

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

**Date:** Friday 8 March 2019  
**Time:** 1.30 pm  
**Meeting Room:** Ruma Marama  
**Venue:** Nelson City Council  
110 Trafalgar Street, Nelson

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## **Nelson Regional Sewerage Business Unit**

### **LATE ITEMS AGENDA**

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## **LATE ITEMS**

### **A REPORTS**

A.1 NRSBU Memorandum of Understanding - Changes to Audit Requirements ..... 5



## A REPORTS

### A.1 NRSBU MEMORANDUM OF UNDERSTANDING - CHANGES TO AUDIT REQUIREMENTS

Decision Required

**Report To:** Nelson Regional Sewerage Business Unit

**Meeting Date:** 8 March 2019

**Report Author:** Andrew Bishop, Management Accountant

**Report Number:** RNRSBU19-03-1

#### 1 Summary

- 1.1 The existing Nelson Regional Sewerage Business Unit (NRSBU) Terms of Reference requires an audit of the NRSBU Annual Report.
- 1.2 The current auditor has raised the issue of whether there is a need to for the Joint Committee's Annual Report to be separately audited.
- 1.3 The audit fee provision for 2017/18 was \$18,150.
- 1.4 Tasman District Council's Corporate Services Manager advises that the separate audit does not provide good value given the cost and time involved.
- 1.5 The operation of the NRSBU will be audited as part of the administering Council's external audit.
- 1.6 A clause has been included in the terms of reference as to the basis of recovery of Council costs to provide comfort to Audit NZ.

#### 2 Draft Resolution

**That the Nelson Regional Sewerage Business Unit:**

1. receives the NRSBU Memorandum of Understanding - Changes to Audit Requirements; and
2. recommends to Nelson City Council and Tasman District Council that the proposed amendment removing the requirement for a separate audit of the annual report is approved.

**3 Purpose of the Report**

- 3.1 The purpose of this report is to recommend the proposed changes to the annual report audit requirements to be included in the Terms of Reference for the NRSBU to be approved and adopted by Nelson City Council and Tasman District Council.

**4 Background and Discussion**

- 4.1 The existing Memorandum of Understanding for the Nelson Regional Sewerage Business Unit (NRSBU) require an audit of the NRSBU Annual Report.
- 4.2 The current auditor has asked if there is a need for the Business Unit's Annual Report to be separately audited.
- 4.3 The audit fee provision for the 2017/18 financial year was \$18,150.
- 4.4 Tasman District Council's Corporate Services Manager advises that the separate audit does not provide good value given the cost and time involved and recommends that this requirement be removed from the Terms of Reference.
- 4.5 The operation of the NRSBU will be audited as part of the administering Council's external audit.
- 4.6 A clause has been included in the terms of reference regarding the basis for recovery of Council costs to provide comfort to Audit NZ.
- 4.7 If the committee agrees to this change to the audit requirements staff will present a separate to both councils informing of their decision.

**5 Options**

- 5.1 The NRSBU joint committee has two options regarding the proposal to remove the requirement for the Annual Report to be audited:

**Option 1**

- 5.2 Accept the proposed changes simplifying the administration of the NRSBU and thereby reducing costs whilst still meeting the Councils' audit reporting requirements;

**Option 2**

- 5.3 Reject the proposed changes and continue to have the Annual Report and Accounts audited

**6 Strategy and Risks**

- 6.1 There are no risks with simplifying the audit process for the NRSBU Annual Report and Accounts.

**7 Policy / Legal Requirements / Plan**

- 7.1 This change to the Memorandum of Understanding meets the requirements of the NRSBU and the joint councils.

**8 Consideration of Financial or Budgetary Implications**

8.1 There are minor budget implications with this recommendation.

**9 Significance and Engagement**

9.1 This decision is of low significance.

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	
Is there a significant impact arising from duration of the effects from the decision?	Low	
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Yes	NRSBU joint business unit
Does the decision create a substantial change in the level of service provided by Council?	Low	
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	Low	
Does the decision involve the sale of a substantial proportion or controlling interest in a CCO or CCTO?	NA	
Does the proposal or decision involve entry into a private sector partnership or contract to carry out the deliver on any Council group of activities?	NA	
Does the proposal or decision involve Council exiting from or entering into a group of activities?	NA	

**10 Conclusion**

- 10.1 The existing Memorandum of Understanding for the Nelson Regional Sewerage Business Unit (NRSBU) requires an audit of the NRSBU Annual Report.
- 10.2 The operation of the NRSBU will be audited as part of the administering Councils external audit.
- 10.3 A clause has been included in the terms of reference regarding the basis for recovery of Council costs to provide comfort to Audit NZ.

**11 Next Steps / Timeline**

- 11.1 A separate report will be presented to both councils informing them of the NRSBU joint committee's decision to audit the NRSBU annual report as part of the administering Councils external audit.

**12 Attachments**

1. Memorandum of Understanding-Track Changes 9



**Nelson Regional Sewerage Business Unit**

**Memorandum of Understanding**

**1. Parties**

The Tasman District Council and the Nelson City Council (the councils).

**2. Term**

2.1. This memorandum of understanding shall commence on 1 July 2019 and shall terminate on 30 June 2025 unless terminated earlier by resolution of both councils.

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**3. Preamble**

3.1. The Nelson Regional Sewerage Business Unit (NRSBU) was established in July 2000, to replace the former Nelson Regional Sewerage Authority established in the 1970s.

3.2. This Memorandum of Understanding replaces the Memorandum of Understanding which established the NRSBU on 1 July 2000 and the subsequent amendment established 9 March 2010 and 15 November 2018.

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3.3. This Memorandum of Understanding shall constitute the 'terms of reference' as required under Section 30A (2) (c) of the Local Government Act 2002.

3.4. The purpose of the NRSBU is 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. The NRSBU shall plan for the future needs of the community in a cost efficient and environmentally sustainable manner rather than entirely focusing making a financial return. The NRSBU has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZIFRS).

3.5. The Bells Island treatment plant and associated reticulation network, and any additions or improvements to these assets are owned in equal parts by the councils and are strategic assets of the councils.

3.6. The NRSBU is intended to be a self-funding body which provides a service to its customers, which include the councils, under a contractual relationship independent of its ownership.

**4. Structure of NRSBU**

4.1. The Nelson Regional Sewerage Business Unit is hereby constituted a Joint Committee of the Nelson City Council and the Tasman District Council pursuant to the provisions of the 7<sup>th</sup> Schedule to the Local Government Act 2002.

4.2. The NRSBU Board (the Board) shall comprise either six or seven members appointed as follows:

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- i) Two members appointed by the Tasman District Council (at least one of whom will be an elected member of the Tasman District Council);
  - ii) Two members appointed by the Nelson City Council (at least one of whom will be an elected member of the Nelson City Council);
  - iii) May include one member independent of either Council and not involved in any business related to the NRSBU activities. This member is discretionary and would only be appointed if mutually agreed to by both the councils and in accordance with the councils' 'Policy for the appointment and remuneration of jointly-appointed independent members on committees'. This member shall be appointed for a period of three years, and in such a way as to provide continuity through the triennial election period. The member shall be remunerated in accordance with the councils' 'Policy for the appointment and remuneration of jointly-appointed independent members on committees'.
  - iv) One non-voting member representing, and appointed by, the NRSBU Major Industrial Customers.
  - v) One member representing and nominated by local iwi and confirmed by both councils. This iwi advisor shall be appointed for a period of three years, and in such a way as to provide continuity through the triennial election period. The member shall be remunerated in accordance with the councils' 'Policy for the appointment and remuneration of jointly-appointed independent members on committees'.
- 4.3. In appointing members to the Board, the councils will consult with the Board on the skills and experience required so that an appropriate mix of skills is maintained.
- 4.4. The Board will elect a chair from its voting members at its first meeting of the triennium.
- 5. Meetings**
- 5.1. For the avoidance of doubt the Board shall comply with the provisions of the Local Government Official Information and Meetings Act 1987 and the standing orders of the administering Council in respect of its meetings.
- 5.2. The Quorum for a meeting of the Board shall be half of the members if the number of members (including vacancies) is an even number, or a majority if the number of members (including vacancies) is an uneven number. There shall also be at least one member from each council represented in the quorum.
- 5.3. The Board shall meet at least 3 times per year (currently 4 times) at intervals decided by the Board in order to meet its obligations under this Memorandum of Understanding.
- 6. Management and Support Services**
- Management and support services are provided as follows,
- i) The administering Council shall be the Nelson City Council.

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- ii) The General Manager is appointed by the councils and employed or contracted by the administering Council and may or may not be on the recommendation of the Board. The councils may choose to appoint an independent General Manager instead of appointing an independent member (as outlined in 4.2 (iii)).
- iii) The administering Council shall provide the following services as appropriate to enable the Board to fulfil its obligations under this Memorandum of Understanding:
  - Engineering services;
  - Accounting and Administration Services;
  - Treasury Services.

iv) Costs incurred by either Council in providing management and support services to the NTRLBU shall be recovered from the NTRLBU on the same basis as the Subsidised Transport activity of Council.

v) The operation of the NTRLBU shall be included in the audit of the Administering Council and the additional cost incurred as a result shall be recovered from the NTRLBU.

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**7. Powers and Responsibilities Delegated to the NRSBU**

- 7.1. 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:
  - i) Operate a bank account for the Business Unit.
  - ii) Comply with the Procurement Policy of the administering Council.
  - iii) 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.
  - iv) Authorise all payments necessary for the operation and management of the Business Unit within the approved budgets and intent of the Business Plan.
  - v) 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.
  - vi) Comply with the Health and Safety Policy and requirements of the administering Council.
- 7.2. Contribute to the sanitary services assessment process of the councils.
- 7.3. Contribute to and comply with the waste management plans of the councils.
- 7.4. Contribute to the development of the councils' Development and Financial Contribution policies.
- 7.5. Contribute to the councils' Regional Policy Statement and Regional Plan Reviews.

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- 7.6. Develop and keep under review an appropriate contract for the delivery of waste collection and disposal services with each of its customers.
- 7.7. Follow generally accepted accounting practices.
- 7.8. Follow good employment practices.

**8. Limitations**

The NRSBU may not borrow money or purchase or dispose of significant assets other than with the approval of the councils.

**9. Operational Funding**

- 9.1. The Board shall budget to repay loans for new capital expenditure over 30 years from Net Surplus Income. Any Net Surplus Income before extraordinary items over budget shall be returned to the councils on an equal share basis.
- 9.2. It is agreed that where any contribution is required to be made by the councils to the ongoing operational costs of the NRSBU, apart from the charges the councils agree to pay as customers of the scheme, each Council shall pay an equal share of any contribution required.

**10. Capital expenditure.**

- 10.1. The NRSBU shall ensure that all capital assets are appropriately depreciated to enable a fund to be established for the replacement of such assets.
- 10.2. The NRSBU shall have the sole authority to determine what expenditure is made from the depreciation fund so accumulated.
- 10.3. Any capital expenditure that is required which exceeds the amount held in any depreciation fund or account and is in the way of expansion or major upgrade shall require approval of the councils.

**11. Planning and reporting**

The NRSBU shall produce the following plans in respect of its operations.

**11.1. Strategic Plan**

The Strategic Plan shall describe the long term objectives of the Board in relation to its operations. This will include consideration of new technologies, environmental sustainability, climate change, changes in legislation/policy and any other issues which the NRSBU might face in providing services for its customers.

The Board shall prepare its Strategic Plan prior to the drafting of the Asset Management Plan.

The Board shall review its Strategic Plan on an annual basis.

**11.2. Asset Management Plan**

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The Asset Management Plan shall provide an analysis of the assets controlled by the NRSBU in relation to the current levels of service required by the customers and their likely future demands. It will also provide a financial analysis of the NRSBU operations and indicate how the assets should be managed to ensure the most cost effective and efficient service. It will also outline the manner in which the NRSBU will provide for appropriate risk management.

The Asset Management Plan shall be reviewed annually and revised at least every three years at which time it will be submitted to the councils for approval.

## 11.3. Business Plan

The business plan should state the activities and intentions of the Business Unit. It should outline how those activities relate to the objectives of the Business Unit as documented in the current strategic plan, the financial forecasts for the following three years, the performance targets for the coming year and any variations to charges proposed for that financial year.

A draft of the business plan for the coming year shall be presented to the councils annually by 31 December.

After the councils have had an opportunity to discuss and comment on the draft Plan the Board shall finalise the business plan, incorporating any changes agreed between the councils and the Board and present the final business plan to the councils by 20 March.

11.4. Annual Report and ~~Audited~~Accounts

The Board shall prepare an Annual Report at the end of each financial year which shall include reporting against the performance targets and financial forecasts in the approved Business Plan.

The annual accounts and financial statements, included in the Annual Report, ~~shall be in a manner and form approved by the Business Unit's auditors~~ fairly showing the operating and financial position of the NRSBU for the financial year, including a statement of financial performance, a statement of financial position, a statement of cash flows, and all information necessary to enable an informed assessment of the operation of the Business Unit. The ~~audited~~ financial statements must be prepared in accordance with generally accepted accounting practice.

The Annual Report and ~~Audited~~Accounts will be presented to councils by 30 September in each year.

## 11.5. Agendas for all meetings of the Board will be forwarded to the Chief Executive of the administering Council, and/or such staff as they might nominate to represent the owners of the scheme, at the same time as they are forwarded to Board Members.

## 11.6. Minutes of all meetings of the Board will be forwarded to the Chief Executives of the councils and to all Board members as draft minutes once they have been reviewed for accuracy by the General Manager and/or the Chairperson.

## 12. Customer Group

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12.1. A Customer Group shall be maintained to provide a forum for consultation and liaison with major users of the scheme. The Board shall determine who shall be members of the group.

12.2. The Customer Group shall be chaired by the General Manager of the NRSBU.

**13. Termination**

13.1. Subject to clause 13.2, the members of the Board appointed under clause 4.2(i) and 4.2(ii) will be discharged on the coming into office of the members of the councils elected at the triennial local body elections. The new Board members appointed under clause 4.2(i) and 4.2(ii) shall be appointed by resolution of the councils at the earliest opportunity post the said election.

13.2. Prior to the election, the NRSBU may recommend to the councils that they approve a transitional arrangement through the triennial election process for representation on the NRSBU. For clarity, this provision only applies where both councils have approved a transitional arrangement.

13.3. The councils may at any time replace their appointed members or by mutual agreement remove/replace the independent member of the Board. No action to replace any member will be taken without the councils first consulting with the Board except where the replacement is part of a triennial election process referred to in clause 13.1.

13.4. Iwi may nominate at any time a replacement for the appointed iwi advisor. The replacement iwi advisor shall be confirmed by both councils.

**14. Variations and Disputes**

14.1. Notwithstanding the above, this Memorandum of Understanding may be amended pursuant to a resolution adopted by the councils at any time during its term.

14.2. In the event of any dispute arising between the parties to this Memorandum of Understanding the parties shall, without prejudice to any other right, immediately explore in good faith whether the dispute can be resolved by agreement between them using informal dispute resolution techniques such as negotiation, mediation, independent expert appraisal, or any other alternative dispute resolution technique.

14.3. In the event the dispute is not resolved by such agreement within 21 days of written notice by one party to the other of the dispute (or such further period agreed in writing between the parties) either party may refer the dispute to arbitration by a single arbitrator pursuant to the Arbitration Act 1996.

14.4. The arbitrator shall be agreed between the parties within 10 days of written notice of the referral by the referring party to the other, or failing agreement appointed by the President of the Nelson District Law Society.

14.5. In either case the arbitrator shall not be a person who has participated in an informal dispute resolution procedure in respect of the dispute.

14.6. The arbitrator so appointed shall be obliged to proceed with maximum expedition to deliver a decision within two months of the appointment.

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The parties agree to co-operate fully in every respect with the arbitration and further agree that any decision made by the arbitrator shall be final and binding and hereby waive any right to appeal against the decision or seek judicial review of it in any court.

_____ Mayor Nelson City Council	_____ Mayor Tasman District Council
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_____ Chief Executive Nelson City Council	_____ Chief Executive Tasman District Council
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Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Approved by TDC on 8 November 2018 and by NCC on 15 November 2018

