

Notice of the ordinary meeting of the

Regional Sewerage Business Unit

Tira ā-Rohe mō te Parakaingaki o Whakatū, o Te Tai o Aorere

Date:	Friday 11 December 2020
Time :	1.30p.m.
Location:	Rūma Waimārama Floor 2A, Civic House 110 Trafalgar Street, Nelson

Agenda

Rārangi take

Chair	Tasman District Cr Kit Maling
Deputy Chair	Nelson City Cr Tim Skinner
Members	Tasman District Cr Trevor Tuffnell Nelson City Cr Brian McGurk Brendon Silcock (Independent Member) Frank Hippolite (Iwi Representative) Philip Wilson (Industry Representative; non-voting)

Quorum: 3

Pat Dougherty
Chief Executive

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.

Extract from the Delegations Register (A1183061):

Nelson Regional Sewerage Business Unit

The Nelson Regional Sewerage Business Unit (NRSBU) is a joint committee of Nelson City and Tasman District Councils. Operation of the NRSBU is governed by a Board, as established by a Memorandum of Understanding (A1983271).

Areas of Responsibility

- To manage and operate the wastewater treatment facilities at Bells Island and the associated reticulation network efficiently and in accordance with resource consent conditions to meet the needs of its customers.

Powers to Decide:

- The Councils are agreed that the responsibility for all management and administrative matters associated with the NRSBU operation shall be with the Board, and in particular the Board shall without the need to seek any further authority from the Councils:
 - Operate a bank account for the Business Unit;
 - Comply with the Procurement Policy of the Administering Council;
 - Enter into all contracts necessary for the operation and management of the Business Unit in accordance with the approved budgets and intent of the Business Plan;
 - Authorise all payments necessary for the operation and management of the Business Unit within the approved budgets and intent of the Business Plan;
 - Do all other things, other than those things explicitly prohibited by this Memorandum of Understanding or relevant statutes, that are necessary to achieve the objectives as stated in the Strategic Plan, Asset Management Plan or Business Plan approved by the Councils;
 - Comply with the Health and Safety Policy and requirements of the administering Council
- Contribute to the sanitary services assessment process of the Councils
- Contribute to and comply with the waste management plans of the Councils
- Contribute to the development of the Councils' Development and Financial Contribution policies
- Contribute to the Councils' Regional Policy Statement and Regional Plan Reviews
- Develop and keep under review an appropriate contract for the delivery of waste collection and disposal services with each of its customers
- Follow generally accepted accounting practices
- Follow good employment practices

Powers to Recommend to Councils:

- Any other matters under the areas of responsibility of the Business Unit and detailed in the Memorandum of Understanding
- 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 NRSBU allows for either six or seven members to be appointed. The quorum at a meeting is either three (if six members are appointed), or four (if seven members are appointed), including at least one from each local authority.

Procedure:

- The Standing Orders of the Council providing administration to the committee will be applied at each meeting.
- The Chairperson will not have a casting vote.
- Copies of minutes of meetings of the Joint Committee will be retained by each Council for record keeping purposes.

1. Apologies

Nil

2. Confirmation of Order of Business

3. Interests

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

4. Public Forum

5. Confirmation of Minutes

5.1 11 September 2020

4 - 11

Document number M14106

Recommendation

That the Nelson Regional Sewerage Business Unit

- 1. Confirms the minutes of the meeting of the Nelson Regional Sewerage Business Unit, held on 11 September 2020, as a true and correct record.***

6. Chairperson's Report

7. Nelson Regional Sewerage Business Unit 2021-2031 Activity Management Plan and 2021/22 Business Plan Feedback Report 12 - 21

Document number R22515

Recommendation

That the Nelson Regional Sewerage Business Unit

- 1. Receives the report Nelson Regional Sewerage Business Unit 2021-2031 Activity Management Plan and 2021/22 Business Plan Feedback Report (R22515).***

8. Nelson Regional Sewerage Business Unit Quarterly Report 22 - 30

Document number R22502

Recommendation

That the Nelson Regional Sewerage Business Unit

- 1. Receives the report Nelson Regional Sewerage Business Unit Quarterly Report (R22502).***



Minutes of a meeting of the Nelson Regional Sewerage Business Unit

Held in Rūma Waimārama, Floor 2A, Civic House, 110 Trafalgar Street, Nelson

On Friday 11 September 2020, commencing at 1.30p.m.

Present: Tasman District Councillors K Maling (Chairperson), and T Tuffnell, Nelson City Councillors B McGurk, and T Skinner (Deputy Chairperson), Mr B Silcock, and Mr P Wilson

In Attendance: TDC Engineering Services Manager (R Kirby), NCC Group Manager Infrastructure (A Louverdis), General Manager Regional Sewerage and Landfill (N Clarke), Accountant (A Bishop) and Governance Adviser (E Stephenson)

Apologies : Mr Frank Hippolite

1 Apologies

Resolved NRSBU/2020/011

That the Nelson Regional Sewerage Business Unit

1. Accepts the apology from Mr Frank Hippolite .

Tuffnell/Skinner

Carried

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

Mr Brendon Silcock advised that he had resigned from Higgins Ltd and noted the following updates to the Interests Register:

- Trustee - Tasman Bays Heritage Trust

- Director – DS Project Solutions Ltd

Attendance: Mr Philip Wilson entered the meeting at 1.33p.m.

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 12 June 2020

Document number M10936, agenda pages 6 - 8 refer.

A correction was made to the minutes of the 12 June 2020 meeting, to amend 'Confirmation of Minute' to 'Confirmation of Minutes'.

Resolved NRSBU/2020/012

That the Nelson Regional Sewerage Business Unit

- 1. Confirms the amended minutes of the meeting of the Nelson Regional Sewerage Business Unit, held on 12 June 2020, as a true and correct record.***

McGurk/Tuffnell

Carried

6. Nelson Regional Sewerage Business Unit Chairperson's Report

There was no Chairperson's Report.

7. Nelson Regional Sewerage Business Unit - Draft Business Plan 2021/22 and Draft Activity Management Plan 2021 - 2031

Document number R20296, agenda pages 9 - 150 refer.

General Manager Regional Sewerage and Landfill, Nathan Clarke provided a PowerPoint presentation which summarised the key issues. Discussion on the Activity Management Plan (AMP) included priorities, categories where money would be spent, reduction of capital spend, cultural implications of Bell Island and sea level rise, technological changes resulting in a higher standard of treatment and higher operating costs and long term planning.

A request was made for a breakdown of the calculation model, and highlighting of areas of concern.

It was highlighted that two vulnerable pumping stations were a critical risk that must be addressed. The possibility of sealing off gully traps was suggested for consideration. Discussion took place regarding the power

supply to Bell Island and it was noted that a discussion was required with Network Tasman to confirm the situation.

Further discussion took place regarding:

- pipework capacity
- treatment plant limitations
- pipe sleeving
- capital expenditure going forward
- three waters reform - it was reiterated that the AMP had been produced on the basis of business as usual
- essential works in the next three years
- stormwater infiltration
- future land purchase for a wastewater treatment plant
- stormwater ingress
- the NRSBU 30 year strategy
- retention as a result of intensification
- plans for Bell Island
- an alternative to the Richmond Pump Station.

It was agreed to approve the Draft AMP and the Draft Business Plan in principle. The motion was taken in parts.

Resolved NRSBU/2020/013

That the Nelson Regional Sewerage Business Unit

- 1. Receives the report Nelson Regional Sewerage Business Unit - Draft Business Plan 2021/22 and Draft Activity Management Plan 2021 - 2031 (R20296) and its attachments (A2458264 and A2458266).***

Skinner/Tuffnell

Carried

Attachments

- 1 A2463639 NRSBU PowerPoint

Resolved NRSBU/2020/014

That the Nelson Regional Sewerage Business Unit

3. **Approves in principle the Draft Nelson Regional Sewerage Business Unit Activity Management Plan 2021-2031 (A2458264) for presentation to the Nelson City Council and Tasman District Council, with delegation of all minor amendments to the Nelson Regional Sewerage Business Unit Chairperson.**

McGurk/Tuffnell

Carried

Discussion took place on the Draft Business Plan which included strategic objectives, levels of service, performance measure, renewals and the financial plan. It was noted that the risk of odour from sludge removal was not significant, and the work would be better undertaken during the summer and that this message must be conveyed to residents.

It was agreed that consideration should be given to short, medium and long term planning.

Resolved NRSBU/2020/015

2. **Approves in principle the Draft Nelson Regional Sewerage Business Unit Draft Business Plan 2021/22 (A2458266) for presentation to the Nelson City Council and Tasman District Council, with delegation of all minor amendments to the Nelson Regional Sewerage Business Unit Chairperson; and**

Tuffnell/Skinner

Carried

Recommendation to Nelson City Council and Tasman District Council

Resolved NRSBU/2020/016

That the Nelson City Council and Tasman District Councils

1. **Receive the 2021/2022 Draft Nelson Regional Sewerage Business Unit Business Plan (A2458266) for review, and provide feedback to the Nelson Regional Sewerage Business Unit if required; and**
2. **Receive the Draft Nelson Regional Sewerage Business Unit Activity Management Plan 2021-2031 (A2458264) for review, and provide feedback to the Nelson Regional Sewerage Business Unit if required.**

Tuffnell/Skinner

Carried

8. Nelson Regional Sewerage Business Unit Quarterly Update Report and 2019/20 Annual Report

Document number R20278, agenda pages 151 - 199 refer.

Mr Clarke presented the report giving background and progress on current activities. He advised that an incident at the Bell Island Pump Station which resulted in two staff members contracting gastroenteritis had been addressed with the contractor. He confirmed that full face masks would be worn in future. It was noted that the station could not be bypassed, making maintenance difficult to carry out but that this would become less of an issue in future.

A health and safety terminology issue was identified and it was suggested that near misses was a lead indicator and that it was a positive that could be separated out and changed to hazard identification.

In discussion on trade waste management it was noted that Mr Clarke should have a conversation with the industry and the five customers regarding charging going forward.

Discussion took place regarding the technically non-compliant Aberrational Overflow consent with NCC. Mr Clarke advised of an upcoming visit with iwi to Rabbit Island which would hopefully start getting the cultural impact assessment underway. It was suggested that Mr Clarke have a conversation with Catherine Ford and Aneika Young.

Discussion took place regarding requests from groups to hold activities on NRSBU land and it was noted that caution should be taken with activities that might be incompatible and suggested that Mr Clarke should have a conversation with Gillian Bishop before using his discretion to make decisions on the requests. NCC's Group Manager Infrastructure, Alec Louverdis, noted that any use of NRSBU land needed to have documents that clearly stated Health and Safety requirements.

The motion was taken in parts.

Resolved NRSBU/2020/017

That the Nelson Regional Sewerage Business Unit

1. Receives the Nelson Regional Sewerage Business Unit Quarterly Update Report.

Skinner/McGurk

Carried

Discussion took place on the Annual Report and Draft Financial Statements, including:

- discharge odour complaints, previously recorded as events were now recorded as complaints
- performance measures had mostly been achieved
- capital projects, resources and project management - it was noted that getting extra staff was not necessarily the best way forward but the effect of the COVID-19 lockdown and stress levels needed to be considered to reduce the capital spend
- Mr Clarke was asked to provide a review of the best way to deliver projects
- consent delays contributing to budget underspend
- Mr Clarke and Mr Bishop to have a conversation regarding washup implications and charging mechanisms.

Resolved NRSBU/2020/018

That the Nelson Regional Sewerage Business Unit

- 1. Receives the Nelson Regional Sewerage Business Unit 2019/20 Annual report (A2458265) and Nelson Regional Sewerage Business Unit – Annual Financial Statements 2019-20 (Draft) (A2458267).***

Skinner/Tuffnell

Carried

Recommendation to Nelson City Council and Tasman District Council

Resolved NRSBU/2020/019

That the Nelson City Council and Tasman District Councils

- 1. Receive the Nelson Regional Sewerage Business Unit 2019/20 Annual report (A2458265) and Nelson Regional Sewerage Business Unit – Annual Financial Statements 2019-20 (Draft) (A2458267).***

Skinner/Tuffnell

Carried

There being no further business the meeting ended at 3.41p.m.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Nelson Regional Sewerage Business Unit 2021-2031 Activity Management Plan and 2021/22 Business Plan Feedback Report.

1. Purpose of Report

- 1.1 To update the Nelson Regional Sewerage Business Unit Board (NRSBU) on feedback provided to NRSBU by Tasman District Council (TDC) and Nelson City Council (NCC) in relation the NRSBU Activity Management Plan 2021–2031 (AMP) and the NRSBU 2021/22 Business Plan (Business Plan).

2. Summary

- 2.1 NRSBU has approved the Draft NRSBU AMP and 2021/22 Business Plan and has submitted these to the NCC and TDC for consideration and feedback.
- 2.2 NCC and TDC have both considered the report and have provided feedback.
- 2.3 This report summarises the feedback and outlines the actions NRSBU staff are proposing to undertake.

3. Recommendation

That the Nelson Regional Sewerage Business Unit

- 1. Receives the report Nelson Regional Sewerage Business Unit 2021-2031 Activity Management Plan and 2021/22 Business Plan Feedback Report. (R22515).***

4. Background

- 4.1 The NRSBU was established by NCC and TDC to manage and operate regional sewerage facilities and the Memorandum of Understanding

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requires the AMP to be submitted to the two Councils for comment prior to submission to the Councils for inclusion in their Long Term Plans.

4.2 The NRSBU resolved on 11 September 2020 as follows:

That the Nelson Regional Sewerage Business Unit

2. *Approves in principle the Draft Nelson Regional Sewerage Business Unit Draft Business Plan 2021/22 (A2458266) for presentation to the Nelson City Council and Tasman District Council, with delegation of all minor amendments to the Nelson Regional Sewerage Business Unit Chairperson; and*
3. *Approves in principle the Draft Nelson Regional Sewerage Business Unit Activity Management Plan 2021-2031 (A2458264) for presentation to the Nelson City Council and Tasman District Council, with delegation of all minor amendments to the Nelson Regional Sewerage Business Unit Chairperson.*

Recommendation to Nelson City Council and Tasman District Council

That the Nelson City Council and Tasman District Councils

1. *Receive the 2021/2022 Draft Nelson Regional Sewerage Business Unit Business Plan (A2458266) for review, and provide feedback to the Nelson Regional Sewerage Business Unit if required; and*
2. *Receive the Draft Nelson Regional Sewerage Business Unit Activity Management Plan 2021-2031 (A2458264) for review, and provide feedback to the Nelson Regional Sewerage Business Unit if required.*

- 4.3 The NRSBU has a Memorandum of Understanding that requires the NRSBU to prepare an AMP which will be reviewed annually and revised every three years at which time it will be submitted to the council for approval.
- 4.4 The NRSBU is required to produce a Business Plan for the coming year and submit this to the councils by 31 December each year. After the councils have had an opportunity to discuss and comment on the draft Business Plan the Board shall finalise the Business Plan, incorporating any agreed changes, and shall present the plan to the councils by 20 March.
- 4.5 The Board can only formally adopt the Business Plan and AMP after receiving and considering feedback from the two Councils and is then

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required to present both to each Council by 20 March 2021, for inclusion in each Council's draft Long Term Plan.

5. Feedback received

Tasman District Council

- 5.1 TDC approved the AMP in principle subject to changes resulting from the TDC LTP process.
- 5.2 The TDC Strategy and Policy Committee on 5 November 2020, in relation to the NTRLBU Business Plan and AMP, resolved as follows:
 - *notes that the Nelson Regional Sewerage Business Unit Draft Business Plan 2021/2022 and the Draft Activity Management Plan 2021-2031 are included in the development of Council's Long Term Plan 2021-2031, and*
 - *notes that once Council's Long Term Plan 2021-2031 has been adopted that the Nelson Regional Sewerage Business Unit and the Nelson Tasman Regional Landfill Business Unit will be notified of any changes made to the respective Draft Business Plans 2021/2022 and Draft Activity Management Plans 2021-2031.*
- 5.3 The resolution from TDC is confusing as it seems to give no certainty that the programme proposed by NRSBU is accepted by TDC, and gives NRSBU no confidence that the programme of works will not change during the LTP process.
- 5.4 The reason that the plans were submitted for feedback was so that each council could give guidance to NRSBU regarding any changes that they felt were required.
- 5.5 Following the TDC Strategy and Policy Committee meeting the NRSBU GM had discussions seeking clarification from TDC staff on what the implications of this resolution were. Discussion with TDC officers identified a number of capital projects that TDC requested NRSBU defer to later in the 10-year AMP period.
- 5.6 The projects requested for deferral have a value of \$5 million and NRSBU has discussed shifting these projects from the first five years of the AMP period to the last five years.

Nelson City Council

- 5.7 NCC gave formal feedback that the NCC believe that the operational and capital budgets are very high and are unsustainable in a post COVID 19 environment.
- 5.8 NCC requested NRSBU prioritise and smooth out operational costs over the next five years, and prioritise and smooth out capital costs of the next 10 years to achieve an achievable programme and to ease the burden on the debt caps of the two councils.

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- 5.9 The NCC feedback noted that Appendix D of the Business Plan was still important, however the feedback indicated that returning the same AMP and Business Plan would not be acceptable to NCC.
- 5.10 The text from the feedback letter received from NCC is shown below.

2021/22 NRSBU Business Plan – Nelson City Council feedback

Following consideration of the above Business Plan at the 19 November 2020 Infrastructure Committee, feedback from the Committee is that both the operational and capital/renewal budgets are very high and not sustainable in a post COVID19 environment. The specific feedback is that:

1. With respect to opex, that further work be undertaken to prioritise and smooth out the budget increases over the next 5 years; and
2. With respect to the capital and renewals programmes, that further work be undertaken to prioritise and spread out the capital programme over the next 10 years to ensure an achievable work programme and to ease any burden on the debt caps of the two Council's.

The Committee also signalled that Appendix D of the Business Plan – Focus on Community and Environmental Benefits - is still important.

Please consider this feedback and present this to the Board. As noted at the Committee, returning with the same Business Plan is not considered optimum and will likely result in the Business Plan not been accepted for the reasons provided above.

I also note that any changes to the Business Plan will also need to be reflected in the Activity Management Plan.

6. Discussion

- 6.1 The NRSBU has considered the formal feedback from NCC and has also considered the feedback from TDC staff.
- 6.2 NRSBU has undertaken the review based on the Business Plan for operational costs and on the AMP for the capital costs.
- 6.3 The NRSBU has assessed a range of options for reducing operational costs and deferring and smoothing the capital expenditure.

Capital Expenditure

- 6.4 The capital cost deferrals have been discussed and agreed with TDC staff.
- 6.5 NCC asked for smoothing over the next 10 years. Specific capital expenditure deferrals have not been discussed with NCC.

Operational Costs

- 6.6 The development of the AMP included an assessment of the expected changes in the operational costs for the NRSBU, including allowance for increased contract costs for both the Bell Island Operations and Maintenance Contract and the Rabbit Island Biosolids Application Contract.
- 6.7 While developing the operational budgets advice has been sought from the NCC Finance Team and from the NCC analyst. This advice has identified that the depreciation, finance costs, changes to rates and insurance costs result in an increase on the operational costs by \$300,000. These costs are outside the control of the NRSBU, and therefore are unable to be changed.
- 6.8 Other areas where significant cost increases were included in the budgets were on the O&M contracts held by NRSBU. The Nelson Regional Sewerage System operations and maintenance and the biosolids application contracts need to be either renewed or an alternative delivery mechanism needs to be identified and implemented by 30 June 2021. If this cannot be achieved then the existing contracts may need to be extended. Additional costs will be incurred whether the NRSBU retender the O&M contracts or extend the existing contracts.
- 6.9 The following tables summarise, through a step by step process, the impact of contract costs on the operational budgets together with the increases in operational costs that are outside NRSBU's control (discussed in 6.2 above)

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6.10 Table 6.10 below outlines the actual and expected cost changes related to the O&M of the NRSS for the 2021/22 Financial year.

	18/19	19/20	20/21	Last years projected increase	Projected budget 21/22 increase	Proposed AMP 21/22	AMP budget 21/22 \$ increase
Total Management	\$ 494	\$ 500	\$ 500	\$ 500	-\$ 0	\$ 500	0
Total Financial	\$ 595	\$ 459	\$ 714	\$ 1,056	\$ 342	\$ 739	25
Depreciation	\$ 1,987	\$ 2,224	\$ 2,265	\$ 2,363	\$ 98	\$ 2,562	297
Total Electricity	\$ 821	\$ 900	\$ 900	\$ 900	-\$ 0	\$ 900	0
TP Maintenance	\$ 1,197	\$ 1,172	\$ 1,172	\$ 1,263	\$ 91	\$ 1,574	402
PS & RM Maintenance	\$ 240	\$ 284	\$ 284	\$ 309	\$ 25	\$ 309	25
Total Monitoring	\$ 200	\$ 241	\$ 291	\$ 288	-\$ 3	\$ 358	67
Consultancy	\$ 60	\$ 75	\$ 75	\$ 75	\$ -	\$ 75	0
Insurance	\$ 61	\$ 75	\$ 75	\$ 75	\$ -	\$ 98	23
Rates & Rental	\$ 56	\$ 54	\$ 54	\$ 54	\$ -	\$ 63	9
Water Charges	\$ 141	\$ 70	\$ 70	\$ 70	\$ -	\$ 20	-50
Forestry and spit restoration	\$ 6	\$ 20	\$ 12	\$ 12	\$ -	\$ 4	-9
Biosolids Disposal	\$ 695	\$ 659	\$ 659	\$ 659	\$ 0	\$ 960	301
Vehicle					\$ -	\$ 10	10
Telephone/Computers	\$ 1	\$ 2	\$ 2	\$ 2	\$ 0	\$ 5	3
Additional income					\$ -		0
Total Expenses	\$ 6,553	\$ 6,735	\$ 7,072	\$ 7,626	\$ 554	\$ 8,176	1104
\$ increase		182	337	554		1104	
Percent Increase.		3%	5%	8%		16%	

Table 6.10 Operational Costs including the AMP projected costs, the projected costs as outlined in the 2019/2020 Business plan, with columns outlining the dollar value for the specific increases.

- 6.10.1 It can be seen from the table that significant changes have occurred to the operational costs between 2020/21 and 2021/2022.
- 6.10.2 One area of concern has been identified in the AMP operational cost projection in relation to the estimated operational costs for the Biosolids management facility. This has been identified to be based on 2019/2020 year which included some one-off costs. It was assumed that the new O&M contract would increase by 10% compared to the 2019/20 year, but due to one-off costs this has over inflated the costs by around \$80,000. It is therefore proposed that this budget item be decreased to \$880,000 from \$960,000.

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6.11 Table 6.11 Operational cost projections including the corrected Biosolids disposal contract costs

	20/21	Last years projected increase	Projected budget 21/22 increase	Proposed AMP 21/22	AMP budget 21/22 \$ increase	Revised OPEX with Correction.
Total Management	\$ 500	\$ 500	-\$ 0	\$ 500	0	500
Total Financial	\$ 714	\$ 1,056	\$ 342	\$ 739	25	739
Depreciation	\$ 2,265	\$ 2,363	\$ 98	\$ 2,562	297	2562
Total Electricity	\$ 900	\$ 900	-\$ 0	\$ 900	0	900
TP Maintenance	\$ 1,172	\$ 1,263	\$ 91	\$ 1,574	402	1574
PS & RM Maintenance	\$ 284	\$ 309	\$ 25	\$ 309	25	309
Total Monitoring	\$ 291	\$ 288	-\$ 3	\$ 358	67	358
Consultancy	\$ 75	\$ 75	\$ -	\$ 75	0	75
Insurance	\$ 75	\$ 75	\$ -	\$ 98	23	98
Rates & Rental	\$ 54	\$ 54	\$ -	\$ 63	9	63
Water Charges	\$ 70	\$ 70	\$ -	\$ 20	-50	20
Forestry and spit restoration	\$ 12	\$ 12	\$ -	\$ 4	-9	4
Biosolids Disposal	\$ 659	\$ 659	\$ 0	\$ 960	301	880
Vehicle			\$ -	\$ 10	10	10
Telephone/Computers	\$ 2	\$ 2	\$ 0	\$ 5	3	5
Additional income			\$ -		0	
Total Expenses	\$ 7,072	\$ 7,626	\$ 554	\$ 8,176	1104	8096
\$ increase	337	554		1104		1104
Percent Increase.	5%	8%		16%		14%

Table 6.11 – Operational costs including the revised OPEX cost assessment including the Revised Biosolids disposal cost estimate.

6.12 It can be seen from Table 6.11 that the estimated operations and maintenance costs increase based on the AMP is 14% when the Biosolids Disposal Costs have been corrected.

6.13 Additional consideration needs to be given to the changes that are occurring to the finances of the NRSBU during the 2020/2021 financial year.

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- 6.14 Table 6.14 below shows the financial report for Year to Date 2020/2021 which shows some significant changes compared to budget in a number of areas. This is obviously a significant concern, and this information was not available when the AMP and Business Plans were prepared.

Nelson Regional Sewerage Business Unit								
Financial Report								
Income Account for the period to				30th September 2020				
	Actual	Budget	Actual	%	%	2020/21	Budget	
	Month	Month	YTD	YTD	Year	YTD	Annual	YTD Variation
Income								
Contributions Fixed	301,509	375,833	904,528	80	20	1,127,500	4,510,000	(222,972)
Contributions Variable	362,447	327,917	1,028,624	105	26	983,750	3,935,000	44,874
Other Recoveries	28,781	13,166	102,194	259	65	39,500	158,000	62,694
Interest	0	-	1			-	-	1
Total Income	692,737	716,916	2,035,346	95	24	2,150,750	8,603,000	(115,404)
Less Expenses								
Management	31,882	41,667	130,661	105	26	125,000	500,000	(5,661)
Electricity	102,278	75,027	319,022	142	35	225,081	900,322	(93,941)
Contract Maintenance	69,787	58,877	226,532	128	32	176,623	706,492	(49,909)
Reactive and Proactive Maintenance	55,388	61,469	170,010	91	23	187,041	748,165	17,031
Monitoring	6,254	24,251	74,890	103	26	72,750	291,000	(2,140)
Consultancy	3,243	6,250	16,508	88	22	18,750	75,000	2,242
Insurance	7,722	6,250	23,166	124	31	18,750	75,000	(4,416)
Sundry	17,215	11,537	29,117	84	21	34,613	138,450	5,496
Biosolids Disposal	54,221	54,881	233,619	142	35	164,643	658,571	(68,976)
Operating & Maintenance Expenses	347,989	340,209	1,223,523	120	30	1,023,251	4,093,000	(200,272)
Financial	20,512	59,500	61,535	34	9	178,500	714,000	116,965
Depreciation	220,669	188,750	581,444	103	26	566,250	2,265,000	(15,194)
Total Expenses	589,170	588,459	1,866,502	106	26	1,768,001	7,072,000	(98,501)
Net Income	103,567	128,457	168,844	44	11	382,749	1,531,000	(213,905)

Table 6.14 Financial report to 30 September 2020 for NRSBU showing area of variance to budgets.

- 6.15 Table 6.14 shows areas for overspending (or under-recovery) in pink, it shows an area where the future trend is unclear due to known changes (Cedenco leaving) in orange and shows underspending or increased recoveries in green.
- 6.16 A number of these over spend and under recoveries are a surprise to the GM. The GM was not aware that the power supply contract had changed and that this would result in increased power costs.
- 6.17 The GM was not aware that the fixed contributions would decrease significantly due to changes to interest rates.
- 6.18 Options have been considered for reducing the operational costs included in the Draft AMP, however these options need to account for the changes that have or are occurring during the 2020/2021 year.
- 6.19 One option that is being considered is to bring the O&M services in-house and directly employ the O&M staff for the Bell Island plant. The GM has done some calculations based on his previous experience as the operations contractor running the Bell Island facility and has identified that a saving may be possible if the staff were bought in-house.

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- 6.20 The NRSBU GM met with the two CEO's on 1 December 2020 and they have requested to see the full Business Case in this matter before this matter is presented to the NRSBU board.
- 6.21 The GM has discussed getting additional cost information regarding an alternative contract framework with the TDC Engineering Service Manager and will prepare the Business Case report requested.
- 6.22 The GM requests guidance from the Board on how it would like the GM to handle these matters, and requests that the board clarify the reporting structure, and confirm the delegations it has made to the GM in undertaking activities on behalf of the NRSBU.
- 6.23 A review by the GM identified that the biosolids application contract is best left as an external contract due to the significant heavy machinery associated with this contract, and the significant cost for the set up and maintenance of this equipment.
- 6.24 In addition to savings, the GM has identified that there is additional revenue that can be recognised in the Business Plan. This additional revenue will offset a portion of the additional operational costs. This additional revenue relates to the royalty payments associated with the sand sales, to the increased recovery associated with the Fittal St septage reception facility, and to the lease associated with the Bell Island and Best Island farm land.
- 6.25 Alternative options for reducing the cost for the O&M contracts are to reduce the levels of service for the facility (i.e. don't repair and maintain equipment, don't inspect equipment or assets as frequently, don't measure and monitor the customers or process as frequently and don't do any non-critical activities).
- 6.26 Similarly in order to reduce the costs, a number of items are not included in the budgets including works to reduce carbon emissions, works to restore the foreshore vegetation.
- 6.27 Serious reservations are held regarding each of these options, and it is possible that these options would result in non-compliance with consents, or with health and safety regulations.

7. Proposed approach

- 7.1 NRSBU staff propose to prepare a Business Case that considers the costs, benefits, disadvantages and risks associated with taking the O&M contracts in house.
- 7.2 The Business Case will be submitted to both Council CEOs for their consideration prior to the end of January 2021.
- 7.3 Following receipt of feedback, approval, or notification that the business case for taking staff in-house is approved (or not) then a second NRSBU

Item 7: Nelson Regional Sewerage Business Unit 2021-2031 Activity Management Plan and 2021/22 Business Plan Feedback Report.

AMP 2021–2031 and Draft 2021/22 Business Plan Feedback Report will be prepared.

- 7.4 The GM prefers that NRSBU hold an extraordinary meeting in mid-February 2021 to discuss feedback from the CEOs and get direction from the Board on which O&M delivery mechanism it would like the NRSBU staff to use when amending and finalising the Business Plan and AMP.
- 7.5 A revised AMP and Business plan would then be developed and presented to the March 2021 NRSBU Board meeting for approval and submission to the Councils for inclusion in their Long Term Plans.

Author: Nathan Clarke, General Manager Regional Sewerage and Landfill

Attachments

Nil

Nelson Regional Sewerage Business Unit Quarterly Report

1. Purpose of Report

- 1.1 This report is a three monthly update by the General Manager (GM) on activities undertaken over the last three months by the Nelson Regional Sewerage Business Unit (NRSBU).

2. Recommendation

That the Nelson Regional Sewerage Business Unit

- 1. Receives the report Nelson Regional Sewerage Business Unit Quarterly Report (R22502).***

3. Summary

- 3.1 Operations are generally running well.
- 3.2 Health and Safety (H&S) activities are continuing with additional issues resolved during this period.
- 3.3 Waste volumes have increased which has helped with revenue.
- 3.4 Cedenco Ltd has ceased operations on the Turners and Growers site with a consequent reduction in waste load from the site.
- 3.5 Raine Farms lease termination notice was issued with the final day being 4 December 2020.
- 3.6 A Registration of Interest for the lease of Best and Bell Island land was released to the public on 26 November 2020.
- 3.7 The Best Island farm has had bailage cut for the first time. NRSBU will receive a small payment for the bailage, as the contractor has needed to mulch a lot of woody weed growth as part of the activity.

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- 3.8 Financial performance is below budget with a significant decrease in fixed contributions and increases in depreciation and electricity costs. These cost increases have occurred due to changes outside NRSBU control.

4. Background

- 4.1 This report is the GM update for three months to 30 September 2020. It outlines the activities, issues and opportunities that have occurred during the last three months.

5. Health and Safety

- 5.1 H&S at the site is being managed well, and the programme of safety improvements is currently ongoing. Progress on these activities is being updated by the contractor in each monthly report.
- 5.2 There was one safety incident over the last three months. This safety incident was a light fitting in the operations building catching fire. An operator was in the office when it happened and extinguished the fire. The remaining light fittings in the building have been replaced since this event. The new fittings are LEDs which will reduce the fire risks and reduce power consumption.
- 5.3 Progress has also been made on mechanical guarding of the inlet screen, with these guards due to be installed within the next two weeks.
- 5.4 The Best Island land has been mowed and bailed with the contractor paying NRSBU for the bailage from the land. This was undertaken to reduce the fire risk. NRSBU expects to have one more harvest from the land over summer, and increased returns are expected from the second harvest.

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5.5 Table 1 below summarises the H&S improvements being undertaken on site.

Bell Is H&S Improvement Register Progress

Current	
Design/Investigation	6
Started but full solution not identified	0
Costed to NRSBU	16
Under construction	5
Stalled	0
With NRSBU	10
No Progress	1
Decide not to proceed	3
Completed	39

Total Items on list	80
H&S Projects	
Work completed in the last 3 months:	<ul style="list-style-type: none"> • DAF guarding • Road markers installed to edge of old aeration basin
Notable works currently under way:	<ul style="list-style-type: none"> • DAF saturator tank replacement • Inlet odour upgrade • Milliscreen safety guarding • The Bell Island forest has been pruned and the trees killed by cyclone Gita salt damage have been removed.

6. NRSBU Activities

- 6.1 NRSBU staff have been busy during the period with numerous activities including:
- 6.1.1 A blockage at the Beach Rd Pump Station that when inspected was found to be due to a very badly corroded pipe. The pipe wall had collapsed. The blockage was removed. This pipe is being replaced at present.
 - 6.1.2 The roof on the sludge storage tank at Bell Island has corroded through the main supports. This was identified and the tank is now temporarily being supported by scaffolding.
 - 6.1.3 Ongoing work on the Activity Management and Business Plans.
 - 6.1.4 Valuation and Asset management system reviews.
 - 6.1.5 Leases for Best Island, Bell Island, and the Radio Yacht Squadron facility on Best Island.
 - 6.1.6 Management of capital projects, and working on reviews for the delivery of capital works and operational services.
 - 6.1.7 Review of the delivery options for the operations and maintenance services needs to be agreed. This is becoming more urgent.

7. Contract 3458 – Nelson Regional Sewerage System Operations Update

- 7.1 Operations are generally running well.
- 7.2 NRSBU has informally heard that the treatment plant foreperson has resigned. This may leave the contractor with a resource issue at the Bell Island WWTP.
- 7.3 No odour notifications were received.
- 7.4 The current contract has been extended to 30 June 2021, in consultation with TDC Engineering Services Manager and NCC Group Manager Infrastructure to allow the preparation of the new contract for tender. The tender preparation has been delayed due to competing commitments with the Activity Management Plans, capital projects and other urgent activities.
- 7.5 Revised operational charges have been agreed with Nelmac for the extension period.
- 7.6 As a result of the feedback for reduced operational costs (Opex) from the NCC as part of the LTP process, and as an outcome of a Section 17A review an alternative option has been identified that is expected to result in reduced Opex for the NRSBU.

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- 7.7 This option is for NRSBU to directly employ the staff for the operations and maintenance of the NRSBU (excluding the biosolids management system).
- 7.8 A Business Case has been requested for this activity by the CEOs of NCC and TDC prior to it being considered by the NRSBU.
- 7.9 The GM will prepare a business case for presentation to the CEOs.
- 7.10 The details regarding progress on the AMP and Business Plan are discussed in a separate report.

8. Contract 3619 – Biosolids Application Operations Update

- 8.1 Application of biosolids on Moturoa Rabbit Island has been working well.
- 8.2 Operations have been more difficult due to access issues resulting from TDC installing the new Mapua water main through Rabbit Island.
- 8.3 NRSBU has been working with Accredited Technology Ltd (ATEC) on the biosolids disposal app, with the app due to begin site testing within two weeks. The app will assist operators to systematically select the best of the available sites for biosolids disposal to avoid odour issues, and will record the site selection, and reasons for it.
- 8.4 The renewal of the Biosolids Application Contract is due at the end of June 2021.
- 8.5 A Section 17A review of the delivery options has indicated that it does not make economic sense to bring this contract in-house due to the high cost of the mechanical equipment used during the contract. It is proposed that the current contract is updated to improve a number of minor issues and then is released for open tender.

9. Capital projects

- 9.1 Construction of the containment beds for the pond desludging programme has been delayed by the ongoing wet weather. Pond desludging is planned for late 2020 and early 2021.
- 9.2 A number of renewals and capital works projects are in progress, including:
 - Containment area for proposed pond desludging, with pond desludging due to start within two weeks. However desludging will not be undertaken over the Christmas / New Year period.
 - Reuse water and high pressure pumping system commissioning during December.
 - Odour control upgrades at the inlet area.

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- Ammonia removal system pilot test has been completed onsite to demonstrate ammonia removal from the ATAD off-gasses. This data will be used to confirm the performance and design parameters for the odour control upgrade.
- Overflow screening facility has been installed at Airport Pump Station, and the design of the Songer Street Pump Station and Whakatu Pump Station overflows screens is underway.
- The investigations on the Saxtons Rd to Monaco pipeline renewal are in progress, and the relining contract is being developed. There are only two contractors that are known to be able to supply the appropriate lining services.
- Discussions have been held with Turners and Growers (T&G) regarding the relining of the pipeline through the T&G site. This discussion has led to a preferred option being a new pipe to the west of the T&G site. This allows NRSBU to install a larger pipe, and allows T&G to have less constraints on future activities on the site.
- Concept designs are being developed for the Beach Rd to Saxtons Rd section of the pipeline. The proposed route has been altered to avoid the state highway. It is proposed that the secondary pipe should pass along Elm St and the railway reserve and then down Saxton Rd, rather than try to squeeze it alongside Whakatu Drive. NRSBU will seek approval from NCC for this alignment once the concept design has been completed.
- Consultation has begun on the foreshore planting plan.
- The annual NRSBU Hui is being held on 30 November with Te Tai Ihu Iwi.
- Sea level rise defence bund design options are being reviewed for both Songer St Pump Station and Beach Rd Pump Station.

9.3 The Rabbit Island Biosolids Reuse Consent Assessment of Environmental Effects (AEE) has been prepared and has been lodged.

9.4 NRSBU has recently received the Cultural Impact Assessment for the biosolids application activities.

10. Finance

10.1 The NRSBU finances for the first quarter of the 2020/2021 financial year have been poor.

10.2 There are four changes that have contributed to a significant loss for the quarter.

10.2.1 The first significant factor is the lower interest rate, which reduces the Return on Investment, and therefore the revenue

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that NRSBU collects from the Fixed Contributions. The effect of this change is a reduction in revenue of ~\$223,000 for the quarter.

- 10.2.2 The second issue is the increased cost for electricity resulting from a new electricity contract. This contract has changed load factors which appear to be affecting NRSBU costs significantly. The additional cost for electricity for the year to 30 September is \$94,000.
- 10.2.3 The third factor for the increase costs is the change to the Operations and Maintenance contract. The cost of the Operations and Maintenance has increased as a result increased monitoring required by the resource consent. The unit costs also increased when the Nelmac contract was extended. The year to date increase in these costs is ~\$50,000.
- 10.2.4 The fourth cost (\$69,000) is the annual excess biosolids cost for the 2019/20 year that NRSBU pay for the biosolids discharge in excess of 26,000m³ per year.
- 10.3 The additional costs are partly compensated by the reduced interest charges on the term liabilities, and by an increase in revenue from the Best Island sand royalty payments and an increase in septage disposal charges.(\$62,000) for the year to 30 September.
- 10.4 The NRSBU has a net loss for the period to 30 September of \$213,000
- 10.5 Table 2 below shows the NRSBU Financial Report to 30 September 2020.

Nelson Regional Sewerage Business Unit								
Financial Report								
Income Account for the period to			30th September 2020					
	Actual Month	Budget Month	Actual YTD	% YTD	% Year	2020/21 Budget YTD	Annual	YTD Variation
Income								
Contributions Fixed	301,509	375,833	904,528	80	20	1,127,500	4,510,000	(222,972)
Contributions Variable	362,447	327,917	1,028,624	105	26	983,750	3,935,000	44,874
Other Recoveries	28,781	13,166	102,194	259	65	39,500	158,000	62,694
Interest	0	-	1			-	-	1
Total Income	692,737	716,916	2,035,346	95	24	2,150,750	8,603,000	(115,404)
Less Expenses								
Management	31,882	41,667	130,661	105	26	125,000	500,000	(5,661)
Electricity	102,278	75,027	319,022	142	35	225,081	900,322	(93,941)
Contract Maintenance	69,787	58,877	226,532	128	32	176,623	706,492	(49,909)
Reactive and Proactive Maintenance	55,388	61,469	170,010	91	23	187,041	748,165	17,031
Monitoring	6,254	24,251	74,890	103	26	72,750	291,000	(2,140)
Consultancy	3,243	6,250	16,508	88	22	18,750	75,000	2,242
Insurance	7,722	6,250	23,166	124	31	18,750	75,000	(4,416)
Sundry	17,215	11,537	29,117	84	21	34,613	138,450	5,496
Biosolids Disposal	54,221	54,881	233,619	142	35	164,643	658,571	(68,976)
Operating & Maintenance Expenses	347,989	340,209	1,223,523	120	30	1,023,251	4,093,000	(200,272)
Financial	20,512	59,500	61,535	34	9	178,500	714,000	116,965
Depreciation	220,669	188,750	581,444	103	26	566,250	2,265,000	(15,194)
Total Expenses	589,170	588,459	1,866,502	106	26	1,768,001	7,072,000	(98,501)
Net Income	103,567	128,457	168,844	44	11	382,749	1,531,000	(213,905)
Capital Expenditure								
Renewals	27,384		295,331				870,000	
New Capital Expenditure	806,779		1,601,432				8,890,000	
Total Capital Expenditure	834,164		1,896,763				9,760,000	

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10.6 The NRSBU financial Position as at 30 September 2020 is shown in Table 3 Below

Nelson Regional Sewerage Business Unit				
Balance Sheet as at		30th September 2020		
	Current	Last Month		June 2020
Equity				
Opening Equity (July)	52,165,551	52,165,551		49,562,837
Plus Net Income YTD	168,844	65,278		0
Plus Revaluation	0	0		2,602,714
Closing Equity	52,334,395	52,230,829		52,165,551
Contingency Reserve	100,000	100,000		100,000
	52,434,395	52,330,829		52,265,551
Which was Invested as follows -				
Current Assets				
Bank	4,370	4,374		4,382
Debtors	58,800	44,511		568,279
NCC Current account	0	0		0
Total Current Assets	63,171	48,885		572,661
Fixed Assets	72,127,542	71,655,667		70,812,223
Current Liabilities				
Creditors	(408,285)	(41,015)		(21,081)
NCC Loan	(960,000)	(960,000)		(960,000)
TDC Current Account	(781,576)	(781,576)		(423,626)
NCC Current account	(1,606,457)	(1,591,133)		(1,714,625)
Total Current Liabilities	(3,756,317)	(3,373,723)		(3,119,333)
Term Liabilities	(16,000,000)	(16,000,000)		(16,000,000)
Derivative Financial Instruments	0	0		0
	52,434,395	52,330,829		52,265,551

11. Discharge performance

11.1 The discharge performance from Bell Island WWTP has meet all the consent criteria for the period.

12. NRSBU Resourcing

12.1 Review of regional services capital programme and development works has identified that the current staffing level is unlikely to allow effective delivery of all capital development activities outlined in the NRSBU 2021 – 2031 AMP.

12.2 A request will be prepared for submission to the NCC CEO that will make the case for a Capital Works Project Manager to assist with delivery of the programme.

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

Attachments

Nil