

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

Date: Friday 22 June 2018
Time: 9.30 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Nelson-Tasman Regional Landfill Business Unit

AGENDA

MEMBERSHIP

Members Cr S Walker
Cr S Bryant
Cr C M Maling
Cr I Barker

(Quorum 3 members)

Contact Telephone: 03 543 8524
Email: robyn.scherer@tasman.govt.nz
Website: www.tasman.govt.nz

AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 PUBLIC FORUM

5 CONFIRMATION OF MINUTES

That the minutes of the Nelson-Tasman Regional Landfill Business Unit meeting held on Friday, 9 March 2018, be confirmed as a true and correct record of the meeting.

6 PRESENTATIONS

Nil

7 REPORTS

7.1	General Manager's Update	5
7.2	NTRLBU - Draft Treasury Policy	17

7 REPORTS

7.1 GENERAL MANAGER'S UPDATE

Information Only - No Decision Required

Report To:	Nelson-Tasman Regional Landfill Business Unit
Meeting Date:	22 June 2018
Report Author:	Jeff Robinson, General Manager
Report Number:	NTRLBU18-06-01

1 Summary

1.1 This is the three monthly General Manager's Update report.

2 Draft Resolution

That the Nelson-Tasman Regional Landfill Business Unit:

1. receives the General Manager's Update report, NTRLBU18-06-01; and
2. agrees that the 2018/19 Joint Landfill Asset Management Plan be forwarded to Nelson City Council and Tasman District Council for approval; and
3. agrees the NTRLBU 2018/19 Business Plan be accepted as final and operative.

3 Purpose of the Report

- 3.1 This report provides the three-monthly update on activity for the Nelson-Tasman Regional Landfill Business Unit.

4 Health and Safety

- 4.1 Eves Valley, truck tray rolled on 1 June 2018. The truck was tipping metal on the access road and tipped over when tipping off. Waiting on Taylors Contracting/Fulton Hogan reports
- 4.2 Eves Valley, truck tray rolled on 7 June 2018. The truck was tipping clay for landfill capping on level ground, believed to be mechanical failure at this time. Work stopped to identify fault and ensure it was safe prior to continuing to operate. Waiting on Taylors/Fulton Hogan reports
- 4.3 York Valley, no notified incidents.

5 Asset Management Plan

- 5.1 A workshop was held on 18 May 2018 to work through a draft of the Asset Management Plan (AMP).
- 5.2 The workshop covered a number of key items prior to working through the whole document page by page. The key items included:
- **Emissions Trading Scheme (ETS)**
Andrew Bishop explained the formula that the levies are based on and how the NTRLBU is buying New Zealand units and also how volatile the cost of units has been since inception. The risk is that the costs will increase due to Government and/or international environmental drivers
 - **Timing to seek a consent for Eves Valley Stage 3**
Jeff Robinson presented a paper proposing that we should bring forward the estimated dates of capital funding required to commence the early design and consenting processes. It was agreed that we need to develop a more comprehensive strategy and timeline of potential York Valley landfill closure and the design/consent/construction of Eves Valley Stage 3.
 - **Councils waste levy**
We believe that it is not common for the landfill disposal charges to include such a significant percentage of the overall budgeted expenses – and note that the current amount of the levy remains constant in the budget forecasting.
 - A handout showing 17 different general refuse landfill disposal charges for 2017-18 prices – provided as a reference point noting our proposed charges are \$141.00, \$144.00 and \$149.00 (GST included) per tonne for the next three years. The majority of councils have gate charges below \$150 per tonne (GST inclusive).
 - A handout showing the Summary by Product of waste disposed at the York Valley landfill from 01 July 2017 to 17 May 2018
 - 65,650 tonnes of waste, and
 - 31,800 tonnes of cover type (cleanfill) material

- 5.3 The draft AMP has been updated with a number of changes coming out of the workshop. With the change in general manager and Nelson City Council staff working on the joint landfill tender document, it was decided to keep the draft AMP aligned financially to the 2018/19 NTRLBU Business Plan and add in a 'Covering Page' to include a number of the key topics listed above. The front covering page (**Attachment 1**) will outline our intention to provide an improved level of understanding on a number of key topics and then update the AMP again during the next financial year. The aim is to update the 2019/20 Business Plan to align with the proposed updated AMP.

6 Joint Landfill Tender update

- 6.1 The tender advertising date is targeted for the week commencing 25 June 2018. The timeline after that is projected to be:
- Six weeks tendering time
 - Four weeks tender assessment – identify a preferred tenderer
 - Negotiate with the preferred tenderer
 - Award the new contract with an agreed Commencement date
- 6.2 If all goes to plan the award date could be as early as 24 September 2018 and if the contractor nominates a commencement date say four weeks after award – an early commencement date could be 29 October 2018. The latest commencement date in the tender document is 31 January 2019.

7 Resource Consents – Eves Valley Stage 2

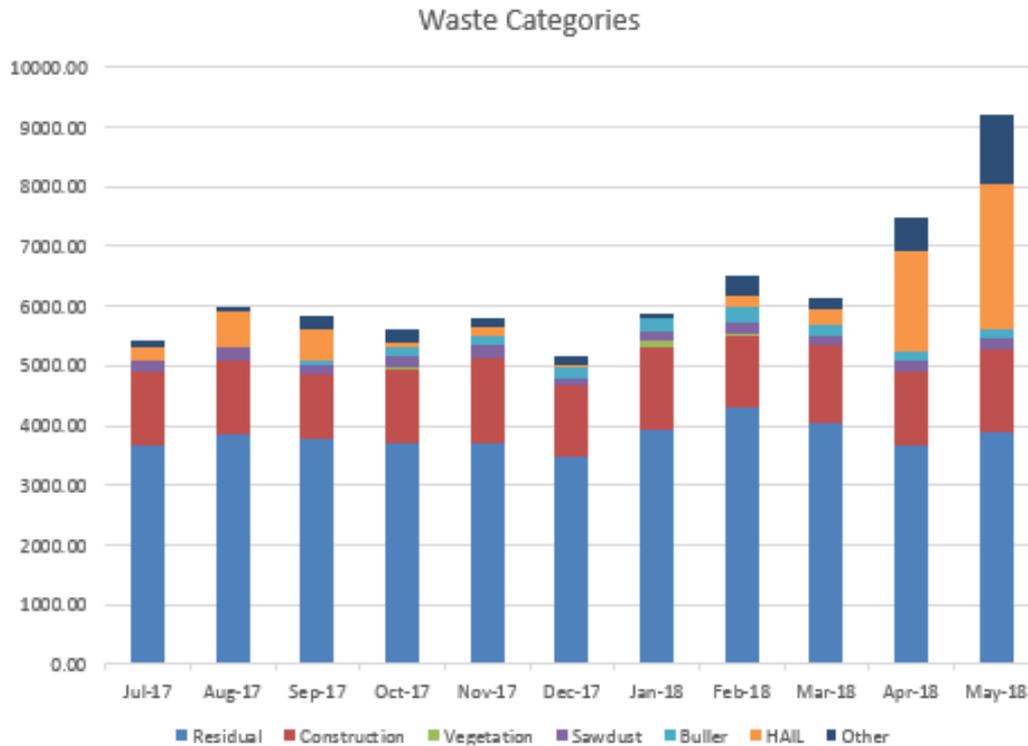
- 7.1 We have instructed our consents consultant to set up a formal pre-hearing meeting with the submitters – the target date is mid July 2018. These are the submitters from the initial lodgement of the Eves Valley Stage 2 consent renewal in 2015. The application was put on hold pending the establishment of the NTRLBU. The Landfill Development Plan has been updated to reflect the closed status of this stage with an option of opening it if York Valley was unable to operate. The limit of disposal to such an emergency response being up to about 60,000 tonnes of waste.
- 7.2 No consents are held for a future Stage 3 at Eves Valley.

8 Operations Report

- 8.1 Observations at the York Valley landfill following the removal of the trees along the access road suggest that the land in this area, outside the footprint of the landfill area, has probably been destabilised by earth movement along a geological fault line. It is considered likely that the water flow in the gully east of the landfill access road is now tracking along a fissure formed following movement of the fault line running along this gully. Tonkin and Taylor are investigating this with the assistance of the landfill operator.

Record of landfill disposal tonnages

- 8.2 The following chart shows monthly tonnages and types of waste disposed at York Valley from 1 July 2017.



- 8.3 Tonnages are tracking well ahead of budget estimates and income is expected to exceed the annual budget by a significant amount (projected at more than \$1 million above budget).
- 8.4 HAIL material disposed of at the landfill has increased significantly over the last few months. We will monitor the disposal rates noting some of this material is suitable for use as daily cover.

Eves Valley

- 8.5 The final closure capping operation is ongoing and compaction results are good. The amount of leachate flows have reduced and this is believed to be as a result of the capping operation.

9 2018/2019 Business Plan

- 9.1 The draft NTRLBU Business Plan 2018/19 was presented to both councils for approval by the General Manager on 29 March 2018. Both councils approved the Business Plan noting:
- That submissions received during both Council's Long Term Plan consultation process which relate to the regional landfills will be forwarded to the NTRLBU for consideration prior to finalising the plan. No submissions specifically relating to the landfills were received.
 - Both councils also agreed that the NTRLBU Deed of Agreement will be amended to allow for the retention of up to \$300,000 of surpluses to be held in the business unit's closed account for the purpose of managing year-by-year income fluctuations. The Business Plan note on page 5 has been updated to reflect this amendment.

10 Financial Update

- 10.1 The NTRLBU income account for the period to 30 April 2018 is attached (**Attachment 1**)
- 10.2 The actual tonnage of waste disposal to date will be tabled at the meeting.
- 10.3 The account shows a net surplus of \$29,446 with two months of trading figures yet to be processed.
- 10.4 Andrew Bishop will discuss the key account items that will affect the final set of accounts.
- 10.5 The NTRLBU Balance Sheet as at 30 April 2018 is attached (**Attachment 2**). Andrew Bishop will talk to this item at the meeting.

11 Attachments

- | | | |
|----|----------------------------------|----|
| 1. | Asset Management Plan Cover Page | 11 |
| 2. | Financial reports | 15 |

Nelson Tasman Regional Landfill Business Unit [NTRLBU]**Landfills Asset Management Plan 2018 – 2048****COVERING PAGE****June 2018****Background**

This is the first joint Landfill Asset Management Plan [AMP] and therefore it has room to change/improve as our knowledge and policies mature. A workshop was held on 18 May 2018 attended by the Joint Landfill Committee, NTRLBU 'staff' and the lead AMP consultant. During the workshop a number of specific topics were discussed which are briefly described below. It was acknowledged that some or all of these topics may initiate a change to the first version of the AMP. It was also agreed that we do not yet have sufficient information to make a meaningful change hence we will:

- Keep this version of the AMP aligned to the financial figures in the 2018/19 NTRLBU Business Plan
- Provide a covering page to record the specific topics which will be further investigated
- Update this version of the AMP if required as a result of the findings from the specific topic investigations

Specific Topics:**1 Emissions Trading Scheme (ETS)**

The NZ ETS is the Governments principal policy response to climate change. It puts a price on greenhouse gas emissions which creates a financial incentive to either invest in forestry or reduce emissions. A New Zealand unit represents one metric tonne of carbon dioxide.

Landfills emit greenhouse gases and our emissions are calculated based on the volume of waste received. The following information relates to our landfills:

- Our landfill is assessed at 1.19 tonne of carbon per tonne of waste
- The requirement for units was 0.5 unit per tonne of carbon however, it is moving to 1.0 unit per tonne for 2019. For the 2018 calendar year it is 0.8333 units per tonne.
- The NTRLBU started operating with a balance of 40,000 units purchased at \$17.30 per unit.

We have surrendered 27,034 units for the six months to 31 Dec 2017.

We have purchased an extra 68,586 units worth \$1,442,881.80

Actions

- Keep up to date on national and international emission trading trends and adjust the next AMP financial forecasts accordingly.
- Our financial team will monitor the market and pre purchase units accordingly.

2 Development of Eves Valley Stage 3

This topic discusses the timing required to prepare for the construction of the next stage of landfill at Eves Valley – namely Stage 3. A core function of the NTRLBU is to mitigate the risk of not having one of the two landfills available for regional waste disposal.

To that end we have set a level of service which requires:

- There will be a minimum of five years of resource consented landfill available at any one time.
- Eves Valley Stage 3 needs to be constructed and ready to accept waste at least two years ahead of our estimate of when the current stage at York Valley will be closed.

It is proposed that the following assumptions and timelines are more fully investigated during the 2018/19 year.

Assumptions:

- York Valley will be full and closed by 2032
- We will allow four years to obtain a new resource consent for Stage 3 at Eves Valley – this will include:
 - Sufficient ground and sub-surface water investigation and profiling to allow a design for Stage 3 to be completed to a level sufficient for resource consenting purposes
 - Consultation
 - Lodgement of the application
 - Consent processing and hearing by commissioners
- We will allow two years to:
 - Finalise the design (this can be progressed during the earlier four year time frame)
 - Tender, award and construct Stage 3

We need to be conservative therefore will not overlap the above two points – this is the timeline if we action them sequentially:

Timeline

Activity	Timeline
York Valley is closed	2032
Eves Valley Stage 3 is available to receive waste	2030
We have five years of consented landfill available at York Valley	2027
Final design, tender, award, construct Stage 3	2028
Start Eves Valley Stage 3 consenting	2024

Comments:

- There is approximately \$16 million of capital works budgeted over the next 30 years for the development of Stage 3

- In our 2018/19 Business Plan we have forecast commencing the investigations and consenting for Stage 3 in 2026/27 whereas the above timeline suggests that this could be as early as 2023/24

Actions:

- Continue carrying out surveys at York Valley to be able to better predict when it will be full/closed
- Prepare an Eves Valley Stage 3 Development Strategy during 2018/19 which will include a programme of activities from investigation through to construction
- Update the AMP accordingly and also the 2019/20 Business Plan

Joint Landfill Contract

Background The York Valley and Eves Valley Landfill Operations and Maintenance contracts end 30 June 2019. A key activity is landfill waste spreading and compaction which requires a Landfill Compactor – a specialist plant item. Both of the compactors at York Valley and Eves Valley have reached the end of their plant lives and the risk of them breaking down led to a conversation with both contractors who agreed that awarding a new joint landfill contract ahead of June 2019 was the right thing. We have:

- Confirmed in writing the agreement with both contractors to finish their contracts before June 2019
- Engaged a consultant to assist the NTRLBU team to develop a tender document for the operation and maintenance of the two landfills

We are aiming to advertise a tender before the end of June 2018.

We will only know the cost of a future 5-plus-5 year contract when a preferred tenderer is selected.

We anticipate that the cost of the new contract will exceed the current landfill operations and maintenance budget in the 2018/19 Business Plan. We have also reviewed the 2018/19 financial budget in more detail and identified an over-estimate of the value of the New Zealand emission unit price which may be sufficient to offset the new contract price.

Actions:

- Advertise the joint landfill tender and evaluate the tenders
- Report back to the NTRLBU on the tender evaluation, preferred tenderer nomination and pricing
- Enter into tender negotiations with the intention to award a contract
- Adjust the AMP to reflect the actual cost of the joint landfill operations and maintenance costs and also the 2019/20 Business Plan

Nelson Tasman Regional Landfill Business Unit

Income Account for the period to 30 April 2018

	Actual Month	Budget Month	Actual YTD	% YTD	% Year	2017/18 Budget YTD	Budget Annual
Income							
Landfill Fees	795,975	605,878	6,928,386	114%	95%	6,058,779	7,270,535
Other recoveries	3,633	4,757	36,213	76%	63%	47,575	57,090
Interest	6,864	7,702	68,640	89%	74%	77,015	92,418
Total Income	806,473	618,337	7,033,239	114%	95%	6,183,369	7,420,043
Less Expenses							
Staff time	21,986	19,586	207,521	106%	88%	195,847	235,015
York Valley Expenses	387,477	210,693	2,559,529	121%	101%	2,106,927	2,528,310
Eves Valley Expenses	- 141,516	20,947	85,879	41%	34%	209,476	251,371
Aftercare provision	6,759	5,337	67,590	127%	106%	53,372	64,046
Aftercare Value adjustment	-	-	890,567			700,893	700,893
Eves Valley Aftercare	419,720	51,203	472,857	92%	77%	512,033	614,439
Interest	-	774	-	0%	0%	7,744	9,293
Aftercare cost funding	(419,720)	(64,042)	(472,857)	74%	62%	(640,416)	(768,499)
Total Expenses	274,706	244,498	3,811,085	121%	105%	3,145,876	3,634,868
Net Surplus before levy	531,767	373,839	3,222,154	106%	85%	3,037,493	3,785,175
Local Disposal Levy	319,271	319,270	3,192,708	100%	83%	3,192,708	3,831,250
Net Surplus (Deficit) after Levy	212,496	54,569	29,446			(155,215)	(46,075)

Nelson Tasman Regional Landfill Business Unit

Balance Sheet as at 30 April 2018

	Current	Last Month	1 July 2017
Equity			
Contributed Equity 1 July	8,805,257	8,805,257	8,805,257
Plus Net Income	29,446	(183,050)	
Closing Equity	<u>8,834,702</u>	<u>8,622,206</u>	<u>8,805,257</u>
Which was invested as follows -			
Current Assets			
NCC Current Account	1,573,302	1,177,141	-
Debtors	4,674	4,674	-
NZETS units	1,667,194	2,058,500	692,000
Total Current Assets	<u>3,245,169</u>	<u>3,240,314</u>	<u>692,000</u>
Fixed Assets	7,897,626	8,012,656	8,113,257
Investments	<u>3,305,131</u>	<u>3,298,267</u>	<u>3,236,491</u>
Total Assets	<u>14,447,926</u>	<u>14,551,238</u>	<u>12,041,748</u>
Less Liabilities			
Current Liabilities			
Sundry Creditors	1,891,432	1,794,278	-
NCC Current Account			
Total Current Liabilities	<u>1,891,432</u>	<u>1,794,278</u>	<u>-</u>
Term Liabilities	<u>3,721,792</u>	<u>4,134,753</u>	<u>3,236,491</u>
Net Assets	<u>8,834,702</u>	<u>8,622,206</u>	<u>8,805,257</u>
	-		-

7.2 NTRLBU - DRAFT TREASURY POLICY**Decision Required**

Report To:	Nelson-Tasman Regional Landfill Business Unit
Meeting Date:	22 June 2018
Report Author:	Andrew Bishop, Management Accountant
Report Number:	NTRLBU18-06-02

1 Summary

- 1.1 Having recently been formed the NTRLBU does not have a formal treasury policy which is considered best practice.
- 1.2 The purpose of the NTRLBU Treasury Policy 2018 is to outline policy in respect to the NTRLBU treasury activity.
- 1.3 The draft Treasury Policy 2018 has been based on the Nelson Regional Sewerage Business Units' (NRSBU) Treasury Policy 2014 and has been updated to included policy on managing Emissions Trading Scheme liability.
- 1.4 The draft Treasury Policy 2018 for the two councils to provide loan and investment facilities and then fund these as part of each council's own treasury management.
- 1.5 This policy provides for the setting of interest in the facilities created on an equal and verifiable basis.

2 Draft Resolution

That the Nelson-Tasman Regional Landfill Business Unit

- 1. receives the NTRLBU - Draft Treasury Policy report; and**
- 2. approves submission of the Draft NTRLBU Treasury Policy 2018 to the Nelson City Council and Tasman District Council for approval.**

3 Purpose of the Report

- 3.1 To approve the draft Treasury Policy for the Nelson Tasman Regional Landfill Business Unit.

4 Background and Discussion

- 4.1 Having recently been formed the NTRLBU does not have a formal treasury policy which is considered best practice.
- 4.2 The purpose of the NTRLBU Treasury Policy 2018 is to outline policy in respect to the NTRLBU treasury activity.
- 4.3 The draft Treasury Policy 2018 has been based on the Nelson Regional Sewerage Business Units' (NRSBU) Treasury Policy 2014 and has been updated to included policy on managing Emissions Trading Scheme liability.
- 4.4 The draft Treasury Policy 2018 for the two councils to provide loan and investment facilities and then fund these as part of each council's own treasury management.
- 4.5 This policy provides for the setting of interest in the facilities created on an equal and verifiable basis.
- 4.6 This policy has been developed with input from the Corporate Services Manager at Tasman District Council, Group Manager Corporate Services at Nelson City Council and both councils' Treasury Adviser.

5 Options

- 5.1 Option 1 – approve the draft NTRLBU Treasury Policy for submission to both councils for their approval.
- 5.2 Option 2 – not approve the draft NTRLBU Treasury Policy for submission to both councils for their approval.

6 Strategy and Risks

- 6.1 A Treasury Policy for the Nelson Tasman Regional Landfill Business Unit will ensure best practice.

7 Policy / Legal Requirements / Plan

- 7.1 This policy is based on the Nelson Regional Sewerage Business Unit's Treasury Policy.

8 Consideration of Financial or Budgetary Implications

- 8.1 There are no financial or budgetary implications.

9 Significance and Engagement

9.1 This policy does not trigger either council's Significance or Engagement policy.

10 Conclusion

10.1 The Joint Committee should approve the draft NTRLBU Treasury Policy 2018 for submission to Nelson City Council and Tasman District Council for their approval.

11 Attachments

1. NTRLBU Draft Treasury Policy

21

NTRLBU Treasury Policy

2018

Version: 1.1, 07May 2018

Authors : Andrew Bishop, Management Accountant, Nelson City Council

: Nikki Harrison, Chief Financial Officer, Nelson City Council

Item 7.2

Contents

1 Introduction 3

 1.1 Purpose of Policy 3

 1.2 Scope 3

2 Objectives 4

 2.1 Statutory Objectives 4

 2.2 General Objectives 4

 2.3 Borrowing 4

 2.4 Investments 5

3 Management Responsibilities 6

Attachment 1

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, 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 2018** and the policy will be formally reviewed on a three year basis.

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 in the respective councils Annual Plan or Long Term Plan.
- 2.1.2 A resolution of the NTRLBU Joint Committee is not required for hire purchase, credit or deferred purchase of goods if:
 - a) The period of debt is less than 91 days(including rollovers); or
 - b) 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 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 entities and do not want to incur additional risk from the NTRLBU related treasury activities. 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 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 loan
- The NTRLBU will draw down and repay core funding in amounts of \$2M (\$1M 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 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 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 swap 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 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.

- 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 the 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 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 need for price stability with the benefit of realising market opportunities to reduce costs if/when they arise.

The Business Unit recognises carbon price exposures as follows:

- Carbon liabilities related to the annual exposure of landfill emissions

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.

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 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 Council.

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.
