

Finance and Corporate Committee

Supplementary Agenda

Date: Thursday, 28 June, 2018

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Cr Shelley Deeming (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr Stu Bell
Cr Gavin Benney
Cr Crichton Christie
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Sue Glen
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

4. Decision Reports

4.3 Northland Regional Landfill Limited Partnership - Statement of Intent 2018-2019

4.3.1 *Northland Regional Landfill Limited Partnership - Statement of Intent 2018-2019 Amendment*

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Additional to Item 4.3

4.3.1 Northland Regional Landfill Limited Partnership (NRLLP) – Statement of Intent 2018-1019 - Amendments

Meeting: Finance and Corporate Committee
Date of meeting: 28 June 2018
Reporting officer: David Lindsay (Solid Waste Engineer)

1 Purpose

To present further information to inform decision making on the Northland Regional Landfill Limited Partnership (NRLLP) Statement of Intent (SOI).

2 Background

Subsequent to the agenda being circulated the Significant Accounting Policies have been edited in the final version to improve clarity. A further change was made to the SOI to highlight the focus on opportunities to divert waste from landfill.

Attached is the Final Statement of Intent 2018/2019 for NRLLP. Amendments to the SOI have been underlined.

3 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

4 Attachments

Amended Northland Regional Landfill Limited Partnership (NRLLP) – Statement of Intent 2018/2019

**NORTHLAND
REGIONAL
LANDFILL LIMITED
PARTNERSHIP**

**STATEMENT OF INTENT
2018/2019**

NORTHLAND REGIONAL LANDFILL LIMITED PARTNERSHIP Statement of Intent

For the Year Ending 30 June 2019

The following statement has been prepared in accordance with The Local Government Act 2002, (s9, Schedule Eight).

1. Introduction

The Northland Regional Landfill Limited Partnership (NRLLP) comprises two limited partners; Whangarei District Council (WDC) and Northland Waste Limited (NWL). The General Partner is Whangarei Waste Limited (WWL). The operation is governed by a joint venture agreement under which neither party has absolute control of the organisation but is deemed a Council Controlled Organisation (CCTO) by virtue of the Local Government Act (LGA).

The main activity of the partnership is to operate the Puwera Landfill and provide waste disposal facilities in the Whangarei District.

NRLLP is a For Profit Entity operating as a best practice business financially, environmentally, socially and culturally.

2. Background

Following a competitive process seeking requests for proposals, NRLLP was formed on 2 July 2009 and purchased the consented Puwera Landfill and Resort RRP from WDC.

The design and build of the Landfill was undertaken by Quay Contracting Limited (QCL). Subsequent management and development of facilities is undertaken by QCL.

3. Associated Interests of Partners

WDC domestic rubbish collections and rural transfer stations waste contribute to Puwera waste streams.

NWL and related companies' collection operations acquire waste from throughout the Whangarei, Far North and North Auckland which contribute to Puwera waste streams.

QCL is a subsidiary of NWL.

4. Objectives

4.1 The longterm objectives of the partnership are set out in the partnership agreement and are included in Appendix A of this document.

4.2 Specific Objectives for 2018/2019:

- a. Maintain processes to divert green waste from the waste stream.
- b. To build a recycling / sorting plant at the Resort facility for acceptance of recycling materials from the Whangarei region.
- c. Continue to investigate opportunities to attract waste from throughout the region and northern Auckland area to increase profitability.
- d. Sell or utilise the landfill gas streams if economically viable

5. Governance

The Northland Regional Landfill Limited Liability Partnership is a Council Controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002 and is a 50/50 partnership between the limited partners, WDC and NWL. The partnership is constituted under the Limited Partnerships Act 2008 and is governed by the limited partnership agreement dated 30 June 2009 and which may be amended from time to time by agreement between the Partners.

The management of the partnership is undertaken by the general partner (WWL), a company registered under the Companies Act 1993 which is jointly owned by WDC (Group A shares) and NWL (Group B shares). This company is governed by four directors, two group A directors and two Group B directors appointed by the respective shareholders. No remuneration is paid by the company to the directors, the shareholders will pay the directors appointed by them as they see fit. A quorum consists of one Group A director and one Group B director.

6. Nature and Scope of Activities to be Undertaken

The scope of activities of the Limited Partnership will be:

- a. to own and operate disposal facilities including haulage of conforming waste to the Puwera Landfill;
- b. to undertake post-closure responsibilities including capping, contouring and monitoring of the Puwera Landfill;
- c. to own, operate and manage the ReSort RRP and recycling plant once built;
- d. to conduct other waste collection and disposal activities as the Parties agree shall be dealt with by the Limited Partnership from time to time;
- e. using the combined strength of the partners and consistent with the organisation's profit objectives; promote and conduct recycling and waste minimisation activities within the operating area; investigate and develop further minimisation opportunities; [and diversify into new markets opportunities created by a higher landfill levy.](#)
- f. to investigate and, where appropriate, promote and/or undertake clean fill operations in the defined operating area.

7. Performance Measurement and Reporting

The following information will be available to WDC based on an annual balance of 30 June.

7.1 Annual Report

Within three months after the end of each financial year, the Board shall deliver to the WDC, audited financial statements in respect of that financial year, containing the following information:

- a. Audited financial statements for that financial year consisting of;
 - i. Statement of Financial Position;
 - ii. Statement of Comprehensive Income;

- iii. Statement of Performance against Financial and Non-Financial Performance Targets;
- iv. Auditor's report
- v. such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries, the resources available to the Company and its subsidiaries and the financial results of the operations of the Company and its subsidiaries.

7.2 Financial Performance Targets

Indicative Financial Performance Targets:

Operate at a Profit

7.3 Non-Financial Performance Targets

Indicative Non-Financial Performance Targets:

To open both the Puwera Landfill and Re-Sort facilities for a minimum of 40 hours each week.

NRLLP to ensure that its principal contractor employed to run Puwera and Resort maintains ACC Accreditation standards for its Health and Safety Management System.

Ensure no serious harm incidents occur at all operational sites owned by NRLLP.

Ensure Resort facilitates a minimum of 40% diversion away from landfill of all material being handled through the site.

Maintain compaction of 0.7 tonnes of placed refuse per cubic metre of airspace used.

Ensure 6 months landfill capacity is maintained at all times.

Achieve a minimum of 70% landfill gas destruction.

8. The Ratio of Consolidated Partners Funds to Total Assets, and the Definitions of Those Terms

At the date of formation, the ratio of partners' funds to total assets was 23% (\$3M equity, \$10M liabilities and \$13M assets). The \$10m liability was vendor finance from WDC for the acquisition of the properties. Partners' funds means capital contribution from partners. Total assets means the book value of all assets of the partnership.

At 30 June 2017, net equity (partners' funds) is \$16.45 million, liabilities \$8.366 million and assets \$24.82million. The ratio of partners' funds to total assets was 66%.

9. Statement of Accounting Policies

As outlined in Appendix B.

10. Financial Statements

Due to the commercial sensitivity of the business, prospective financial statements are not included with the Statement of Intent.

11. Distribution of Accumulated Profits and Revaluation Reserves

All profits are allocated to Partners Current Accounts effective at balance date.

Unrealised Capital Gains are held in Revaluation Reserve and classified as Equity.

12. Information to be Provided to Partners During the Year

- i. Annual financial estimates, for operational activities and capital expenditure, to the Limited Partners;
- ii. Annual Statement of Intent to the WDC Finance and Support Committee;
- iii. Half Year Financial Statements (unaudited), including Statement of Financial Position; Statement of Financial Performance; Statement of Movements in Equity
- iv. Half Year progress against Statement of Performance, based upon Performance Measures to be provided to Limited Partners
- v. Annual Financial Statements, including Statement of Accounting Policies; Statement of Financial Position; Statement of Financial Performance; Statement of Movements in Equity; Statement of Cash flows; Reconciliation of Surplus after Taxation to Cash flow from Operating Activities; Notes to the Financial statements and Auditors' Report to be provided to Limited Partners together with Auditors' Management Letter;
- vi. Annual Statement of Performance, based upon Performance Measures to be provided to Limited Partners.

13. Statement of Procedures for Acquisition of Shares by Partners in Other Entities

Partners will not acquire shares in any other similar organisation without the prior written agreement of both Joint Venture Partners.

14. Activities for Which the Board Seeks Compensation From any Local Authority

It is expected there will be no activities for which the board will seek compensation.

15. Commercial Value of the Joint Venture Partners' Investment in the Group and the Manner in Which, and the times at Which, That Value is to be Reassessed

As at 30 June 2017 net equity (partner's funds) amounted to \$16.454 million.

It is not proposed to seek an independent assessment of the commercial value of the entity.

16. Treaty of Waitangi Statement of Commitment

Northland Regional Landfill Limited Partnership as a WDC CCTO, understands local body obligations to the Treaty of Waitangi and expects that the Treaty of Waitangi will be honoured.

Appendix A

Extract from WWL NRLLP Shareholders/Limited Partnership Agreement dated 30 June 2009

Long term Objectives for the Limited Partnership

The objectives of the Limited Partnership are to:

- (a) Develop and operate the Puwera Landfill so that it is capable of serving the Waste disposal needs of the Shareholders and the Partners to the Limited Partnership and the Northland Region and providing competitive Waste disposal services to third party Waste operators and other local authorities within the Operating Area in an environmentally sound and economically efficient manner and in accordance with all relevant resource consents.
- (b) Operate as a successful business including achieving sufficient earnings to support the continued operations of the Limited Partnership and to achieve an appropriate risk adjusted return on investment;
- (c) Manage the Waste stream so enough Waste is secured to ensure that the Landfill is operated to its commercial advantage taking into account the benefits of maximising the life of the Landfill and financial return to the Shareholders and the Partners to the Limited Partnership.
- (d) Ensure construction and operation of the Landfill is undertaken in such a manner as to maximise the life of the Landfill, both for Stage One of the Landfill as contemplated by the existing resource consents and for any future stages.
- (e) Operate the ReSort:RRP as a transfer station to serve the needs of the Whangarei District in an environmentally sound and economically efficient manner and in so doing ensure that current levels of service, including services such as Hazardous Wastes collection and vegetation separation, are maintained with operations to be undertaken using the best practicable option.
- (f) Promote Waste Minimisation where it is financially viable to do so.
- (g) Own and operate a recycling and sorting plant.

- (h) Obtain economic cash flows from captured gas at the landfill.
- (i) Be responsive to the market demand for its services in terms of the criteria of quantity, quality and price.
- (j) Develop business plans consistent with WDC's Waste Management and Minimisation Plan and all relevant statutory and regulatory obligations.
- (k) Behave in an environmentally sustainable manner by promoting and maintaining the standards of environmental protection applied by the RMA and to minimise the impact of its activities on the environment.
- (l) Comply with relevant provisions of the LGA applying to a CCTO.
- (l) Promote and maintain standards of health and safety in accordance with all applicable statutes and regulations, and including best practice.
- (m) Act as a good employer and effectively manage staff.
- (n) Commit to consult with and be sensitive to the concerns of the Landfill and ReSort: RRP host communities.
- (o) Act as a good corporate citizen with regard to its business dealings and relations with key stakeholders and tangata whenua and the Northland community.
- (p) Be customer focussed and ensure good customer relationships and service provision.
- (q) Enter into and manage procurement contracts to deliver the Limited Partnership's services.
- (r) Maximise long run economic and environmental benefits to key stakeholders.

Appendix B

1 Statement of accounting policies

Reporting Entity

Northland Regional Landfill Limited Liability Partnership (the Partnership) is a joint venture between Whangarei District Council and Northland Waste Limited as limited partners and Whangarei Waste Limited as a general partner.

The Partnership is domiciled in New Zealand and is a Council-Controlled Trading Organisation (CCTO) as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint 50% of the directors to the Board and the corresponding voting rights controlled by Council.

The primary objective of the Partnership is to provide waste facilities in the Whangarei District.

The financial statements for the Partnership are for the year ended 30 June 2017, and were approved by the general partner on 29 September 2017. The entity's owners or others have no power to amend the financial statements after issue.

Basis of preparation

Statement of compliance

The financial statements of the Partnership have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The partnership is a Tier 2 RDR reporting entity by virtue of not being publically accountable and has expenses of less than \$30 million.

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The functional currency of the Partnership is New Zealand dollars (NZ\$).

Changes in accounting policies

There have been no significant changes in accounting policies during the year.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Any commitments and contingencies are disclosed exclusive of GST.

Income tax

The Partnership incurs no taxation expense or tax liability. Taxable Surplus or Loss is borne by each partner according to profit share arrangements.

Any withholding tax or imputation credits arising from investment income are taken to the respective Partner Current Accounts.

Equity

Equity is measured as capital contributions of the Partners; Current Accounts of the Partners to the extent that they have not been authorised for distribution in the next financial year; and Revaluation Reserves.

Segment reporting

The Partnership operates in one business segment, waste disposal, and in one geographical segment, Northland.

Critical accounting estimates and assumptions

In preparing these financial statements, the Partnership has made estimates and assumptions concerning the future.

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 expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Aftercare provisioning

Cell Construction