclusion

- 6.1 The current Treasury Policy is due for, and is in need of review.
- 6.2 There is an opportunity to purchase units for future redemption at current prices which are expected to rise significantly in the medium term.

Author: Andrew Bishop, Accountant

Attachments

Attachment 1: A2605006 NTRLBU Treasury policy 2021 [↓](#)

| Important considerations for decision making | |
|--|--|
| 1. Fit with Purpose of Local Government | <p>a) to enable democratic decision-making and action by, and on behalf of, communities; and</p> <p>(b) to promote the economic well-being of communities in the present and for the future</p> |
| 2. Consistency with Community Outcomes and Council Policy | <p>The recommendation provides for certainty in pricing of ETS liabilities for the 2022/23 Annual Plan</p> |
| 3. Risk | <p>The Joint Committee is exposed to movements in the cost of its carbon emissions which are considered likely to increase.</p> |
| 4. Financial impact | <p>The recommendation to purchase Carbon units in advance of the policy will give certainty in planning by fixing the future cost of Carbon for a longer period.</p> |
| 5. Degree of significance and level of engagement | <p>This matter is of low significance because the matter is operational, as it is consequential to the receipt of residual waste to the Landfill. Therefore, no engagement will occur.</p> |
| 6. Climate Impact | <p>There is no impact on climate change as a result of this decision, as price signals for Landfill gate process are ultimately determined by the quantum of the Local Disposal Levy.</p> |
| 7. Inclusion of Māori in the decision making process | <p>No engagement with Māori has been undertaken in preparing this report.</p> |
| 8. Delegations | <p>The Nelson Tasman Regional Landfill Business Unit has the following delegations to consider</p> <p><i>Areas of Responsibility:</i></p> <ul style="list-style-type: none"> <i>All management and administrative matters associated with the operation of the operation of the joint Committee</i> |

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Delegations:

- *Authorise all payments necessary for the operation and management of the NTRLBU within the approved budgets and intent of the Business Plan.*

NTRLBU Treasury Policy

2021~~18~~

Version: 1.1, [25.05.21](#)~~07May-2018~~

A1131501

A2605006

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Position: Attachment 1

Authors : Andrew Bishop, Management Accountant, Nelson City Council

: Nikki Harrison, Chief Financial Officer, Nelson City Council

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1 Introduction

1.1 Purpose of Policy

The purpose of the Treasury Management Policy is to outline approved policy in respect of all Nelson Tasman Regional Landfill Business Unit (NTRLBU) treasury activity, to be undertaken by the Nelson City Council and the Tasman District Council. The formalisation of such policies enables the Treasury risks within the NTRLBU to be prudently managed.

As circumstances change, the policies and practices outlined in this document will be modified to ensure the treasury risks associated with the NTRLBU continue to be well managed. In addition regular reviews will be conducted to test the existing policy against the following criteria:

- 1) Industry "best practices".
- 2) The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- 3) The effectiveness and efficiency of the Nelson City Council and the Tasman District Council Treasury Management Policies and function to recognise, measure, control, manage and report on the NTRLBU financial exposure to market interest rate risks, funding risks, liquidity risks and associated risks.
- 4) The operation of a pro-active treasury management function by the Nelson City Council in an environment of control and compliance.
- 5) In relation to the NTRLBU, the robustness of the Nelson City Council and the Tasman District Council Treasury Management Policies risk control limits and risk spreading mechanisms against normal and abnormal financial market movements and conditions.
- 6) Assist the NTRLBU in achieving strategic objectives relating to its stakeholders.

It is intended that the policy be distributed to all personnel involved in any aspect of the NTRLBU's financial management. In this respect, the General Manager and all staff at the NTRLBU and at the respective councils must be completely familiar with their responsibilities under this policy at all times.

The governance review and monitoring oversight responsibility rests with the NTRLBU Joint Committee.

1.2 Scope

This document identifies the policies of the Nelson City Council, the Tasman District Council and the NTRLBU in respect of treasury management activities in relation to the NTRLBU. This policy does not override the respective councils Treasury and related Liability Management and Investment policies.

This policy has not been prepared to cover other aspects of the NTRLBU'S operations particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the NTRLBU and council cover these matters. Planning tools and mechanisms are also outside the scope of this policy.

This policy comes into effect on 1 July 2021 and the policy will be formally reviewed on a three year basis.

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2 Objectives

2.1 Statutory Objectives

- 2.1.1 All borrowing, investments and incidental arrangements will be approved by the NTRLBU Joint Committee and comply with the Local Government Act 2002; or ~~by inclusion~~by inclusion in the respective councils Annual Plan or ~~Long-Term~~Long-Term Plan.
- 2.1.2 A resolution of the NTRLBU Joint ~~Committee is~~Committee is not required for hire purchase, credit or deferred purchase of goods if:
- The period of debt is less than 91 ~~days~~days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the NTRLBU Joint Committee.

2.2 General Objectives

- 2.1.3 Manage all of the NTRLBU's investments within its strategic and commercial objectives and optimise returns within these NTRLBU objectives.
- 2.1.4 Through the Tasman District Council and the Nelson City Council, arrange and structure appropriate funding.
- 2.1.5 Through the Tasman District Council and the Nelson City Council, manage the NTRLBU borrowing programme to ensure funds are readily available at acceptable margins and costs.
- 2.1.6 Through the Nelson City Council, maintain liquidity levels and manage the overall cash position of the NTRLBU operations to meet known and reasonable unforeseen funding requirements.
- 2.1.7 Through the Nelson City Council, invest surplus cash in liquid and credit worthy investments.
- 2.1.8 Develop and maintain professional relationships with council staff.
- 2.1.9 In conjunction with the Tasman District Council and the Nelson City Council, ensure that all relevant statutory requirements of a financial nature are adhered to.

In meeting the above ~~objectives~~objectives, the NTRLBU and the respective council Treasury management teams recognise that there are financial risks such as liquidity, funding, interest rate, credit and operational risks arising from treasury activities. The NTRLBU, Tasman District Council and the Nelson City Council are risk ~~averse~~adverse entities and do not want to incur additional risk from the NTRLBU related treasury activities. ~~Accordingly~~Accordingly, the Tasman District Council and the Nelson City Council's finance functions, in relation to treasury activities, are a risk management function focused on protecting the NTRLBU's budgeted interest costs, stabilising NTRLBU cash flows and achieving its capital spend programme. The Councils will seek to prudently manage these risks. Accordingly, activity that is unrelated to its underlying cash flows or that may be construed as speculative in nature is expressly forbidden.

2.3 Borrowing

The NTRLBU's borrowing activity is largely driven by its capital expenditure programme. The NTRLBU does not borrow in its own name. The Tasman District Council and the Nelson City Council borrow in their name to fund the NTRLBU. The funding requirement is generally split 50/50 between the two councils. This borrowing is carried out and subject to the individual councils

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borrowing policies. Borrowing limits are not expressly applied to the NTRLBU and borrowing is funded at the council level like other council activities.

2.3.1 The NTRLBU maintains two types of committed funding arrangements

1. Core funding arrangements with the Nelson City Council and the Tasman District Council
2. A working capital arrangement with the Nelson City Council.

These arrangements ensure the achievement of the liquidity ratio and debt funding requirements of the business plan. The liquidity and funding mechanisms are as follows;

- The committed core funding arrangements have a constant maturity term of no less than five years.
- The total core funding arrangements must be maintained at an amount of 110% of at least the existing debt borrowing amount.
- The Nelson City Council will manage the day to day working capital as a ~~short-term~~[short-term](#) loan
- The NTRLBU will draw down and ~~repay-core~~[repay core](#) funding in amounts of ~~\$12M~~ [\\$500k](#) per council) or more.
- The interest rate is fixed annually at 1 July and charged quarterly in arrears. The fixed annual rate is set at a margin above the prevailing 3-year market swap rate. The interest rate will be reviewed quarterly and moved for the following quarter if the ~~3-year~~[3-year](#) swap rate has moved +/- 50bps (0.50%).
 - The Nelson City Council Treasury function will advise the NTRLBU and Tasman District Council of the calculated interest rate and margins as set out below.
 - Where the annual or quarterly review date falls on a non-business day the review will occur on the next business day.
 - The interest rate and margin will apply to both the core and working capital agreements.
 - The reset will be based on the swap ~~mid-rate~~[mid-rate](#) at close of business (5.00 pm) displayed on the Reuters page NZDSM3NB3Y on the review date.
 - The margins the councils charge above the ~~3-year~~[3-year](#) swap ~~mid-rate~~[mid-rate](#) are the same for each council and is initially set at 120bps pa.
 - The margin is reviewed annually prior to 30th of June and any change is effective from 1 July in that year.
 - The margin is set ~~on the basis of~~[based on](#) a quote from Westpac Bank-Nelson for Nelson City Council as an AA- credit-rated Council for a 3 year committed cash advance/MOCL bank facility including any commitment or other facility related fees.

2.4 Investments

The NTRLBU needs to invest its Landfill Post Closure Cost Provisions (LPCCP) to ensure funds are available when the provision is realised and pre-purchase Carbon Credits to mitigate exposure to future price increases for Carbon. It does not participate in other equity or investments with the exception of treasury instruments. Nelson City Council manages these treasury investments in accordance with the Nelson City Council investment policy.

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- The LPCCP will be invested equally with the two Councils on call.
- The interest rate on the investment of the LPCCP shall be based on the swap mid-rate at close of business (5.00 pm) displayed on the Reuters page NZDSM3NB3Y on the review date. The review date shall be the same as for the loan facility in 2.3 above.

2.4.1 Investment of Post Closure Cost Provision

The NTRLBU will invest surplus funds set aside for Landfill Post Closure Costs equally with Nelson City Council and Tasman District Council.

2.4.2 Carbon Credit Policy – Emissions Trading Scheme

The objective of the carbon credit policy is to minimise the financial impact of movements in carbon credit unit prices under the Emissions Trading Scheme (ETS) on The Nelson Tasman Regional Landfill Business Unit (The Business Unit).

The objective requires balancing the Business Unit's NTRLBU's need for price-cost stability and protecting financial budgets along with the benefit of realising market opportunities to reduce costs if/when and manage risks as they arise.

The Business Unit recognises carbon price exposures as follows:

- Carbon liabilities related to the annual exposure of landfill emissions

Exposures become committed in January to March (quarter following the emission period as NTRLBU incurs the carbon emissions liability from the previous calendar year).

The carbon emissions liability The risk is managed under the following risk control limits.

| Period | Minimum % | Maximum % |
|------------------------|-----------|-----------|
| Committed [‡] | 80% | 100% |
| Forecast | | |
| 0-1 years | 0% | 80% |
| 1-2 years | 0% | 50% |
| 2-3 years | 0% | 30% |
| 3-5 years | 0% | 25% |

[‡] Exposures become committed on a monthly basis as obligations become known and returns are filed with the Ministry for the Environment.

| Obligation period | Compliance requirements as at (month of current year) | Minimum holding as a percentage of annual gross obligations |
|------------------------------|---|---|
| Current calendar year | by 30 June | 75% |
| | by 31 December | 100% |
| Current calendar year plus 1 | by 31 December | 50% |

The second stage of the framework is to set a minimum and maximum level of carbon units to be purchased and held by NTRLBU to cover future years as shown below:

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| <u>Period</u> | <u>Minimum unit holding</u> | <u>Maximum unit holding</u> |
|-------------------------|-----------------------------|-----------------------------|
| <u>Year 3* - Year 4</u> | <u>25%</u> | <u>50%</u> |
| <u>Year 4 - Year 5</u> | <u>0%</u> | <u>50%</u> |

* Current calendar year plus 2

The Nelson City Council General Manager Corporate Services is authorised to act on the NTRLBU's behalf as bidder in the auction in line with this policy and reporting will be to the NTRLBU.

The NTRLBU purchases units through either the quarterly auction or the secondary market. Nelson City Council is a registered participant on the Registrar of New Zealand Emissions Trading on behalf of the Business Unit and posts collateral as required at each auction. Acceptable collateral is either cash, Letter of Credit or bank guarantee.

Transactions can only be entered into with counterparties, banks and brokers that have in place suitable legal documentation. Legal documentation is reviewed by Nelson City Council's legal counsel before being executed.

Forward price transactions are limited to NZ registered banks per approved counterparties and approved ISDA documentation.

Approved financial instruments include:

New Zealand Units (NZUs) and NZ Assigned Amount Units (NZAAUs) only.

- NZU: spot and forward contracts
- NZ-AAU: spot and forward contracts

• Approved financial instruments

| | |
|--------------------------------|---|
| <u>Carbon price management</u> | <u>Units that are accepted by the Crown to settle obligations under the New Zealand Emissions Trading Scheme.</u> |
|--------------------------------|---|

Approved financial instruments are transacted with NZ registered banks per approved counterparties and approved legal documentation. Financial instruments must be transacted under Council approved legal documentation.

The actual annual carbon credit cost for The Business Unit should be no worse than the budgeted carbon credit cost for that year.

Transactions entered into based on this policy need to comply with the The Business Unit's delegation of authority policy with ultimate responsibility sitting with the Councils.

3 Management Responsibilities

- 3.1 Day to day treasury management for the NTRLBU is carried out by the Nelson City Council on behalf of the NTRLBU Joint Committee for both Councils. This includes regular financial reporting to the NTRLBU joint committee. This management is carried out in accordance with and under the Nelson City Council's policies and procedures.
- 3.2 The NTRLBU core debt, if required, is split evenly and funded by each council separately. This debt is reported and managed as part of each council's activities. This management including risk management is carried out under the respective councils own Treasury Policies.
- 3.3 The NTRLBU borrowing programme is included in the NTRLBU Strategic and Business Plans which are separately reviewed by each council and approved as part of their Annual Plan and Ten Year Plan process.



Nelson Tasman Regional Landfill Business Unit

8 October 2021

Report Title: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

Report Author: Nathan Clarke - General Manager Regional Sewerage and Landfill

Report Number: R26180

1. Purpose of Report

- 1.1 This report is to provide a summary of the annual performance of the Nelson Tasman Regional Landfill Business Unit (NTRLBU).

2. Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21 (R26180) and its attachment (A2733183); and***
- 2. Approves the Nelson Tasman Regional Landfill Business Unit 2020/21 Annual Report R26180 (A2760709) and Nelson Tasman Regional Landfill Business Unit – Annual Financial Statements 2020/21 (A2733183) for presentation to Nelson City Council and Tasman District Council with delegation of all minor amendments to the Nelson Tasman Regional Landfill Business Unit Chairperson and General Manager.***

Recommendation to Nelson City Council and Tasman District Council

That the Nelson City Council and Tasman District Councils

- 1. Receive the Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21 R26180 (A2760709) and its attachment, the Nelson Tasman Regional Landfill Business Unit – Annual Financial Statements 2020/21 (A2733183).***

3. Summary

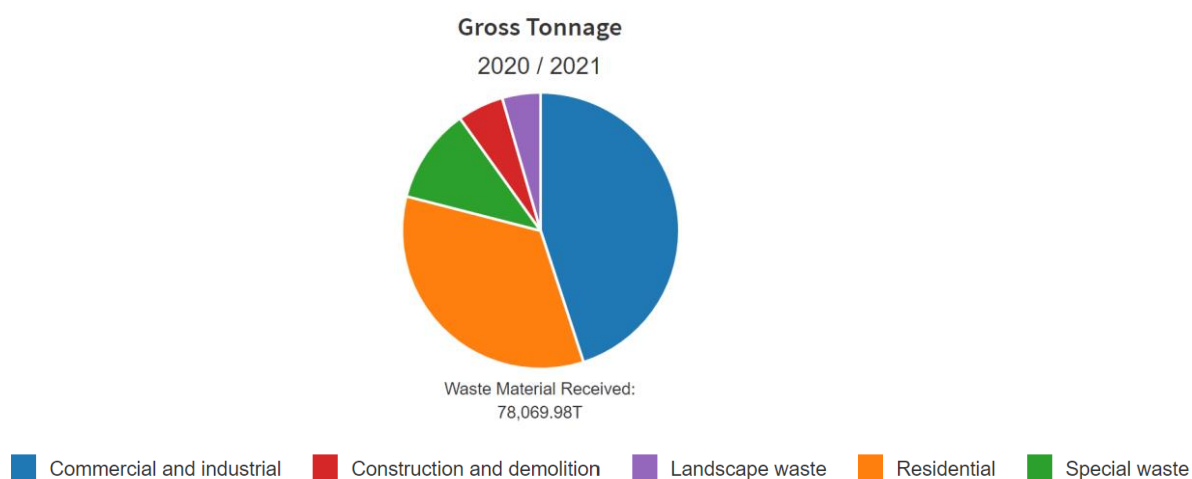
- 3.1 This annual review outlines what has been achieved by the NTRLBU in the 2020/21 financial year and its level of performance against Key Performance Indicators.
- 3.2 There were no significant safety issues or incidents during the year, although there was one injury.
- 3.3 A gas hazard was identified at the Eves Valley Landfill and actions were implemented to collect and destroy gas escaping from the landfill. This work is being implemented.
- 3.4 NTRLBU received an abatement notice during the year (July 2020), regarding stormwater sediment discharges at York Valley. NTRLBU has embarked on stormwater upgrades to remedy this issue.
- 3.5 NTRLBU had a net surplus of \$757,025 for the 2020/21 financial year, excluding gains on revaluation.
- 3.6 This surplus results from a decision made during the March 2020 COVID 19 lockdown to adopt a conservative waste volume to accommodate an expected decrease in economic productivity. This reduction in economic productivity did not eventuate to the extent expected.

4. Discussion

- 4.1 The York Valley landfill ran effectively during the year, with 78,000 tonnes of waste being received.
- 4.2 Safety on the site was a focus during the year. Several safety improvements were made, including improved PPE for managing wire removal from the compactor wheels, and a trial to reduce risks associated with the large container bins, and fire detection and firefighting improvements being started.
- 4.3 There were a number of low-level incidents (cut fingers) which led to PPE improvements.

Item 8: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

- 4.4 One incident occurred that required the staff member to get checked out at hospital. This involved waste falling from the compactor bins when the bin doors were being opened at the landfill. NTRLBU investigated the incident and has commenced a trial of an alternative hinging arrangement on the rear doors to see whether this could mitigate this risk without incurring other disadvantages.
- 4.5 Financially the landfill has performed well with operating surplus being generated.
- 4.6 The Activity Engineer for NTRLBU resigned at the end of the 2020/21 year. NTRLBU remains very constrained in terms of resource capacity.
- 4.7 The Activity Management Plan (AMP) for NTRLBU for 2021-2031 was completed and adopted by both councils.
- 4.8 Landfill airspace calculation has been refined and it is now clear that there is just over 800,000 m³ of airspace available. Airspace is consumed at a rate of around 100,000m³ per year, giving a remaining life of eight years.
- 4.9 Landfill stability is in the process of being reviewed and the initial indications are that the leachate system needs to be rebuilt and additional mass is required at the toe of the landfill to meet the required landfill stability under the resource consent. Without stability improvement works being undertaken, the current airspace allowance will need to be further reduced.
- 4.10 Waste mass entering the landfill has remained above the projected rate with 78,000 Tonnes of waste during the 2020/21 year. A pie chart showing the distribution of the type of waste is shown below.



5. Performance Measured Against Business Objectives and Performance Measures

- 5.1 The objectives outlined below describe the long term aims of the business unit. Performance measure targets and dates (where they are not specified below) are set annually in the Business Plan, along with performance measures for projects identified in the Activity Management Plan. Performance is reported to the Joint Committee and to the shareholding councils annually.
- 5.2 Table 3.1 below outlines the 2020/21 Business Objectives and the performance assessed against these objectives.

| Long Term Objectives | Key Performance Measures | Performance Achieved |
|--|--|--|
| <i>Landfill capacity is available to receive solid waste generated within the Nelson Tasman region.</i> | | |
| At least five years' capacity of consented landfill is available. Adequate planning has been completed and agreed to before the five-year wind down period begins at York Valley. | Report the available landfill airspace annually (in terms of years remaining). | Achieved – eight years capacity remaining. A team is beginning work on the new resource consent options. Work is being undertaken to extend the capacity of York Valley Gully 1 |
| | Review the Landfill Development Plan by 30 June 2021. | Achieved – Development plan included in AMP and 10-year budgets |
| | Complete actions required by Landfill Development Plan for 2021/2022 period. | N/A |
| The available airspace at the landfill is used efficiently. | Airspace consumption of 1.23m ³ per tonne of residual waste received is maintained or improved. | Airspace use measured between July 2020 and 18 July 2021 is 1.18 m ³ per tonne which is better than the contracted density. Also considering changed charging, and the use of Eves Valley Stage 2 remaining capacity for HAIL Material. |

Item 8: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

| <i>Disposal to landfill is efficient and cost effective</i> | | |
|---|--|---|
| Disposal to landfill is cost effective for users. | Regularly monitor and review financial performance. Levels of Service (as per Appendix B) are met, and budgets (as per current Business Plan) are met. | Achieved - The landfill ran at a surplus during the 2020/21 year. Costs will continue to increase due to increasing regulatory costs. |
| The economic lives of all assets are optimised. | Three yearly internal audit of asset management practices confirms this. | Achieved - A review of the assets and their valuation has been undertaken during 2020/21 as part of the AMP development. |
| Consider and use new technology where it will provide benefit. | Report on technology considerations annually and identify and recommend new technology choices that are reliable and increase efficiency (and/or reduce cost). | Achieved - Ongoing assessment of the use of technology is being undertaken. Improvements are being made regarding litter control, fire detection, Waste auditing and stormwater management. Further work is required in 21/22 for waste diversion, waste destruction technologies and alternative uses of waste material as part of the option review for future landfill options. |
| <i>Risks associated with the services provided are identified and mitigated.</i> | | |
| Risk management plans include all significant health and safety, environmental, cultural, social, economic and contractual risks. | No event, which impacts on agreed levels of service, occurs that has not been identified in the NTRLBU risk management plans. | A review of the risk matrix was undertaken during the AMP development. Additional risk management is being implemented regarding fire management in combination with Fire and Emergency NZ. Seismic stability risks for York Valley Landfill are in the process of being reviewed, with mitigation actions being developed. |
| Contingency plans adequately address emergency events. | Review Risk and Contingency plan for NTRLBU by 30 June 2021. | Achieved – Review identified that the risk assessment scale is different to the |

Item 8: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

| | | |
|---|---|--|
| | | standard NCC scale and therefore NTRLBU will need to revise the risk assessments using the NCC assessment scale. |
| | Review the effectiveness of the Landfill Management Plan following incidents, which require activation of the contingency plan, from 1 July 2020 and provide an incident report in the next Quarterly General Manager's report. | Achieved - Initial review of the Landfill Management Plan has been undertaken, and issues with landfill management are reported to the NTRLBU board Quarterly. |
| <i>Performance Monitoring</i> | | |
| The Board and key stakeholders are kept well-informed about performance of the NTRLBU. | All agreed reports (as per Appendix A) are issued on time. | Achieved. Notification is given to Board Chair when unexpected events occur, and this is followed up in the General Manager's quarterly reports. |
| Those engaged with the NTRLBU have the right skills, experience, and support to perform well. | The Joint Committee reviews its performance as part of its annual report. | Not Undertaken. Staffing levels with NTRLBU are below required levels. Additional capacity is required in order to achieve the outcomes included in the development plan. |
| All activities are planned and agreed. | The AMP is reviewed every three years. | Achieved - The AMP was revised, and the development plan and funding incorporated into the AMP |
| <i>NTRLBU operates sustainably and endeavours to remedy or mitigate any adverse environmental, social, or cultural impact</i> | | |
| NTRLBU minimises adverse environmental, social, and cultural impacts. | Environmental, social, and cultural impacts are considered in decision making. | Achieved. NTRLBU received an abatement notice for stormwater discharge, and has applied for a stormwater consent variation, and has commenced construction of improved stormwater management facilities. In addition, NTRLBU has improved its litter |

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| | | |
|---|---|---|
| | | management and fire management processes. Carbon emissions are being reduced both at York Valley and Eves Valley. |
| NTRLBU identifies waste minimisation opportunities. | Report quarterly regarding waste minimisation opportunities. | Achieved - NTRLBU has supported the development of battery diversion within the Nelson Tasman Region. |
| | Report annually on NTRLBU waste minimisation and emission opportunities and mitigation. Annual Business Plan shall include an outline of the actions NTRLBU is proposing in regard to waste minimisation, and the costs associated with these. | NTRLBU is undertaking a trial on waste sorting and diversion from York Valley, and is also implementing diversion of HAIL material from York Valley landfill to Eves Valley landfill. |
| <i>Climate change effects are managed responsibly</i> | | |
| NTRLBU measures the greenhouse gas emissions of landfill activities. | The composition of incoming waste is assessed annually, commencing December 2020. | Achieved – A swap analysis was undertaken during the 20/21 year. |
| | The emissions from the York Valley Landfill are assessed and reported annually, commencing June 2021. | The annual emissions from the Eves Valley closed landfill are estimated commencing June 2021. A flare, flow meter and gas analyser are currently being installed at Eves Valley to determine the actual gas volumes and to allow emissions assessment. |
| NTRLBU reduces the greenhouse gas emissions rate for landfill activities. | A target for emissions per tonne of waste is established by June 2021 and reviewed annually. | The NTRLBU will annually assess the business case for reducing emissions from landfill operations, including the reduction of high emissions waste and the improved capture of landfill gas. Eves valley flare and enclosed flare at York Valley are currently being installed. |
| | The NTRLBU will annually report on and consider applying for a Unique Emissions Factor for landfill operations. | |
| NTRLBU mitigates its greenhouse gas emissions. | NTRLBU emission mitigation plan drafted by end of FY 2020/21. | NTRLBU emission mitigation review each year in advance of annual business plan preparation. |
| | Activities associated with the emissions mitigation plan for | |

Item 8: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

| | | |
|---|--|---|
| | 2021/2022 FY are implemented. Mitigation methods outlined in the annual Business Plan for NTRLBU board consideration. | |
| <i>Good relationships are maintained with all stakeholders</i> | | |
| Shareholders are satisfied with the strategic direction and the economic performance of the business unit. | All business plans are approved by shareholders. | Achieved - NTRLBU operated at a surplus for the 2020/21 year. Capital works budgets were, however, underspent and capex funding will need to be carried over to 2021/22 financial year. |
| Good relationships are maintained with all stakeholders including owners, iwi, customers, contractors, neighbours, and the wider community. | All complaints or objections are addressed promptly. Up to date information on activities and achievements are publicly available. Regularly engages with: Customers Owners Iwi RMA practitioners and other stakeholders. | Achieved. One complaint was received regarding litter from a neighbour, actions have been implemented to improve litter management. Three odour notifications were received from a neighbour. Odour will be addressed with the improved gas management systems being developed as part of the Carbon Emission plan. |
| NTRLBU will encourage education about waste management and minimisation. | Information will be published at least annually, and up to date information will be available regarding NTRLBU activities. | Achieved. Up-to-date information is available regarding NTRLBU performance and activities, however the proposed website has not been commenced. |
| <i>All statutory obligations are met</i> | | |
| All statutory obligations are identified and met and are included in contracts with suppliers. | 100% compliance with all statutory obligations. | An abatement noticed was received in regard to stormwater discharges. Monitoring reporting at Eves Valley landfill was found to have been overlooked in the |

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| | | |
|--|---|--|
| | | transition between TDC/NCC and NTRLBU. This is being resolved. All other requirements have been met. |
| All resource consent requirements are met. | 100% compliance with all resource consents. All applications for resource consents are approved. | Issues have been found where consents were in the name of TDC and therefore were not being focused on by NTRLBU. These consents will be transferred to NTRLBU and monitored and reported on by NTRLBU. |

6. Financial Performance

- 6.1 The NTRLBU Annual Financial Statements for the year ended 30 June 2021 are appended to this report (A2733183). A summary of NTRLBU financials for the 20/21 financial year is shown in the comprehensive revenue and expense table below.

| NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT | | | | | |
|---|------|-------|-------------------|-------------------|--------------------|
| Statement of Comprehensive Revenue and Expense | | | | | |
| For the year ended 30 June 2021 | | | | | |
| | | Notes | Actual 2020/21 | Budget 2020/21 | Actual 2019/20 |
| Revenue | | | \$ | \$ | \$ |
| Landfill fees | | | 11,616,099 | 10,404,976 | 9,984,789 |
| Other Recoveries | | | 50,148 | 50,000 | 61,643 |
| Grants received | | | 275,288 | - | 13,625 |
| Interest | | | 7,912 | 47,000 | 45,990 |
| Total Revenue | | | 11,949,448 | 10,501,976 | 10,106,047 |
| Less Expenses | | | | | |
| Management costs | | | 372,252 | 164,317 | 345,308 |
| Bad Debts | | | - | - | - |
| Insurance | | | 4,566 | 5,250 | 5,633 |
| Depreciation | 6 | | 220,432 | 275,000 | 293,721 |
| Impairment | | | 264,709 | - | 195,925 |
| Operations & Maintenance | | | 1,713,076 | 2,000,503 | 1,362,283 |
| Post-closure provision | 4 | | 379,707 | 83,000 | 3,026,799 |
| Emissions Trading Scheme | | | 2,391,598 | 2,182,500 | 995,047 |
| Waste Levy | | | 780,736 | 700,000 | 705,326 |
| Local Disposal Levy | | | 4,800,000 | 4,800,000 | 4,800,000 |
| Consultancy | | | 216,202 | 45,000 | 141,884 |
| Sundry | | | 49,147 | 45,406 | 39,436 |
| Total Expenses | | | 11,192,423 | 10,300,976 | 11,911,362 |
| Net Surplus | | | 757,025 | 201,000 | (1,805,315) |
| Other Comprehensive Revenue and Expense | | | | | |
| 1 July adjustment of Property, Plant and Equipment | 1(a) | | - | - | - |
| Gain on revaluations of Property, Plant and equipment | 1(b) | | 158,000 | - | - |
| Total Comprehensive Revenue and Expense | | | 915,025 | 201,000 | (1,805,315) |

- 6.2 Total revenue was greater than budget with a revenue of \$11,949,448 compared to budget of \$10,404,976.

Item 8: Nelson Tasman Regional Landfill Business Unit Annual Report 2020-21

- 6.3 Total expenditure was greater than budget with total expenses of \$11,192,423 compared to a budget of \$10,300,976.
- 6.4 NTRLBU had a surplus, excluding revaluation gains of \$727,025.
- 6.5 Expenses were increased due to:
 - 6.5.1 Increased management costs associated with external consultants supporting the development of the AMP, asset valuations and project development of the landfill development plan and airspace plans.
 - 6.5.2 Post closure provisions - The assessed current cost of closure has increased by \$296,707, due to the revised landfill capacity. The revised landfill capacity has reduced the landfill life to eight years, resulting in an additional impairment compared to 2019/20.
 - 6.5.3 The impairment of \$264,709 of landfill infrastructure is largely due to the assessed shortened life of York Valley. This assessment is based on measured airspace available, assessed future volumes and compaction rates.
- 6.6 Management costs were \$207,935 above budget, due to the use of management consultants for most of the financial year.
- 6.7 Operations and Maintenance costs were \$287,000 below budget.
- 6.8 Emission trade scheme costs were \$209,000 above budget, due to increased waste mass compared to budget, and due to less gas use by Pioneer Energy due to a more efficient burner on the Hospital Boiler. The Unique Emissions Factors (UEF) application was successful and maintained the UEF at the 2019/20 level.
- 6.9 Consultancy costs were \$171,000 above budget due to assistance with AMP preparation, Airspace investigations stability review works, resource consent applications and stormwater investigations.
- 6.10 Expenses were offset by the increase revenue arising from greater than budgeted landfill volumes.

7. Conclusion

- 7.1 The 2020/21 year has been a year that has included a significant amount of change and development for the York Valley landfill.
- 7.2 A number of areas requiring improvement were discovered during the year. Improvements to this are being implemented, including gas collection at Eves Valley landfill, litter management at York Valley landfill, gas destruction improvements at York Valley Landfill, and improved fire management at York Valley landfill.

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- 7.3 Several of these projects were started during the year and have yet to be completed. The funding for these projects will need to be carried over into 2021/22.

Author: Nathan Clarke, General Manager Regional Sewerage and Landfill

Attachments

Attachment 1: A2733183 NTRLBU Annual Financial Statements 2021 [↓](#)

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

ANNUAL FINANCIAL STATEMENTS

For the Year ended 30 June 2021

A2733183

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Representatives for year ended 30 June 2021

Representing Nelson City Council

Cr J Edgar (Chairperson)

Cr K Fulton (to 11 September 2020)

Cr B McGurk (11 September 2020 to 14 May 2021)

Cr M Courtney (from 14 May 2021)

Representing Tasman District Council

Cr T. Walker (Deputy Chairperson)

Cr S Byrant

Iwi representative

Andrew Stephens

Principal Administration Office

C/- Nelson City Council

110 Trafalgar St

Nelson

Bankers

Nelson City Council

110 Trafalgar St

Nelson

NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Statement of Accounting policies

For the year ended 30 June 2021

Reporting Entity

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

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

The financial statements of the Business Unit are for the year ended 30 June 2020. The financial statements were authorised for issue by the Committee on the 3rd September 2021.

Basis of Preparation

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

Statement of compliance

The financial statements of the Business Unit have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

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

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

Measurement base

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

Functional and presentation currency

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

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Summary of Significant Accounting Policies

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

a) Revenue

Revenue is measured at the fair value.

Interest income is recognised using the effective value method.

Exchange and non-exchange transactions

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

b) Borrowing Costs

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

c) Trade and other receivables

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

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

d) Trade and other payables

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

e) Provisions

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

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f) Borrowings

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

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

g) Income tax

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

h) Goods and Services Tax

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

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

i) Distribution Policy

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

j) Property, Plant and Equipment

There are four categories of Property, Plant and Equipment:

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

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Revaluation of property plant and equipment

- Land is reviewed annually and revalued at market value every five years or if there is a material movement. The latest valuation was conducted as at 30 June 2021 by QV Valuations.

- Infrastructural assets are valued annually internally at depreciated replacement cost by Council engineers. The valuation methodology has been peer reviewed by WSP New Zealand Ltd and revaluations are updated annually. Work in progress is recognised at cost less impairment and is not depreciated.

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

Post-closure costs

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

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

Additions

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

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

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

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k) Depreciation

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

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

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

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

l) Other financial assets

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

m) Budget figures

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

n) Critical accounting estimates and assumptions

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

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NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Statement of Comprehensive Revenue and Expense****For the year ended 30 June 2021**

| | Notes | Actual 2020/21 | Budget 2020/21 | Actual 2019/20 |
|---|-------|-------------------|-------------------|--------------------|
| Revenue | | \$ | \$ | \$ |
| Landfill fees | | 11,616,099 | 10,404,976 | 9,984,789 |
| Other Recoveries | | 50,148 | 50,000 | 61,643 |
| Grants received | | 275,288 | - | 13,625 |
| Interest | | 7,912 | 47,000 | 45,990 |
| Total Revenue | | 11,949,448 | 10,501,976 | 10,106,047 |
| Less Expenses | | | | |
| Management costs | | 372,252 | 164,317 | 345,308 |
| Bad Debts | | - | - | - |
| Insurance | | 4,566 | 5,250 | 5,633 |
| Depreciation | 6 | 220,432 | 275,000 | 293,721 |
| Impairment | | 264,709 | - | 195,925 |
| Operations & Maintenance | | 1,713,076 | 2,000,503 | 1,362,283 |
| Post-closure provision | 4 | 379,707 | 83,000 | 3,026,799 |
| Emissions Trading Scheme | | 2,391,598 | 2,182,500 | 995,047 |
| Waste Levy | | 780,736 | 700,000 | 705,326 |
| Local Disposal Levy | | 4,800,000 | 4,800,000 | 4,800,000 |
| Consultancy | | 216,202 | 45,000 | 141,884 |
| Sundry | | 49,147 | 45,406 | 39,436 |
| Total Expenses | | 11,192,423 | 10,300,976 | 11,911,362 |
| Net Surplus | | 757,025 | 201,000 | (1,805,315) |
| Other Comprehensive Revenue and Expense | | | | |
| 1 July adjustment of Property, Plant and Equipment | 1(a) | - | - | - |
| Gain on revaluations of Property, Plant and equipment | 1(b) | 158,000 | - | - |
| Total Comprehensive Revenue and Expense | | 915,025 | 201,000 | (1,805,315) |

Statement of Changes in Equity**For the year ended 30 June 2021**

| | | | |
|---|------------------|----------|------------------|
| Equity at the start of Year | | | |
| Opening Equity | - | - | - |
| Plus net assets transferred from owners | 4,523,312 | - | 6,228,000 |
| Plus Total Comprehensive Revenue and Expense for the year | 915,025 | - | 219,031 |
| Equity at the end of Year | 5,438,337 | - | 6,447,031 |

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

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

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NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Statement of Financial Position****as at 30 June 2021**

| | Notes | Actual 30-Jun-20 \$ | Actual 30-Jun-20 \$ |
|--|-------|---------------------------|---------------------------|
| Equity | | | |
| Accumulated Funds | 1(a) | 5,280,337 | 4,523,312 |
| Revaluation reserve | 1(b) | 333,700 | 175,700 |
| Total Equity | | <u>5,614,037</u> | <u>4,699,012</u> |
| This was represented by: | | | |
| Current Assets | | | |
| Nelson City Council Current Account | | 657,350 | 2,341,803 |
| Trade and other receivables from exchange transactions | | 749,963 | 572,537 |
| Inter-entity receivables from exchange transactions | 5 | 384,744 | 338,700 |
| Inter-entity other financial assets | | 3,448,017 | 3,440,105 |
| Emissions Trading Scheme (ETS) Credits | | <u>4,007,362</u> | <u>1,979,862</u> |
| Total Current Assets | | <u>9,247,436</u> | <u>8,673,007</u> |
| Current Liabilities | | | |
| Trade Payables from exchange transactions | | - | - |
| Sundry Creditors and other payables from exchange transactions | | 863,874 | 1,163,738 |
| Inter-entity payables from exchange transactions | 5 | 1,098,271 | 851,596 |
| Current portion of Provisions | | <u>527,434</u> | <u>325,200</u> |
| Total Current Liabilities | | <u>2,489,579</u> | <u>2,340,534</u> |
| Net Working Capital | | <u>6,757,857</u> | <u>6,332,473</u> |
| Non Current Assets | | | |
| Property, plant and equipment | 6 | <u>5,931,870</u> | <u>5,373,857</u> |
| Total Non Current Assets | | <u>5,931,870</u> | <u>5,373,857</u> |
| Non Current Liabilities | | | |
| Provisions | 4 | <u>7,075,690</u> | <u>7,007,318</u> |
| Total Non Current Liabilities | | <u>7,075,690</u> | <u>7,007,318</u> |
| Net Assets | | <u>5,614,037</u> | <u>4,699,012</u> |

For and on behalf of the Nelson Tasman Regional Landfill Business Unit

Chair

General Manager

Date 3rd September 2021

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

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NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT**Statement of Cash Flows**
For the year ended 30 June 2021

| | Notes | 2020/21 \$ | 2019/20 \$ |
|---|-------|---------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | | 11,670,258 | 10,036,906 |
| | | <u>11,670,258</u> | <u>10,036,906</u> |
| Payments to suppliers | | (5,642,057) | (2,845,069) |
| Payments of Local Disposal levy | | (4,800,000) | (4,800,000) |
| | | <u>(10,442,057)</u> | <u>(7,645,069)</u> |
| Net Cash Flows from Operating Activities | 3 | <u>1,228,201</u> | <u>2,391,837</u> |
| Cash Flows from Investing Activities | | | |
| Purchase of property, plant and equipment | | (885,155) | (62,331) |
| Purchase of carbon Credits | | (2,027,500) | (724,000) |
| Net Cash from Investing Activities | | <u>(2,912,655)</u> | <u>(786,331)</u> |
| Cash Flows from Financing Activities | | 0 | 350,000 |
| Net Cash from Financing Activities | | 0 | 350,000 |
| Net Increase/(Decrease) in cash and cash equivalents | | <u>(1,684,453)</u> | <u>1,955,506</u> |
| Cash and cash equivalents at beginning of the year | | 2,341,803 | 386,297 |
| Cash and cash equivalents at the end of year | | <u>657,350</u> | <u>2,341,803</u> |

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NELSON TASMAN REGIONAL LANDFILL BUSINESS UNIT

Notes to and forming part of the Financial Statements

for the year ended 30 June 2021

| | 2020/21 | 2019/20 |
|--|------------------|------------------|
| | \$ | \$ |
| 1 Equity | | |
| The Business Unit is jointly owned by the Nelson City Council and the Tasman District Council. | | |
| 1(a) Accumulated Funds | | |
| Opening Balance | 4,523,312 | 6,328,627 |
| Net Surplus / (Deficit) | 757,025 | (1,805,315) |
| Closing Balance | <u>5,280,337</u> | <u>4,523,312</u> |
| 1(b) Revaluation Reserve | | |
| Opening Balance | 175,700 | 175,700 |
| Revaluation Movements | | |
| Land revaluation | 158,000 | 0 |
| Landfill network revaluation | 0 | 0 |
| Total Revaluation Movement | <u>158,000</u> | <u>0</u> |
| Transfer to accumulated funds on disposal of property | 0 | 0 |
| Closing Balance | <u>333,700</u> | <u>175,700</u> |
| Balance held as follows:- | | |
| Land | 333,700 | 175,700 |
| Landfill network | 0 | 0 |
| Total Revaluation Reserve | <u>333,700</u> | <u>175,700</u> |

2 Term Loans

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

Interest rates payable range was 1.455% to 1.455% with a weighted average of 1.455%. (For 2019/20 the range was 2.58% to 1.775% with a weighted average of 2.379%).

A working capital facility exists with Nelson City with interest rates payable on the same rate as the core funding facility. At 30 June the facility had a credit balance of \$657,350 (2019 \$2,341,0803 Cr).

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3 Related party transactions

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

4 Provisions

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

5 Inter-entity payables from exchange transactions

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

6 Property, plant and equipment continued - further disclosures

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

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

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

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

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6 Property, plant and equipment

| | Land | Buildings | Landfill Network | Improvements | Post Closure Cost | Total |
|--|-----------|-----------|---------------------|--------------|----------------------|-----------|
| Valuation / Cost | | | | | | |
| Balance June 2019 | 1,049,500 | 27,422 | 4,301,781 | 94,324 | 853,039 | 6,326,066 |
| Additions 2020 | - | - | 49,105 | 13,226 | - | 62,331 |
| Impairment June 19 | - | - | (195,925) | - | - | 195,925 |
| Revaluation 2020 | - | - | - | - | - | - |
| Revaluation transfer 2020 | - | - | (192,797) | - | - | 192,797 |
| Balance June 2020 | 1,049,500 | 27,422 | 3,962,163 | 107,550 | 853,039 | 5,999,675 |
| Additions 2021 | - | - | 871,928.00 | 13,226.00 | - | 885,154 |
| Impairment June 21 | - | - | (264,709) | - | - | (264,709) |
| Revaluation 2021 | 158,000 | - | 0 | - | - | 158,000 |
| Revaluation transfer 2021 | - | - | (208,568) | - | - | (208,568) |
| Balance June 2021 | 1,207,500 | 27,422 | 4,360,814 | 120,776 | 853,039 | 6,569,552 |
| Accumulated Depreciation | | | | | | |
| Balance June 2019 | - | 4,491 | - | 12,212 | 508,190 | 524,893 |
| Depreciation charge 2020 | - | 3,326 | 192,797 | 7,502 | 90,096 | 293,721 |
| Revaluation transfer 2020 | - | - | 192,797 | - | - | 192,797 |
| Balance June 2020 | - | 7,817 | - | 19,714 | 598,286 | 625,817 |
| Depreciation charge 2021 | - | 3,360 | 208,568 | 7,466 | 1,038 | 220,432 |
| Revaluation transfer 2021 | - | - | 208,568 | - | - | 208,568 |
| Balance June 2021 | - | 11,177 | - | 27,180 | 599,324 | 637,681 |
| Carrying amounts | | | | | | |
| Balance June 2020 | 1,049,500 | 19,605 | 3,962,163 | 87,836 | 254,753 | 5,373,857 |
| Balance June 2021 | 1,207,500 | 16,245 | 4,360,814 | 93,597 | 253,715 | 5,931,870 |
| Work in Progress (Included above) | | | | | | |
| Property, plant and equipment in the course of construction by class of assets is detailed below | | | | | | |
| Balance June 2020 | - | - | - | - | - | - |
| Balance June 2021 | - | - | 522,987 | - | - | 522,987 |

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7 Financial Instruments

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

a) Credit Risk

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

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| | \$ | \$ |
| Nelson City Council Current Account | 657,350 | 386,297 |
| Accounts Receivable | 1,134,707 | 814,391 |
| Inter-entity deposits | 3,448,017 | 3,394,115 |
| No collateral is held on the above accounts | | |

b) Concentration

Concentrations of credit risk with respect to accounts receivable is moderate, with Nelson City Council, Tasman District Council and four private users as major customers and 70 minor customers. However, the Councils and major Customers are all considered high credit quality entities.

c) Currency Risk

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

d) Fair value interest rate risk

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

8 Statement of Contingent Assets and Contingent Liabilities

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

9 Statement of Commitments

The Business Unit has capital commitments of \$1,337,500 as at 30 June 2021. (2020 \$85,040).

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-------------|-------------|
| Operating Leases as lessor | | |
| Less than one year | - | - |
| One to Five years | - | - |
| Over five years | - | - |

10 Subsequent events

There are no material adjusting events after balance date.

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11 Explanation of major variances against budget

Explanations for major variations from the Nelson Tasman Regional Landfill Business Unit's 2020/21 Budget are as follows:

Statement of Comprehensive Revenue and Expense

Total Revenue is \$1,447,000 more than budget due to higher tonnage of waste received and recognition of Provincial Growth Fund grants.

Total expenses are \$891,000 more than budget as a result of increased provision for post closure costs of \$297,000, Impairment of landfill infrastructure of \$265,000, Emissions Trading Scheme costs of \$209,000, Management costs of \$208,000 Consultancy costs of \$171,000, and Waste levy of \$81,000.

The change in the provision for post closure costs is largely due to assessed increased costs of closure and a reduction in the remaining life of the York Valley landfill less the effect of an increase in the discount rate used to calculate the Net Present Value of the closure costs. The impairment of the Landfill infrastructure is due to the reduced economic life of York Valley as well as impairment of the road access.

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Nelson Tasman Regional Landfill Business Unit

8 October 2021

Report Title: Nelson Tasman Regional Landfill Business Unit Quarterly Report

Report Author: Nathan Clarke - General Manager Regional Sewerage and Landfill

Report Number: R26184

1. Purpose of Report

- 1.1 This report is a quarterly update by the General Manager (GM) on activities undertaken to 30 June 2021 by the Nelson Tasman Regional Landfill Business Unit (NTRLBU).

2. Recommendation

That the Nelson Tasman Regional Landfill Business Unit

- 1. Receives the report Nelson Tasman Regional Landfill Business Unit Quarterly Report (R26184); and***
- 2. Approves the delay in the submission of the Nelson Tasman Regional Landfill Business Unit Draft Business Plan 2022/2023, until December 2021 to align with the delivery dates of the Nelson Regional Sewerage Business Unit.***

3. Background

- 3.1 Operations are generally running well, with three minor safety incidents during the period.
- 3.2 Stormwater upgrades have commenced, with the new stormwater discharge consent and earthworks consents for the first section of the

Item 9: Nelson Tasman Regional Landfill Business Unit Quarterly Report

work being granted, however rainfall has significantly delayed construction progress.

- 3.3 Waste volumes remain at a high level, with the NTRLBU finances to the end of 2020/21 resulting in surplus of greater than \$700,000, due to the higher than budgeted waste volumes.

4. Health and Safety

- 4.1 Three minor incidents have occurred at the York Valley Landfill (YVL) during the period, with one being a strain during manual work, the second being a trip on debris, and the third being a landfill operator not wearing a seatbelt.
- 4.2 Review of the incidents has been undertaken, an updated emphasis on manual handling activities was implemented at the toolbox meetings, and discussion was held regarding how to improve footing on the landfill surface when working.
- 4.3 An external health and safety (H&S) review has been undertaken on the safety planning for the stormwater construction projects.
- 4.4 This external review found some areas for improvement which have been further developed in conjunction with the O&M contractor. NTRLBU will continue to use the external H&S reviewer to review H&S planning during construction works on the sites.
- 4.5 A second external review has been undertaken to check that performance improvements had been made following the initial review. A significant improvement in documentation was identified during the follow up review.
- 4.6 The number of small battery fire incidents at YVL has remained reasonably constant with fire management procedures being effective.
- 4.7 In order to reduce the number of fires caused by lithium-ion batteries NTRLBU has been working in collaboration with NCC and TDC solid waste team to implement battery acceptance facilities. NTRLBU has agreed to fund the cost of storage containers in which to safely store the batteries received at each of the councils' customer service centres. This service is due to commence shortly with communication plans being developed by NCC.
- 4.8 NTRLBU is installing thermal imaging cameras and a pressurised water supply so that fires can be identified after hours and water is on hand if necessary, to fight a fire. This work is underway but has not yet been completed.

5. NTRLBU Activities

- 5.1 It has been a very busy period for the NTRLBU staff, and there have been several issues and projects that have needed to be managed in addition to the normal operations.
- 5.2 Stormwater management.
 - 5.2.1 New resource consents for stormwater discharge and earthworks have been applied for and granted during this period. These consents allow the construction of the new Stormwater Retention Pond 3 (SRP3) and include NTRLBU being allowed to use chemical flocculant in the stormwater system to reduce sediment in the stormwater discharge.
 - 5.2.2 The construction of SRP3 has commenced, with rain delaying the construction.
 - 5.2.3 The design of SRP1 and the upgraded eastern side stormwater drains has been completed, and construction is due to start on this section when the weather allows.
 - 5.2.4 The earthworks consent for the eastern side stormwater system, the new wheel wash, the road realignment work, and the Stormwater Retention Pond 1 (SRP1) have been granted.
 - 5.2.5 A “global” earthwork consent for the site has been developed that will allow NTRLBU to undertake the necessary earthworks required for its operations. This will reduce the requirement for individual earthworks consent applications for each new activity we undertake on the YVL.
- 5.3 Gas management and due diligence on the hospital boiler and gas management system has been ongoing, however further work is required prior to a recommendation being made to the NTRLBU board. NTRLBU has engaged an external consultant to assist with progressing this work.
- 5.4 Changes to the NTRLBU Treasury policy have been discussed to allow NTRLBU to buy sufficient NZETS credits to allow effective management in the future. This is discussed in more detail in report R25894 (Nelson Tasman Regional Landfill Business Unit Treasury Policy 2021 and Carbon Position) prepared by the management accountant representing NTRLBU. This report is an item on the current agenda.
- 5.5 Site control and automation improvements: The automation improvements on the site have been ongoing, however these have not been completed. At present due to time limitations the weighbridge software upgrade has not commenced, and the new website has not commenced, external support is being sought to get these projects to progress. These projects are expected to be completed by the end of the 2021 calendar year.

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- 5.6 Landfill airspace and landfill stability review. Ongoing work has been undertaken to identify increased airspace and work on improvements to long term landfill stability. This work has resulted in the identification of some issues with the landfill that should be mitigated if the current filling continues without changes. A concept design has been prepared to allow improvements to the landfill leachate system which will also improve overall landfill geotechnical stability. These concept design have been used to develop the 2022/2023 Business Plan funding. Further work is required to prepare detailed designs for these issues.
- 5.7 The visual screening project at Eves Valley Stage 3 has been completed, with all 4,700 plants now planted.
- 5.8 NTRLBU has significantly reduced the volume of cover fill material being accepted on the site and has commenced using cover material from onsite, however prolonged rainfall has required granular material to be bought to site to avoid vehicles getting stuck.

6. Odour Management

- 6.1 No odour notifications were received this period.

7. Litter Management

- 7.1 The first mobile catch fence has been manufactured and has arrived on site. This fence is working effectively, and additional fences are being fabricated.
- 7.2 Additional actions will be required to provide boundary catch fencing at key areas of the site so that NTRLBU not only reduces the litter production using proactive controls, but also have more than one layer of litter containment. It is expected that this will significantly improve litter management on the site.

8. Emission management

- 8.1 Gas management work have commenced at Eves Valley landfill with the pipework, electrical connection, and flare slab under construction.
- 8.2 The ETS unit price has been increasing and is over \$50. This is significantly higher than projected, but due to the NTRLBU hedging arrangements, this will not result in significant budget issues for the 2021/22 year. It is expected that ETS credits will continue to rise in price over the next three years.
- 8.3 NTRLBU has purchased ETS credits to the maximum allowance under the Treasury policy. This purchase gives price certainty for the next business planning period.

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- 8.4 The new enclosed flare for the York Valley Landfill site is being fabricated at present and is expected on site in mid-October. The new enclosed flare will improve the emission destruction efficiency and will allow NTRLBU to further reduce ETS liabilities.

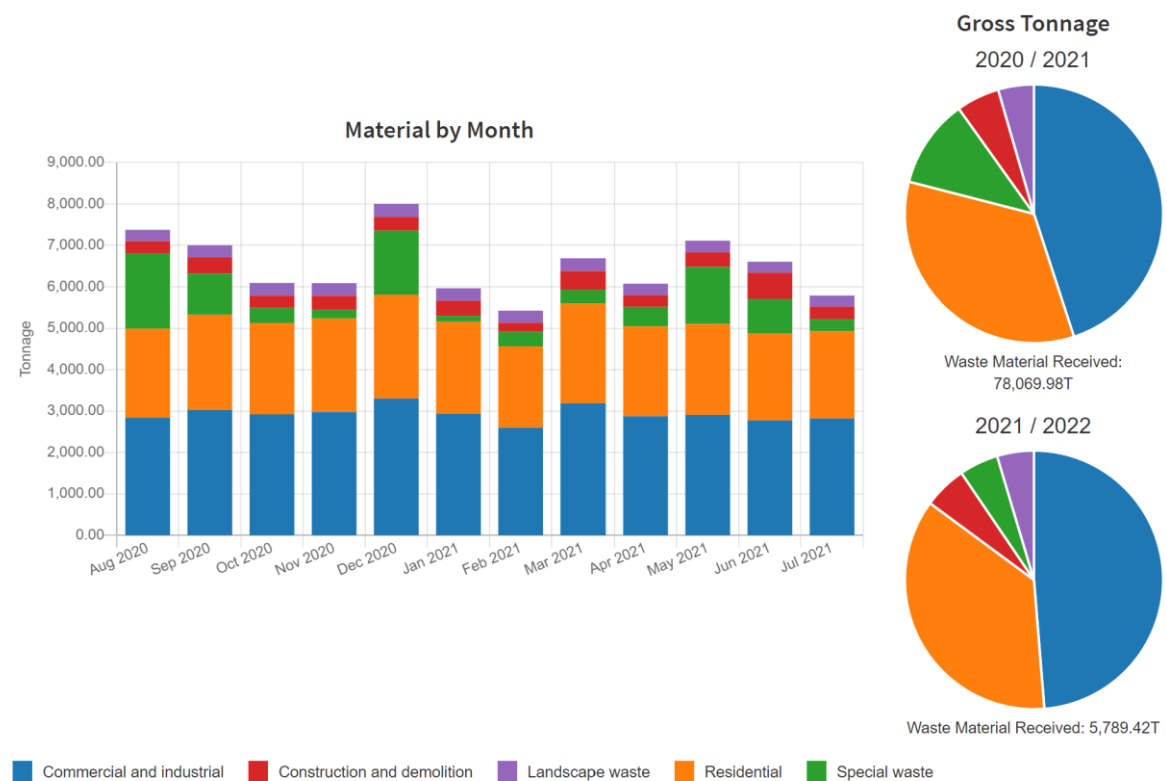
9. Landfill life

- 9.1 At present the landfill life, if NTRLBU continue activities as normal, is approximately eight years, with the current closure date around June 2029.
- 9.2 There has been a further reduction in the landfill life as a result of the annual survey and assessment of waste and compaction volumes. This reduction has led to a landfill option review to look at ways to extend the York Valley Gully 1 capacity. Additional funding is required to allow these to be implemented.
- 9.3 Additional options are being investigated and due to the timing, the report for airspace option has not been completed, however preliminary findings have been used to allow the development of the 2022/2023 Business Plan. An airspace management report is being prepared for the Board. At this time, it is expected that the report will be presented to the Board in the second quarter of the 21/22 financial year.
- 9.4 NTRLBU has engaged consultants to develop this further and to undertake the geotechnical review required to further progress this option. A concept design has been developed that allows the landfill to be both more stable and to allow the development of additional airspace.

10. Finances

- 10.1 Landfill volumes remain high and have exceeded expected landfill volumes for the year due to an anticipated, but not received downturn due to COVID-19.

Waste Return Graphs



- 10.2 Waste mass for the 2020/2021 year was 78,069 tonnes. This was significantly higher than the 65,000 tonnes assumed for the 2020/2021 business plan prepared during the COVID-19 March 2020 lockdown.

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10.3 Income Account for the period to 30 April 2021.

| Nelson Tasman Regional Landfill Business Unit | | | | | | | |
|---|------------------|-----------------|-------------------|----------------|-------------|-------------------|-------------------|
| Income Account for the period to | | | | 30th June 2021 | | | |
| | Actual Month | Budget Month | Actual YTD | % YTD | % Year | 2020/21 YTD | Budget Annual |
| Income | | | | | | | |
| Landfill Fees | 1,009,023 | 867,081 | 11,616,099 | 112% | 112% | 10,404,976 | 10,404,976 |
| Other recoveries | 5,114 | 4,167 | 50,148 | 100% | 100% | 50,000 | 50,000 |
| Interest | 660 | 3,917 | 7,912 | 17% | 17% | 47,000 | 47,000 |
| Total Income | 1,014,796 | 875,165 | 11,674,159 | 111% | 111% | 10,501,976 | 10,501,976 |
| Less Expenses | | | | | | | |
| Staff and Administration | 43,323 | 32,026 | 432,447 | 113% | 113% | 384,317 | 384,317 |
| York Valley Expenses | | | | | | | |
| Landfill Operation | 236,320 | 205,081 | 2,458,029 | 100% | 100% | 2,460,959 | 2,460,959 |
| ETS Levy | 120,428 | 181,875 | 2,514,906 | 115% | 115% | 2,182,500 | 2,182,500 |
| Depreciation | 211,887 | 22,834 | 469,674 | 171% | 171% | 274,000 | 274,000 |
| Aftercare provision | 404,965 | 3,583 | 444,382 | 1033% | 1033% | 43,000 | 43,000 |
| Contingency and Advice | 421 | 19,582 | 119,897 | 51% | 51% | 234,999 | 235,000 |
| Eves Valley Expenses | | | | | | | |
| Holding Costs | 2,296 | 183 | 2,296 | 104% | 104% | 2,200.00 | 2,200 |
| Depreciation | 1,289 | 83 | 15,467 | | | 1,000 | 1,000 |
| Aftercare provision | - 101,342 | 3,333 | - 64,675 | -162% | -162% | 40,000 | 40,000 |
| Total Expenses | 919,587 | 468,580 | 6,392,423 | 114% | 114% | 5,622,975 | 5,622,976 |
| Net Surplus before levy | 95,209 | 406,585 | 5,281,737 | 108% | 108% | 4,879,001 | 4,879,000 |
| Local Disposal Levy | 400,000 | 400,000 | 4,800,000 | 100% | 100% | 4,800,000 | 4,800,000 |
| Operating Surplus (Deficit) after Lev | (304,791) | 6,585 | 481,737 | | | 79,001 | 79,000 |
| Capital Income - PGF | (61,087) | | 275,288 | | | | |
| Net Surplus(Deficit) | (365,878) | 6,585 | 757,025 | | | 79,001 | 79,000 |

10.4 The finances show an overall surplus for the year to 30 June 2021 is \$727,025 excluding valuation gains.

10.5 This increased income has come principally from the increased volume of wastes being received compared to the projected volumes used to generate the budget.

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10.6 Balance Sheet as at 30 June 2021

| Nelson Tasman Regional Landfill Business Unit | | | |
|--|-----------------------|-------------------|-------------------|
| Balance Sheet as at | 30th June 2021 | | |
| | Current | Last Month | June 2020 |
| Equity | | | |
| Equity 1 July | 4,699,012 | 4,699,012 | 6,504,327 |
| Plus Net Income | 915,025 | 1,121,812 | (1,805,315) |
| Closing Equity | 5,614,037 | 5,820,824 | 4,699,012 |
| Which was invested as follows - | | | |
| Current Assets | | | |
| NCC Current Account | 1,042,094 | 1,660,695 | 2,680,503 |
| Debtors | 749,963 | 4,916 | 572,537 |
| NZETS units | 4,007,362 | 2,979,862 | 1,979,862 |
| Total Current Assets | 5,799,419 | 4,645,473 | 5,232,902 |
| Fixed Assets | 5,931,870 | 5,707,984 | 5,373,857 |
| Investments | 3,448,017 | 3,447,357 | 3,440,105 |
| Total Assets | 15,179,306 | 13,800,814 | 14,046,864 |
| Less Liabilities | | | |
| Current Liabilities | | | |
| Sundry Creditors | 162,320 | 77,986 | 499,716 |
| NCC Creditor | 1,098,272 | - | 851,597 |
| ETS Accrual | 701,554 | 581,126 | 664,021 |
| Aftercare provision - Current | 527,434 | 237,476 | 325,200 |
| Total Current Liabilities | 2,489,580 | 896,588 | 2,340,534 |
| Term Liabilities | 7,075,690 | 7,083,402 | 7,007,318 |
| Net Assets | 5,614,037 | 5,820,824 | 4,699,012 |

10.7 Capital Expenditure for the 2020/2021 year has been lower than desired.

10.8 The NTRLBU will be carrying over approximately one million dollars of capital expenditure, principally due to the slower delivery of the stormwater upgrade, the Eves Valley access road, and the gas reticulation system upgrade than budgeted.

10.9 A detailed carry over report will be prepared for the December meeting of the 2021/2022 financial year once the final accounts have been processed.

11. NTRLBU Business Plan 2022/23

11.1 The NTRLBU 2022/23 Business Plan draft has started to be prepared. A number of issues have complicated the preparation of the Business Plan including:

- The Nelson Tasman Regional Landfill Business Unit Terms of Reference are being reviewed to better align with other business units and to clarify required report and timing issues.

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- COVID- 19 Level 4 lock down occurred during the preparation of the Business Plan and led to issues with availability of supporting information.
- Regional Services staffing capacity has constrained the time available for the preparation of the business Plan.
- The delay in the receipt of the 2022/23 NTRLBU Business Plan to December 2021 is not expected to delay the presentation of the Final Business Plan to the councils by the current May 2022 deadline.

11.2 It is requested for the reasons outlined above that the NTRLBU Board approve the delay in the receipt of this plan until the NTRLBU December 2021 Quarterly meeting.

12. NTRLBU Resourcing

- 12.1 The Regional Services Activity Engineer has resigned. His last day was 9 July 2021.
- 12.2 The resignation of the Activity Engineer further constrains the resourcing capacity for the Regional Services staff.
- 12.3 An external consultant has been seconded to assist NTRLBU in a part time capacity while a new employee is sought.
- 12.4 Review of regional services capital programme and development works had already identified that the current staffing level is unlikely to allow effective delivery of all capital development activities. The resignation of the Activity Engineer will exacerbate this further.

13. Conclusion

- 13.1 NTRLBU operations have been running reasonably smoothly.
- 13.2 Weather has caused delays in a number of key projects and some issues have been encountered due to difficulty getting resources.
- 13.3 A significant amount of work has been undertaken towards resolving the stormwater discharge issues, and improvements are being implemented to bring litter management to an appropriate standard.
- 13.4 The new flare for York Valley and the gas management system at Eves Valley are well in hand with only minor delays at this time.
- 13.5 Delivery of the programme of works has been constrained by staff capacity and will become further constrained until additional staff are engaged.
- 13.6 The NTRLBU should expect delays in the delivery of some work items due to insufficient staff capacity.

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Author: **Nathan Clarke, General Manager Regional Sewerage and Landfill**

Attachments

Nil