

Canterbury Regional Landfill Joint Committee
OPEN MINUTES

Date: Friday 20 April 2018
Time: 2.01pm
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Councillor Glenn Livingstone - Christchurch City Council
Members	Councillor Robbie Brine - Waimakariri District Council
	Councillor Neil Brown - Ashburton District Council
	Councillor Pauline Cotter - Christchurch City Council
	Councillor Dick Davison - Hurunui District Council
	Councillor Grant Miller - Selwyn District Council

20 April 2018

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The agenda was dealt with in the following order.

1. Apologies

Committee Resolved CRLC/2018/00001

That the apology from Councillor Mike Davidson be accepted.

Councillor Livingstone/Councillor Brine

Carried

2. Confirmation of Previous Minutes

Committee Resolved CRLC/2018/00002

Committee Decision

That the minutes of the Canterbury Regional Landfill Joint Committee meeting held on Friday, 1 December 2017 be confirmed, with an apology from Councillor Grant Miller being included.

Councillor Cotter/Councillor Davison

Carried

3. Transwaste Canterbury Ltd - Interim Report to 31 December 2017

Committee Resolved CRLC/2018/00003

Joint Committee Decision

That the Canterbury Regional Landfill Joint Committee:

1. Receive the information in the report.

Councillor Brown/Councillor Brine

Carried

4. Transwaste Canterbury Ltd - Comment on the Draft Statement of Intent for the Three year Period Ending 30 June 2021

Committee Resolved CRLC/2018/00004

Joint Committee Decision

That the Canterbury Regional Landfill Joint Committee:

1. Receive the information in the Draft Statement of Intent ("SOI") report;
2. Include the forecast distribution of BRRP retained earnings, in line with the current resource consent conditions as stated in 3.1;
3. Include interim and final dividends payable for the 2018/19, 2019/20 and 2020/21 financial periods; and
4. Confirm the information that can be made publicly available.

Councillor Davison/Councillor Cotter

Carried

Christchurch City Council staff tabled a letter to the Committee for the Transwaste Board, in relation to Transwaste Canterbury Ltd considering including in their Statements of Intent information about how they will meet obligations under the Public Records Act and Information and Records Management Standards issue by Archives NZ.

Attachments

A Tabled Letter to Transwaste Canterbury Ltd ➡

6. Resolution to Exclude the Public

Committee Resolved CRLC/2018/00005

That at 2.19pm a resolution to exclude the public on the basis of S7(2)(b)(ii) Prejudice Commercial Position and S7(2)(h) Commercial Activities and S7(2)(j) Prevention of Improper Advantage be adopted.

Councillor Cotter/Councillor Davison

Carried

Meeting concluded at 3.20pm.

CONFIRMED THIS 7TH DAY OF SEPTEMBER 2018

**COUNCILLOR GLENN LIVINGSTONE
CHAIRPERSON**

Secretarial Note: Following please find a copy of the finalised Transwaste Canterbury Limited Statement of Intent 2018/19 to 2020/2021 which was approved on 29 June 2018 by the Transwaste Board.

Transwaste Canterbury Limited Group
Statement of Intent

For the three year period ending 30 June 2021



Approved by the Transwaste Canterbury Limited Board on 29 June 2018

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1 Introduction

- 1.1 The Statement of Intent process provides a key opportunity for the shareholders and Directors of Transwaste Canterbury Limited (the Company) to define the Company and its subsidiaries' path for the next three years. It is prepared in accordance with Section 64 of the Local Government Act 2002. A draft statement is required by Section 64 to be submitted no later than 1 March each year, to the Company's shareholders.
- 1.2 The Statement of Intent further defines for the Company and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Company and its subsidiaries may be judged in relation to its objectives amongst other requirements. The process of negotiation and determination of an acceptable Statement of Intent is a public and legislative expression of the accountability relationship between the Company and its shareholders.
- 1.3 The Statement of Intent encompasses the activities of Transwaste Canterbury Limited and each of its subsidiaries (the Group) and covers a three year future period. It is prepared annually by the Transwaste Board, with relevant input from the Boards of the subsidiaries, and negotiated between the shareholders.

2 Objectives

- 2.1 To operate as a successful, competitive commercial landfill and earthquake demolition waste management and resource recovery business.
- 2.2 To achieve this, the Group intends to:
 - (a) achieve sufficient earnings to support the Group's continued operations and also to return an appropriate risk adjusted return on investment;
 - (b) be market responsive as regarding the demand for its services in terms of the criteria of quantity, quality and price;
 - (c) behave in an environmentally aware manner promoting and maintaining the standards of environmental protection applied by the Resource Management Act 1991 and to minimise the impact of its activities on the environment;
 - (d) act as a good employer;
 - (e) aim to provide customers with a high level of service, a reliable transport system and competitive prices;
 - (f) commit to consult with and be sensitive to the concerns of landfill host communities and Tangata Whenua;
 - (g) promote and maintain standards of health and safety in accordance with all applicable regulations, legislation and including best practice;
 - (h) act as a good corporate citizen with regard to its business dealings and relations.

- (f) deliver the best possible outcomes from the Christchurch demolition and rebuilding programmes through the Burwood Resource Recovery Park (BRRP) operations by facilitating as far as is practicable, the recovery and re-use of valuable and necessary building materials, reducing the volume of residual waste to landfill, and minimising costs through economies of scale.

3 The Board's approach to governance of the Group

3.1 The directors are responsible to the shareholders for the achievement of the objectives of the Transwaste Group in both the short and the longer term. Their focus is to enhance the commercial interests of shareholders and other key stakeholders and to ensure the Group is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Group. The functions of the Board include:

- (a) Review and approval of corporate strategies, the annual budget and financial plans.
- (b) Overseeing and monitoring organisational performance and the achievement of the Group's strategic goals and objectives, in particular as outlined in the Statement of Intent.
- (c) Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Group's auditors.
- (d) Ensuring there are effective management processes in place and approving major corporate initiatives.
- (e) Enhancing and protecting the reputation of the Group companies.
- (f) Ensuring the significant risks facing Transwaste and any controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.
- (g) Reporting to shareholders.
- (h) Developing appropriate policies for the operation of Group companies including safety, environmental and quality matters.

A description of Transwaste Group's main corporate governance practices is set out below.

3.2 The Board of Directors

The composition of the Transwaste Board of Directors, including the appointment of a Chairman, is governed by the Memorandum of Understanding between the shareholders. There are no executive directors.

The Boards of the subsidiaries are identical to the parent company Board.

3.3 Operations

The Boards have statutory responsibility for the affairs and activities of each company in the Group.

All matters relating to the operation of the Kate Valley landfill and the operation of the transport system have been contracted to Waste Management NZ Limited ("WMNZ") through its Canterbury Waste Services ("CWS") division in accordance with the Memorandum of Understanding and shareholder agreement. CWS reports monthly to the Board on matters including:

- (a) Operations management
- (b) Financial results and budgets
- (c) Compliance with legislation including health and safety regulations and resource consent conditions

The operational structure of the BRRP facility mirrors the approach adopted for the Kate Valley operations, whereby operational matters are contracted to the Canterbury Material Recovery Facilities ("CMRF") division of WMNZ.

The Boards receive regular (generally monthly) reporting in respect of each of the above.

3.4 Committees

The Boards establish committees as appropriate to assist in the execution of their duties and to allow detailed consideration of complex issues. There is currently one committee, being an audit committee comprised of three Transwaste Directors.

The Boards have identified key business risks and developed policies and action plans to manage the risk.

The audit committee will monitor progress against an established timetable. In addition, the committee will set the scope and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of the external and internal audit. The committee meets as and when required.

All matters determined by committee are submitted to the full Boards as recommendations for Board decision.

3.5 Subsidiaries

The Company has two fully owned subsidiaries, Tiromoana Station Limited and Burwood Resource Recovery Park Limited.

All of the Kate Valley land, including the landfill site, is owned by Tiromoana Station Limited.

BRRP Limited owns resource recovery plant and operates a landfill at Burwood to manage the receipt and processing of demolition material arising from the Christchurch Earthquakes.

3.6 **Commitment**

The Transwaste and BRRP Boards are scheduled to meet eleven times a year. Other special meetings are convened, as required.

3.7 **Independent Professional Advice**

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Transwaste Group's expense, subject to Board approval.

4 **Nature & Scope of Activities**

The Group will undertake the following activities:

4.1 **Landfill and Transport Activities**

- (a) The primary activity of the Group is to own and operate a non-hazardous municipal waste regional landfill at Kate Valley in Canterbury, including the haulage of solid wastes from transfer stations throughout the Canterbury region, to meet or exceed world best practice standards and the standards determined by the regulatory authorities;
- (b) Contract with Waste Management NZ Limited through its Canterbury Waste Services (CWS) division for the provision of services for the operation of the Kate Valley landfill and the haulage of waste from the transfer stations to the landfill, to ensure provision of high quality landfill operations and solid waste haulage operations economically and efficiently and in compliance with relevant consents;
- (c) Offer residual waste management facilities and solutions at all levels in the Canterbury Region, and beyond, including investment in alternatives to landfilling should those alternatives be more environmentally sustainable and cost effective methods of disposal of residual waste (in due course); and
- (d) Utilise the landfill gas produced over time from the landfill in an economically and environmentally sustainable manner.

4.2 **Land Management Activities**

(a) **Land Resources**

The Group, through its ownership of Tiromoana Station Limited, holds land in addition to that required under the current resource consent conditions for the Kate Valley landfill. The management of the land will continue to be conducted in accordance with the Group's real estate plan, which seeks to optimise both the utilisation of the land resources for the benefit of landfill operations and the value of the property over time.

(b) **Forestry**

The Group will conduct forestry operations in terms of its long term forestry plan, which is an integral part of the Kate Valley landfill activities.

4.3 Conservation and Education Activities

(a) Conservation Activities

The Group will continue to develop the Tiromoana Bush native forest re-establishment and public recreation concept, including ongoing development and maintenance of both the Tiromoana Bush walkway and the Mt Cass walkway.

(b) Education Activities

The Group will develop appropriate strategies to provide learning resources and contextual learning activities from primary through to tertiary level and to the community.

4.4 Earthquake Waste Management and Burwood Landfill

Own and operate a Christchurch Earthquake demolition waste material management and recycling facility and operate a landfill at Burwood for disposal of residual demolition waste, through the Company's subsidiary, Burwood Resource Recovery Park Limited (BRRP); and

Contract with WMNZ, through its CMRF division for the provision of services for the operation of the BRRP earthquake waste management facility and landfill to ensure provision of high quality operations economically and efficiently and in compliance with relevant consents.



5 Objectives and performance targets for the 2018/19 year

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Shareholder Interests				
5.1	To operate a successful business, providing a fair rate of return to its shareholders	<p>To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.</p> <p>To effectively operate the consented Burwood Resource Recovery Park (BRRP), established to manage the receipt and resource recovery processing of mixed demolition material from Christchurch's earthquakes, to achieve specific commercial performance targets.</p>	<p>(For the 2018/19 year)</p> <p>- Total Revenue (Inclusive of waste levy)</p> <p>- EBIT</p> <p>- Dividends</p> <p>- Total BRRP Revenue</p> <p>- BRRP EBIT</p> <p>- Dividends</p>	<p>\$43,340,000</p> <p>\$15,396,000</p> <p>\$11,000,000</p> <p>\$1,512,000</p> <p>\$262,000 (loss)</p> <p>\$5,000,000</p>
Healthy environment				
5.2	To ensure that the Transwaste Canterbury Group, as a minimum, meets present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources.	<p>No proven breaches of Resource Management Act consents.</p> <p>Review and update the strategic plan for Tiromoana Bush.</p> <p>Kate Valley gas capture & destruction.</p>	<p>Number of established consent breaches notified during the year or advised by ECan.</p> <p>Strategic plan reviewed, updated with Board signoff.</p> <p>% landfill gas captured, calculated in accordance with the regulations to the Climate Change Response Act 2002.</p>	<p>NIL.</p> <p>Strategic plan reviewed, updated and actioned</p> <p>Greater than 90%</p>

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Legislative compliance				
5.3	To be a good Corporate Citizen by acting lawfully	To ensure compliance with all relevant legislation and statutory requirements	Annual reporting to Board on areas of compliance and non-compliance. Number of known legislative and regulatory non-compliance	100% compliance in all key areas

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Corporate citizenship				
5.4	To be a responsible Corporate Citizen by acting fairly and honestly and to be sensitive to local issues.	<p>Finance the Kate Valley landfill trust fund (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.</p> <p>Develop and maintain education material with regard to waste management and the environment.</p> <p>Plan for sites aftercare and closure – financially and revenue streams.</p>	<p>Annual payment to Kate Valley Landfill Community Trust.</p> <p>Modules used in the National curriculum.</p> <p>Adequate provisioning in financial statements for aftercare and closure costs.</p>	<p>To be determined on an annual basis.</p> <p>Modules used by schools.</p> <p>Financial provisioning stand up to audit scrutiny.</p>

Objective In support of Mission Statement		Desired outcomes	Performance measure	Performance target
Service Quality				
5.5	Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.	Timely, high quality and reliable waste transport services. Reliability of access to the Kate Valley landfill. Reliability of access to the BRRP facilities.	No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers. Proportion of normal transport access hours that landfill is available to waste transporters. Proportion of normal transport access hours that BRRP is available to demolition contract transporters.	Nil. More than 99% of normal annual transport access hours. More than 99% of normal annual transport access hours.

Objective In support of Mission Statement		Desired outcomes	Performance measure	Performance target
Good employer				
5.6	Be a Good Employer, through either direct employment or by way of management contracts with CWS and CMRF.	Ensure CWS/CMRF have objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment. Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	Combined CWS and CMRF landfill and transport staff annual FTE turnover. CWS and CMRF staff annual hours of training.	Recognise the need to continually refresh staff but targeting no more than 15% annual turnover. 10 hours per FTE annually.

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Consultation and community relations				
5.7	Establish and maintain good relations with the local host community of the Kate Valley landfill and Burwood areas and consult with those groups and other interest groups (including Tangata Whenua) on issues that are likely to affect them.	Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	Number of Kate Valley Community Liaison group meetings held.	At least 2 per year.
			Number of BRRP Community Liaison group meetings held.	At least 2 per year.
		Consult with interest groups including Tangata Whenua on an as-required basis and discuss all issues likely to affect them.	Three meetings with Interest groups per year.	Meet measure.

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Health and Safety				
5.8	Strive for zero injury accidents in all operations the Company and its main contractors, CWS and CMRF, will be responsible for, whilst maintaining a high level of service and production.	Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	TRIFR - Total recordable injury frequency rate for last 12 months.	Maintain or Improve current TRIFR (actual TRIFR for 2017 is zero)
		Maintain Kate Valley public walkways to an acceptable standard, (track maintenance, signage).	Annual operational plans objectives met.	No serious avoidable injuries.
		No traffic incidents where CWS drivers at fault.	Number of at-fault incidents.	None.

6 Capital structure

6.1 Ratio

The Group will endeavour to operate with a ratio of consolidated shareholders' funds to total assets as set out below.

	2018/2019	2019/2020	2020/2021
Shareholders' funds to total assets	61.4%	59.3%	56.6%

The ratios of shareholders' funds to total assets includes an assumption that BRRP's retained earnings, after allowing for contingencies and funding requirements, are now progressively distributed during the Sol period. This has the effect of an expected reduction in the ratio during the Sol period. This is discussed further in clauses 8.3 and 8.4 under Section 8 Dividend Policy.

6.2 Definition

Consolidated shareholders' funds are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenue and capital reserves. The Total Assets are defined as the sum of the net book values of current assets, investments, property, plant and equipment and intangible assets. The items making up the definitions are as disclosed in the Group's statement of financial position prepared on a consolidated basis and in accordance with generally accepted accounting practice.

6.3 No calls on capital from shareholders are anticipated during the next three year period.

7 Accounting policies

7.1 Transwaste Canterbury Limited has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards and generally accepted accounting practice. The policies are set out in the 2017 Transwaste Canterbury Limited Annual Report.

8 Dividend policy

8.1 Profit retention and the level of dividend to be paid will be decided from year to year by the Directors in accordance with the results, circumstances prevailing and the requirement to meet the solvency test under the provisions of the Companies Act 1993. The dividend policy objective is to ensure that the amount of the dividend does not limit the Company's ability to fund future expenditure requirements by itself or with its associates for maintaining and expanding operations in the environmental services business and servicing the Company's resultant debt structure.

8.2 Subject to clause 8.1, it is expected that 100% of the Parent Company's Profit for the year, after retention of working capital and/or retention of funds for any other operational needs of the landfill and after tax, in each year will be distributed out of retained earnings unless the Board considers that an investment opportunity in relation to the landfill and transport operations and alternatives to landfilling will provide an appropriate risk adjusted return on investment. An interim dividend may be paid after the half yearly accounts have been considered by the Directors.

8.3 Given the risks around the BRRP operations, including ongoing consenting risks, the Board's view at the outset was that BRRP retained earnings would in all likelihood only be distributed following completion of the project. Having considered the results of the project to date, the Board approved payment of a \$10.0 million interim project dividend during the 2016/17 year and a further \$5.0 million interim project dividend during the 2017/18 year.

Following the granting of new consents in March 2017, the Board considers it is now appropriate to indicate further interim project dividends during the Sol period.

8.4 Indicative dividends to shareholders are set out below

		2018/2019	2019/2020	2020/2021
		\$'000	\$'000	\$'000
	Indicative dividends (relating to Kate Valley operation)			
	- Final from prior year	6,000	5,300	4,900
	- Interim for current year	5,000	4,900	4,900
	Total	11,000	10,200	9,800
	Indicative project dividends (relating to Burwood Resource Recovery Park operation)			
	- Interim project dividends	5,000	5,000	5,000

9 Information to be provided to the shareholders

9.1 Statutory information requirements

Annual Statement of Intent

No later than 1 March of each year the Board will provide a draft Statement of Intent in accordance with Section 64 of the Local Government Act. The Directors will consider comments from the shareholders on the draft Sol made within two months and not later than 30 June of each year shall deliver the final Sol to the shareholders.

Half Yearly Accounts

Within two months after the end of the first half of each financial year the Board will deliver an unaudited half-yearly report to the shareholders. The consolidated financial statements will be the same as required under Section 69 for annual financial statements. This will consist of:

- (a) report on the operations of the Company during the financial period;
- (b) financial statements prepared in accordance with generally accepted accounting practice;
- (c) comparison of the performance of the organisation and its subsidiaries with the statement of Intent, together with an explanation of any material variations; and
- (d) a dividend recommendation for the period to which the report relates.

Annual Accounts

Within three months after the end of each financial year, the Board will deliver an annual report to the shareholders. The content of the report will be pursuant to Sections 67 to 69 and will consist of:

- (a) report on the operations of the Company during the financial period;
- (b) financial statements prepared in accordance with generally accepted accounting practice;
- (c) comparison of the performance of the organisation and its subsidiaries with the statement of Intent together with an explanation of any material variations;
- (d) a dividend recommendation for the period to which the report relates; and
- (e) Auditors' Report on the above financial statements and the performance targets and other measures by which the performance of the Company has been judged in relation to objectives.

Annual Review

The Board will produce an Annual Review for all stakeholders, including the general public. The Annual Review will be in a format suitable for easy reading and widespread dissemination, and consist of:

- (a) A Chairman's review and information on governance and management.
- (b) A section on economic performance for the preceding financial year.
- (c) A section on Social Performance for the preceding financial year.
- (d) A section on environmental performance for the preceding financial year.

9.2 Other Information

The Group will disclose as much information on its operations as is practical and consistent with commercial and confidentiality considerations. The Group will endeavour to operate on a "no surprises" basis with regard to all issues of relevance to shareholders.

10 Acquisition of shares in any company or other organisation

- 10.1 All share investment proposals will be considered by the Directors and any decision to invest in or divest in shares in another Company or other organisation will be made by the Directors, in accordance with the Constitution, after discussion with or approval by the shareholders as appropriate.

11 Non-commercial services

- 11.1 At the request of one or more of the shareholders, the Company may undertake activities which are not consistent with normal commercial objectives. A specific subsidy where necessary will be sought to meet the full commercial cost of providing such activities.
- 11.2 No requests for the provision of non-commercial services have been received from the shareholders.

12 Estimate of the commercial value of the company

- 12.1 The directors estimate that the commercial value of the shareholders' investment in the Group is at least that which is stated as "shareholder equity" in the latest available audited financial statements. This value is reassessed annually as part of the preparation of the audited financial statements.