



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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EXTRAORDINARY MEETING OF COUNCIL

Open Agenda

Meeting Date: Tuesday 2 April 2019

Time: 2.00pm

Venue: Graeme Lowe Stand Corporate Lounge 2
McLean Park
Latham Street
Napier

Council Members Mayor Dalton (In the Chair), Councillors Boag, Brosnan, Dallimore, Hague, Jeffery, McGrath, Price, Tapine, Taylor, White, Wise and Wright

Officer Responsible Chief Executive

Administrator Governance Team

**Next Council Meeting
Tuesday 16 April 2019**

ORDER OF BUSINESS

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

Announcements by the management

Agenda items

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AGENDA ITEMS

1. KERBSIDE RECYCLING COLLECTION

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	710714
<i>Reporting Officer/s & Unit:</i>	Jon Kingsford, Director Infrastructure Services

1.1 Purpose of Report

To communicate to Council the process officers are following to implement the kerbside recycling collection as per the Joint Waste Management and Minimisation Plan (WMMP) adopted by Council in September 2018, and to seek approval for the budget parameters to enable officers to go to tender for an enhanced kerbside recycling collection service based on the Joint Waste Management and Minimisation Plan (WMMP).

Officer's Recommendation

That Council:

- a. Approve the extension of the current temporary arrangement for the provision of kerbside recycling collection service until a new service commences.
- b. Approve to go to tender specifying outcomes sought through the contract and align with the Waste Management and Minimisation Plan (WMMP) 2018-2024 in regards to weekly collection and receptacle(s) provided, with a budget equivalent to costs of up to \$95 per annum for each ratepayer receiving the service (including GST).
- c. Note that Officers are working towards tendering for the kerbside recycling collection service as outlined in the Joint Waste Management and Minimisation Plan (WMMP) 2018-2024, for the contract to take effect as close to 1 November 2019 as possible.
- d. Note that Council have a recommendation from the Strategy and Infrastructure Committee to collect only Grades 1 and 2 plastics, thus discontinuing the collection of plastics 3-7.
- e. Note that Council will undertake consultation with the public as part of the Annual Plan 2019/20 for the funding of the kerbside recycling collection service and how it relates to the Joint Waste Management and Minimisation Plan (WMMP) 2018-2024, based on the current estimated cost increases. The consultation will include options on how the cost for ratepayers will be phased in.

Mayor's Recommendation

That the Council resolve that the officer's recommendation be adopted.

1.2 Background Summary

Budgeted cost of kerbside recycling collection service

Napier City's current kerbside recycling collection service consists of a fortnightly collection with no receptacles provided.

The current 2018/19 budget and LTP budgets are based on an annual cost of \$600,000 for a kerbside recycling service. This cost is offset by the utilisation of funds received from the Waste Minimisation Levy, leaving a net cost of \$385,000 to be funded from ratepayers in the 2018/19 budget. This results in a cost of \$19 (including GST) to each property receiving the recycling service. The current budgeted cost per property excluding the levy offset is \$29 (including GST).

Joint Waste Management and Minimisation Plan 2018-2024

In September 2018, Council adopted the Joint Waste Management and Minimisation Plan (WMMP) 2018-2024. This plan outlines that Council will provide all households a receptacle(s) to ensure plastics, paper and glass are kept separated and the collection of recycling will occur weekly, as an enhanced service to kerbside recycling collection.

During the consultation period of the WMMP, indicative costs were outlined to the public. For the option of receptacle(s) and weekly collection, an estimated cost of \$59 per year per ratepayer was outlined. The stated amounts are what is included in rates the \$59 and are GST inclusive.

At the time of writing the WMMP, it was the intention that Napier City Council would tender for a joint kerbside recycling contract with Hastings District Council (HDC). Although not explicit in the WMMP, the intention was that the service of weekly collection would commence on 1 July 2020.

Council's current kerbside recycling collection – temporary arrangement

Council currently have a temporary arrangement, as approved on 16 October 2018, with the service provider which was intended to continue on a month to month basis through until 30 June 2019 until a long term recycling contract was implemented. It is proposed that this temporary arrangement be extended until a new arrangement can be put in place. Officers are working towards an implementation time of November 2019.

The annualised cost of the current temporary arrangements are estimated to be approximately \$1,500,000 p.a. or \$72 per property receiving the service.

Although communication with HDC on this matter is still ongoing, it is likely that Napier City Council will be tendering this contract separately to HDC.

Implementing the WMMP kerbside recycling collection service

Council is intending to go out to tender for the enhanced kerbside recycling collection service in a long term contract in April 2019. It is likely that it will take up to six months for a contractor to mobilise the contract after signing (e.g. purchase plant and machinery). In order to provide as much flexibility to Council and the selected contractor to best manage continuity of service risks, Council officers propose to go to tender on a collaborative contract basis. This contract is likely to be procured on a cost plus profit basis, that better shares the current risks associated with the recycling industry between the contractor and Council.

1.3 Issues

Issues include:

- Council are currently paying an increased rate for the temporary arrangement to maintain the standard fortnightly kerbside recycling collection service. This was agreed to by Council in October 2018 as a one-off measure to ensure the service continued. The current approval is for an eight-month period up to 30 June 2019. Officers are now seeking an extension until the new contract is in place.
- To provide greater certainty of service continuity and to implement contemporary contract management practises, Council officers are working to procure a long term contract for the enhanced kerbside recycling collection service as per the WMMP as soon as possible.
- If the current contractor is unable to continue providing the current service for any reason, then there would be no kerbside recycling collection until a new contract commences (noting a tender process takes approximately 2 months, and mobilisation may be up to 6 months).
- As is the case with any tender process, Officers do not know whether tenders will come in within the estimated budget that has been allowed for.
- Current advice provided to officers indicates that the costs of the enhanced service are likely to come back significantly higher than outlined in the consultation document of the WMMP. In addition, the method of delivery (three crate system) proposed in the WMMP may not now be the most effective mechanism to deliver the service in a cost effective manner. The 2019-20 Annual Plan consultation will inform residents of the possible maximum cost of this service and will include options on how the cost for ratepayers will be phased in.
- Due to the rapidly evolving risks and issues associated with the recycling market, combined with the temporary nature of current service, Council is unlikely to have a joined up approach with HDC when tendering this contract.

The table (**Attachment A**) sets out in table form the changes that have and are proposed to occur with the funding of the kerbside recycling collection service.

1.4 Significance and Engagement

The changes to kerbside recycling services have been through a special consultative procedure as part of the development of the Waste Management and Minimisation Plan. In the consultation process, a large number of residents from Napier and Hastings provided feedback to the plan (approximately 6,000). Council is now giving effect to that plan.

The significance in this instance, is down to whether the costs of the enhanced kerbside recycling collection service, in today's market, will be higher than what was indicated in the 2018 consultation of the WMMP, which was \$59 per ratepayer. It is for this reason that Council are consulting on the anticipated increased costs to the service in the Annual Plan process.

Our Significance and Engagement Policy tells us that the financial impact on Council's overall resources and rating level, including cost of the decision, is considered a small impact (low significance) if it has less than a 0.05% increase on rates and/or less than \$500,000 external borrowing. High significance is characterised by a large impact being

greater than a 1% increase on rates, and/or debt cap exceeded. Any impacts between low and high must be considered on a sliding scale.

Council will only know what the costs will be when the tender documents are received from tendering parties.

As part of the consultation with the public on the Annual Plan 2019/20, officers can enable scope for the Council to be able to respond to submissions on further changes in circumstances (such as updated costings which go beyond the indicative WMMP costs). However, the risk of doing this is that it further delays a long-term contract being put in place (*see risk section*). The increased costs have been provided as a range and the submission form provides for comment to be made on the future of the kerbside recycling service.

An assessment of this issue against Council's Significance and Engagement Policy is that:-

- There is a moderate impact on a large proportion of the population
- The change will result in a greater than 1% increase in rates
- There is a large spending increase on an activity group (Other Infrastructure).

Due to the impacts, the community are being consulted on the changes to kerbside recycling as part of the 2019-20 Annual Plan.

1.5 Implications

Financial

The financial implications of implementing the enhanced kerbside recycling collection in Napier were estimated in the 2017/18 financial year as \$59 per annum per ratepayer. The current rated costs are \$19 per ratepayer. No financial provision beyond the current cost of \$600,000 p.a. was updated in the Long Term Plan 2018-28 (LTP) as the WMMP was not adopted until after the LTP had been completed. It was envisaged at that time, that the contract would not be let until 1 July 2020, and therefore the cost could be consulted on at the time of the 2019/20 Annual Plan. The planned implementation date has been brought forward due to the current temporary arrangements.

The impact to rates for 2019/20 is a 3.0% rates increase for the enhanced recycling collection should the total cost of the contract be passed on directly to ratepayers. There are options for how this increase could be managed based on whether Council uses reserves to part fund the service in 2019/20 so that the impact to ratepayers is lessened during that time. The question of using reserves is being posed as part of the Annual Plan consultation with the public. Buffering the impact on ratepayers in this manner could reduce the rates impact in the 2019/20 year to 1.4%.

Social & Policy

The WMMP sets out the policy for managing and minimising waste in the Hawke's Bay region. The goals include:

- 1) Reduce, recover and recycle more waste in order to contribute to the NZ waste strategy goal "reducing the harmful effects of waste";
- 2) Improve information on waste generation and movements in Napier and Hastings;

- 3) Improve community awareness on waste and recovery trends and knowledge around resource recovery and diversion potential; and
- 4) Utilise innovating and cost effective waste management and minimisation approaches.

An enhanced kerbside recycling collection is one of the actions to contribute to the goals. Other actions around kerbside recycling collection include:

- expanding Council kerbside recycling collection to incorporate new developments and semi-urban households,
- considering the desire for enhancing kerbside recycling services in non-residential areas via specific consultation,
- investigating recycling options for multi-unit dwellings, and
- using regulation to control excess producers of recycling.

The Joint Waste Committee recognises that the Goals and Objectives of the WMMP are aspirational and therefore may not be reached in one single step change.

Risk

Council are looking to manage a number of risks relating to the kerbside recycling collection service. These include:

- a. If Council do not go to market soon, Council may end up with no kerbside recycling collection provider to cover the current service for several months until a new contract is awarded.
- b. If the proposed terms and service being procured in a competitive tender do not match services that the market can effectively deliver, the service cost will be greater than other, more cost effective alternatives.
- c. If the market changes further, Council needs to ensure it has sufficient flexibility to respond and change the nature of the services provided within any new contractual arrangement.

If the costs are significantly higher than what was originally anticipated, then the public should be given an opportunity to provide feedback on whether that would affect their support for the enhanced service.

1.6 Options

The service options available to Council are as follows:

- a. Implement the Waste Management and Minimisation Plan as approved by Council September 2018 with funding approved in line with the WMMP consultation.
- b. Go to the market with a tender for a long term service without Hastings as the joint partner, specifying the method of collection as identified in the WMMP.
- c. Go to market with a tender for a long term service without Hastings as the joint partner, identifying the outcomes that Council are seeking through the contract that are consistent with the goals and objectives of the WMMP.
- d. Not implement the WMMP and stay with the current level of service (fortnightly, no receptacles), although there may still be a material change in the costs due to changing market conditions.

- e. Identify a different solution from that set out in the WMMP, by making a decision inconsistent with that plan by virtue of section 80 of the Local Government Act 2002.

Options Analysis

Discussion on the service options available to Council are as follows:

- a. Implement the Waste Management and Minimisation Plan as approved by Council in September 2018 with funding approved in line with the WMMP consultation.
 - This involves joint implementation with Hastings from 1 July 2020, recognising that there is a risk that there may not be a contract in place in the proceeding months for that contract.
 - Current market indications are that contract costs have increased significantly since the WMMP was finalised therefore funding in line with the WMMP may no longer be sufficient.
 - Changes in the recycling markets and the current temporary arrangements in place and the risks associated with this mean that a joint approach may no longer be viable.
- b. Go to the market with a tender for a long term service without Hastings as the joint partner, specifying the method of collection as identified in the WMMP.
 - The purpose of doing this is to mitigate the risk of not having a contract in place, however advice received indicates that this approach is likely to result in very few, if any tenders.
- c. Go to market with a tender for a long term service without Hastings as the joint partner, identifying the outcomes that Council are seeking through the contract that are consistent with the goals and objectives of the WMMP.
 - This approach is more likely to attract tenders from multiple parties and therefore produce a competitive tendering environment.
 - This may mean that the three crate system consulted on in the WMMP is not the end solution delivered to the community.
- d. Not implement the WMMP and stay with the current level of service (fortnightly, no receptacles), although there may still be a material change in the costs due to changing market conditions.
 - This approach is likely to prolong the current risks and challenges experienced with the current contractor.
- e. Identify a different solution from that set out in the WMMP, by making a decision inconsistent with that plan by virtue of section 80 of the Local Government Act 2002.
 - This could be to provide a different/reduced level of service and/or revisit what was adopted in the Joint WMMP.
 - The Implications of this decision is that this could reopen the entire WMMP and Hastings District Council would need to agree to revisit it too.
 - This could involve a potential service change that is reduced from what was proposed, such as drop-off facilities only.

Funding Options

- a. Provide Annual Plan funding in line with Waste Management and Minimisation Plan as approved by Council September 2018 to be rates funded – 3.0% rates increase.
- b. Provide Annual Plan funding with an option to utilise reserves in years one and two, to smooth the implementation costs if tender is in line with cost estimates of the WMMP. Rates impact year 2019/20 - 1.4%

1.7 Development of Preferred Option

The preferred option is **Option C** – This involves:

- Seeking to implement the goals and objectives of the Waste Management and Minimisation Plan as approved by Council in September 2018.
- Consulting on funding as part of the 2019-20 Annual Plan.
- Approve funding to a budget equivalent to costs of up to \$95 per ratepaying property (inclusive of GST).
- Going to tender for a long term service without Hastings as the joint partner to mitigate the risk of not having a contract in place.
- Implementation date as close as possible to 1 November 2019.

Preferred approach to funding

The preferred option is to provide Annual Plan funding with an option to utilise reserves in years 1 and 2 to smooth the implementation costs, assuming the tender is in line with the cost estimates of the WMMP. The impact to rates for would be 1.4% in 2019/20. In the event where the best scoring tender is more than 15% above budget then this would come back to Council for consideration and a decision on next steps would be agreed at that time.

1.8 Attachments

- A Changes to recycling collection services [↓](#)

Changes to kerbside recycling collection service

The following table highlights the changes that have occurred and are proposed to occur with the funding of the kerbside recycling collection service.

	2018/19 (in LTP 2018-28)	WMMP 2017/18 consultation	Current temporary arrangements	2019/20 part pay option for consultation*	2019/20 full pay option for consultation*
Financial impact					
Total budget for service	600K – 215K (levy) = 385K	1.2 mil (2 times higher than 18/19)	1.5 mil (2.5 times higher than 18/19)	1.9 mil (3 times higher than 18/19)	1.9 mil (3 times higher than 18/19)
Rates	.8%		2.75%	2.2%	3.8%
Actual ratepayer charge	\$19	N/A	\$19	\$58	\$95
Cost to Council without levy per ratepayer receiving recycling service	\$29	\$59	\$72	\$95	\$95
Funded by reserves	N/A	N/A	900K	700K	Nil
Level of Service					
Frequency	Fortnightly	Weekly	Fortnightly	Weekly	Weekly
Method	Kerbside sort	User and kerbside sort	Kerbside sort	User and kerbside, or based sort pending receptacle type	User and kerbside, or basic sort pending receptacle type
Mode	No receptacles (free choice)	Receptacle(s), 3 crates preferred option	No receptacles (free choice, but only transparent bags)	Receptacle(s) – open, pending on yield quality, end markets, health and safety and \$\$ from tender	Receptacle(s) – open, pending on yield quality, end markets, health and safety and \$\$ from tender
Market issues					
Plastics collected			No collection of plastics 3-7 due to lack of market to recycle (introducing)	No collection of plastics 3-7 due to lack of market to recycle	No collection of plastics 3-7 due to lack of market to recycle
Health and Safety		Health and Safety concerns with collecting from receptacles of choice.	Health and Safety concerns with collecting from receptacles of choice or crates, current market preference is wheelie bins.	Health and Safety concerns with collecting from receptacles of choice or crates, current market preference is wheelie bins.	Health and Safety concerns with collecting from receptacles of choice or crates, current market preference is wheelie bins.
Significance & Engagement Policy					
Assessment		Crate-option weekly/fortnightly was consulted on via special consultative procedure, but outside of the cycle for the development of the LTP 2018-28, and the budget and enhanced level of service change was not incorporated into the LTP.	Triggers high significance (financial criteria in policy)**	Triggers high significance (financial criteria in policy)**	Triggers high significance (financial criteria in policy)**

* for both these options, the ongoing cost is 1.9 mil.

** > than 1% increase on rate

2. AMENDMENTS TO THE REVENUE AND FINANCING POLICY AND THE RATES REMISSION POLICY

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	711740
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer Ross Franklin, Consultant

2.1 Purpose of Report

To recommend the proposed amendments to the Revenue and Financing Policy and the Rates Remission Policy for adoption by Council and subsequent consultation with the community.

Officer's Recommendation

That Council:

- a. Adopt the attached materials for consultation on amendments to the Revenue and Financing Policy.
 - i. Statement of Proposal to amend the Napier City Council Revenue and Financing Policy.
 - ii. Amended Revenue and Financing Policy.
- b. Adopt the attached materials for consultation on amendments to the Rates Remission Policy.
 - i. Statement of Proposal to amend the Napier City Council Rates Remission Policy.
 - ii. Amended Rates Remission Policy.
- c. Delegate authority to Council's Chief Financial Officer for the management and implementation of the Rates Remission Policy.

Chairperson's Recommendation

That the Council resolve that the officer's recommendation be adopted.

2.2 Background Summary

Any change to Council's Revenue and Financing Policy and Rates Remission Policy require Council to follow the principles of consultation as outlined in section 82 of the Local Government Act 2002. Any consultation to these policies is separate to, but can be undertaken in conjunction with, consultation on the Annual Plan.

Council's Revenue and Financing Policy

Audit NZ recommended that Council undertake a full review of its Rates processes and its Funding Impact Statement (FIS). Officers have assessed that a full 'back to basics' review of the Revenue and Financing Policy which sets out the Council's fundamental approach to rating is needed which will take approximately 12-18 months to complete.

In the interim, Officers have undertaken an initial review to ensure the rating information in the Revenue and Financing Policy is consistent with the FIS. This review identified that immediate changes are needed to the Revenue and Financing policy:

- to more accurately describe the rating differentials and targeted rates
- to include the new proposed Whakarire Revetment targeted rate
- to amend the funding split for animal control to align it with the agreed level of rate funding for that activity.

The updated Revenue and Financing policy is attached. Changes from the current policy are highlighted in red. A brief "Statement of Proposal" to outline the changes proposed is also attached.

Council's Rates Remission Policy

In conjunction with the review of the Funding Impact Statement and Revenue and Financing Policy, Council's Rates Remission Policy was reviewed to ensure it is fit for purpose and will enable Council to manage any changes to rates as a result of improvements to processes around the setting and collection of rates.

Additional clauses being added to the Rates Remission Policy and include:

- to cover remission of water by meter charges;
- additional flexibility to remit rate penalties to encourage ratepayers to bring their accounts up to date;
- provide the ability to remit rates on Council owned properties; and
- to also smooth the impact of changes in rates where a significant change occurs to the value of rates payable.

Additional changes have also been made to:

1. Make the Chief Financial Officer responsible for managing the Rates Remission Policy, so that it aligns with the organisational structure. A Council resolution is required on this because it involves a change to delegation.
2. Remove text in clause 4 relating to remission on contiguous properties as this is a statutory adjustment made under the Local Government (Rating) Act 2002 – clause 20. The act requires rating units in common ownership to be treated as one unit when they meet the statutory criteria. Where this section is applied there is no remission as the additional rates are not charged in the first place.

The updated policy is attached. Changes from the current policy are highlighted in red. A brief "Statement of Proposal" to outline the changes proposed is also attached.

2.3 Issues

In order to amend the Revenue and Financing Policy and to amend the Rates Remission Policy, Council is required to consult the community on the proposed changes to each policy.

It is proposed that this consultation take place in conjunction with the consultation on the 2019-20 Annual Plan.

2.4 Significance and Engagement

The introduction of the proposed targeted rate on properties on Whakarire Avenue is assessed as triggering high significance in Council's Significance and Engagement Policy at the higher end of the scale, as there is a medium impact for this specific group

of residents. As such, separate targeted consultation will take place with the residents of the properties that will be affected by the introduction of a proposed targeted rate on Whakarire Avenue.

The other policy changes are not considered to trigger significance.

Consultation on these policies is also a legal requirement under the Local Government Act 2002.

The proposal, and proposed amendments to the Revenue and Financing Policy and Rates Remission Policy will be available on Council's website. Feedback will be able to be provided online via council's website. Any feedback received on the two policies during the Annual Plan consultation will also be captured.

Consideration of feedback from consultation and adoption of the amendments to the Revenue and Financing Policy and Rates Remission Policy will proceed along the same decision-making timeframe as the Annual Plan 2019/20.

2.5 Implications

Financial

There are no direct financial implications.

Social & Policy

N/A

Risk

The Revenue and Financing Policy underpins Council's funding so it is important to ensure that the policy is as robust as possible. The proposed changes will improve the policy and reduce any risk that Council may have had under the current policy.

2.6 Options

The options available to Council are as follows:

- a. Approve the amended policies and statement of proposals for public consultation.
- b. Make further amendments to the policies and statement of proposals and then release for consultation.
- c. Retain the existing policies – no change.

2.7 Development of Preferred Option

The preferred option is for Council to approve the proposed amended policies for public consultation. The changes reflect Council policy decisions and also amend the policies to make improvements following a review of the existing documents. A full review of the policies will be undertaken in 2019/20.

2.8 Attachments

- A Rates Remission Policy - as amended for consultation [↓](#)
- B Revenue and Financing Policy - as amended for consultation [↓](#)
- C Statement of Proposal for amendments to Revenue and Financing Policy and amendment to Rates Remission Policy [↓](#)



Rates Remission Policy			
Approved by	Council		
Department	Finance		
Original Approval Date	30 June 2015	Review Approval Date	June 2019
Next Review Deadline	30 June 2021	Document ID	
Relevant Legislation	Local Government Act 2002, Local Government (Rating) Act 2002		
NCC Documents Referenced	Published in the Long Term Plan 2018-2028 which was reviewed between March/Apr 2018 and adopted on 29-06-18 Reviewed and amended as part of 2019/20 Annual Plan		

Purpose

To enable Council to remit all or part of the rates on a rating unit under Section 85 of the Local Government (Rating) Act 2002 where a rates remission policy has been adopted and the conditions and criteria in the policy are met.

Policy

1. Remission of Penalties

Objective

The objective of this part of the Rates Remission Policy is to enable Council to act fairly and reasonably in its consideration of rates which have not been received by the Council by the penalty date due to circumstances outside the ratepayer's control.

Conditions and Criteria

Penalties incurred will be automatically remitted where Council has made an error which results in a penalty being applied.

Remission of one penalty will be considered in any one rating year where payment has been late due to significant family disruption. This will apply in the case of death, illness, or accident of a family member, at about the times rates are due.

Remission of the penalty will be considered if the ratepayer forgets to make payment, claims a rates invoice was not received, is able to provide evidence that their payment has gone astray in the post, or the late payment has otherwise resulted from matters outside their control. Each application will be considered on its merits and remission will be granted where it is considered just and equitable to do so. ~~As a guide, remission of one penalty will be allowed every two years provided the ratepayer has a history of paying on time in Napier.~~

Remission of a penalty will be considered where sale has taken place very close to due date, resulting in confusion over liability, and the notice of sale has been promptly filed, or where the solicitor who acted in the sale for the owner acted promptly but made a mistake (e.g. inadvertently provided the wrong name and address) and the owner cannot be contacted. Each case shall be treated on its merits.

A penalty shall not be remitted where professionals such as solicitors, accountants or trust companies have failed to perform their duties to a professional standard (e.g. omitted to file a notice of sale within one month) which led to the penalty being applied. Penalties will also be remitted where Council's Chief Financial Officer considers a remission of the penalty, on the most recent instalment, is appropriate as part of an arrangement to collect outstanding rates from a ratepayer.

2. Remission for Residential Land in Commercial or Industrial Areas

Objective

To ensure that owners of rating units situated in commercial or industrial areas are not unduly penalised by the zoning decisions of this Council and previous local authorities.

Conditions and Criteria

To qualify for remission under this part of the policy the rating unit must:

- Be situated within an area of land that has been zoned for commercial or industrial use. Ratepayers can determine where their property has been zoned by inspecting the City of Napier District Plan, copies of which are available from the Council office.
- Be listed as a 'residential' property for differential rating purposes. Ratepayers wishing to ascertain whether their property is treated as a residential property may inspect the Council's rating information database at the Council office.

Rates will be automatically remitted annually for those properties which had Special Rateable Values applied under Section 24 of the Rating Valuations Act 1998 up to 30 June 2003, and for which evidence from Council's Valuation Service Provider indicates that, with effect from the 2002 revaluation of Napier City, the land value has been penalised by its zoning. The amount remitted will be the difference between the rates calculated on the equivalent special rateable value provided by the Valuation Service Provider and the rates payable on the Rateable Value.

Other ratepayers wishing to claim remission under this part of the policy must make an application in writing addressed to the [Director Corporate Services](#) Chief Financial Officer.

The application for rates remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated.

Applications for remission under this part of the policy will be determined by the Director Corporate Services acting under delegated authority from the Council as specified in the delegations resolution.

Where an application is approved, the Council will direct its Valuation Service Provider to inspect the rating unit and prepare a valuation that will treat the rating unit as if it were a comparable rating unit elsewhere in the district. The ratepayer may be asked to contribute to the cost of this valuation. Ratepayers should note that the Valuation Service Provider's decision is final as there are no statutory right of objection or appeal for values done in this way.

3. Remission for Land Subject to Special Preservation Conditions

Objective

To preserve and encourage the protection of land and improvements which are the subject of special preservation conditions.

Conditions and Criteria

Rates remission under this Section of the policy relates to land that is subject to:

- A heritage covenant under the Historic Places Act 1993; or
- A heritage order under the Resource Management Act 1991; or
- An open space covenant under the Queen Elizabeth the Second National Trust Act 1977; or

- A protected private land agreement or conservation covenant under the Reserves Act 1977; or
- Any other covenant or agreement entered into by the owner of the land with a public body for the preservation of existing features of land, or of buildings, where the conditions of the covenant or agreement are registered against the title to the land and are binding on subsequent owners of land.

Ratepayers who own rating units meeting this criteria may qualify for remission under this part of the policy.

Rates will automatically be remitted annually for those properties which had Special Rateable Values applied under Section 27 of the Rating Valuations Act up to 30 June 2003, and which meet the above criteria. The amount remitted will be the difference between the rates calculated on the equivalent special rateable value provided by the Valuation Service Provider and the rates payable on the Rateable Value.

Other ratepayers wishing to claim remission under this part of the policy must apply in writing to the Council office, and must provide supporting documentary evidence of the special preservation conditions, e.g. copy of the Covenant, Order or other legal mechanism.

The application for rates remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year.

Applications for remission under this part of the policy will be approved by the Council. The Council may specify certain conditions before remission will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.

Where an application is approved, the Council will direct its Valuation Service Provider to inspect the rating unit and provide a special valuation. The ratepayer may be asked to contribute to the cost of this valuation. Ratepayers should note that the Valuation Service Provider's decision is final as there is no statutory right of objection or appeal for values done in this way.

The equivalent special rateable value will be determined by the Valuation Service Provider on the assumption that:

- The actual use to which the land is being put at the date of valuation will be continued; and
- Any improvements on the land will be continued and maintained or replaced in order to enable the land to continue to be so used.

It will be assessed taking into account any restriction on the use that may be made of the land imposed by the mandatory preservation of any existing tenements, hereditaments, trees, buildings, other improvements, and features.

4. Remission of Uniform Annual General Charges (UAGC) and Targeted Rates of a Fixed Amount on Rating Units Owned by the Same Owner

Objective

To provide for relief from UAGC and Targeted Rates of a fixed amount per rating unit or separately used or inhabited parts of a rating unit, where two or more rating units are owned by the same person or persons, and are either:

- part of a subdivision plan which has been deposited for separate lots, or separate legal titles exist; or
- are contiguous or separated only by a road, railway, drain, water race, river or stream;
- but the rating units may not necessarily be used jointly as a single unit, and each rating unit does not benefit separately from the services related to the UAGC and Targeted Rates.

Conditions and Criteria

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Remission of UAGC and Targeted Rates of a fixed amount applies in the following situations:

- Unsold subdivided land, where as a result of the High Court decision of 20 November 2000 'Neil Construction and others vs. North Shore City Council and others', each separate lot or title is treated as a separate rating unit, and such land is implied to be not used as a single unit.
- A residential property which has a separate vacant section attached for use as a garden, tennis court, etc.
- Multi-unit garages, where each garage is subject to a separate cross-lease, and a ratepayer owns two or more garages within the complex.
- Any similar situation where the rating unit cannot benefit separately from the services provided which relate to the UAGC and Targeted Rates.

Remission does not apply where one owner owns two or more rating units situated contiguously, but each is used for the purposes that would benefit separately from the services giving rise to the UAGC and Targeted Rates (e.g. neighbouring shops or houses).

Rating units that meet the criteria under this policy may qualify for a remission of UAGC and Targeted Rates of a fixed amount. The ratepayer will remain liable for at least one set of each type of rate.

The rating units on which remission is applied must be owned by the same ratepayer.

Remission will be made automatically for all properties identified by Council staff as being eligible for remission under this part of the policy. Ratepayers who consider themselves eligible for remission under this part of the policy, but who do not receive any remission, may make application in writing to the Director Corporate Services. All applications will be considered, and where eligible, remission will be backdated to the beginning of the rating year in which the application has been received.

All remissions under this part of the policy will be approved by the Director Corporate Services Chief Financial Officer.

5. Remission for Water Rates (by meter)

Objective

To provide ratepayers with a measure of relief by way of partial rates remission where, as a result of the existence of a water leak on the property which they occupy the payment of fuller rates is inequitable, or where officers are convinced that there are errors in the data relating to water usage.

Conditions and Criteria

- The existence of a significant leak on the occupied property has been established and there is evidence that steps have been taken to repair the leak as soon as possible after the detection, or officers have reviewed the usage data and are convinced that the usage readings are so abnormal as to require adjustment.
- The Council or its delegated officer(s) as determined from time to time and set out in the Council's delegations register shall determine the extent of any remission based on the merits of each situation.

6. Remission to smooth the effects of change in rates on individual or groups of properties

Objective

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To enable Council to provide rates remission where, as a result of a change in Council policy or other change that results in a significant increase in rates, Council decides it is equitable to smooth or temporarily reduce the impacts of the change by reducing the amount payable.

Conditions and Criteria

- Remission of part of the value based rates to enable the impact of a change in rates to be phased in over a period of no more than 3 years.
- To continue with any existing rates adjustment where, due to change in process, policy or legislation Council considers it equitable to do so subject to a maximum limit of 3 years to a remission made under this clause in the policy.

7.

8.7. Remission for Special Circumstances

Objective

To enable Council to provide rates remission for special and unforeseen circumstances, where it considers relief by way of rates remission is justified in the circumstances.

Conditions and Criteria

Applications for rates remission must be made in writing by the applicant.

Each circumstance will be considered by Council on a case by case basis. Where necessary, Council consideration and decision will be made in the Public Excluded part of a Council meeting.

The terms and conditions of remission will be decided by Council on a case by case basis. The applicant will be advised in writing of the outcome of the application.

Policy Review

The review timeframe of this policy will be no longer than every three years.

Document History

Version	Reviewer	Change Detail	Date
2.0.0	Caroline Thompson	Updated and approved by Council with LTP	29 June 2018
3.0.0	Caroline Thomson	Updated in conjunction with 2019-20 Annual Plan	

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Revenue and Financing Policy			
Approved by	Council		
Department	Finance		
Original Approval Date	29 June 2018	Review Approval Date	29 June 2018 2019
Next Review Deadline	30 June 2021	Document ID	346424
Relevant Legislation	Local Government Act 2002		
NCC Documents Referenced	NCC Long Term Plan 2018-2028		

Purpose

The Revenue and Financing policy is adopted under Section 102(1) of the Local Government Act and must show how the local authority has, in relation to the sources of funding identified in the policy, complied with Section 101(3).

Policy Background

Napier City Council (the Council) has reviewed the proposed funding for each activity to determine the funding policy for each. In accordance with the Local Government Act 2002 (LGA), Council has considered each activity with regard to the following:

- Community outcomes to which an activity contributes;
- the distribution of the benefits between the community as a whole, identifiable parts of the community and individuals; [and](#)
- [the period over which those benefits are expected to occur; and](#)
- the extent to which actions or inactions of individuals or groups contribute to the activity; and
- costs and benefits of funding the activity distinctly from other activities.

The summary table in section 4.1 lists Council activities and the significant funding mechanisms to be used for funding the operating costs of each activity. Sources used were determined after careful consideration of the four items above. The primary funding sources available to Council are General Rates, Targeted Rates, Fees and Charges (including rents and lease receipts) and Other Revenue. Other Revenue includes grants, donations, subsidies, petrol tax and other miscellaneous income items.

In addition to the types of revenue noted above Council also receives interest from its investments. Interest generated from defined funds held or collected, where Council has determined that interest will be added, are credited to the fund at year end and applied to the purposes of the fund. Any remaining interest income is used to reduce the requirement for General Rates.

The scale used in the summary table in 4.1 shows the expected level of the revenue as a percentage of operating costs for the activity. The ranges are in 20% increments up to 100%.

Funding of Operating Expenditure

Fees and Charges

Fees and Charges, in the summary table 4.1, include all licence and enforcement. Fees and Charges applied to the community generally, rather than by individual agreement, are set in the Schedule of Fees and charges adopted by Council as part of its Long Term or Annual Plan process. These fees and charges are available on Council's website or from Council's Customer Service Centre. Examples include swimming pool entrance fees, parking fines, building inspection fees and dog licence fees. Examples of individual charges made by agreement, but not publicly notified in the Schedule of Fees and Charges include property leases and property rentals. Items excluded from this classification are all rates and interest income along with financial contributions, capital contributions and grants, subsidies and donations applied to funding of assets rather than funding of operating costs.

Fees and charges are applied where there is a benefit to an individual from the delivery of goods and or services and this can be charged in a cost efficient manner. If it is possible to efficiently impose a charge, the Council does so, on the basis of either recovering the full cost of the service, the marginal cost added by users, or at a level that the market will pay.

Market rate is generally the upper limit used for determining fees or charges. Market rate as the upper limit applies where Council believes imposition of fees or charges at a rate above market will generally reduce usage of the activity or facility and lead to the imposition of a greater cost on ratepayers. In selecting market rate the Council has made a judgement that the community values the existence of the facility and would rather fund it from rates than for it to close.

The following specific types of revenue are included in fees and charges:

Licence Fees

Licence fees are charged where applicable and may be set by Council or by regulation. Use of licence fee revenue collected may also be directed to a specific purpose by legal statute.

Enforcement Fees

Enforcement fees are charged where applicable. Their purpose is to promote compliance rather than to raise revenue; consequently, revenue collected may be insufficient to meet the full costs of the enforcement activity. The level of enforcement fee may also be restricted by statute or the courts. Use of enforcement fee revenue collected may also be directed to a specific purpose by legal statute.

Rental and Lease Income

Rental and lease income is attributed to the activity with primary responsibility for the asset generating the rental or lease income. This revenue generally offsets costs of maintaining the asset and costs generally within the activity area receiving the revenue. However in the case of leasehold land subject to the Hawke's Bay Endowment Land Empowering Act 2002, ground rental revenue is credited to a special fund within equity being the HBHB Endowment Income Account. In accordance with the Act this income is used to fund the net cost of the Napier Inner Harbour and certain foreshore reserves and other permitted activities. The land subject to the Act was vested in Council in 1989 from the Hawke's Bay Harbour Board at the same time that Council assumed liability for the Napier Inner Harbour and former Harbour Board foreshore reserves.

Dividend Income

Council receives a minor amount of dividend revenue from time to time. Where applicable, this is applied to offset the cost of the activity related to the dividend income. Where dividend income relates to Council operations in general, this is applied to the same purposes as general rates.

Other Income**Grants, Subsidies and Donations**

Revenue from these sources is actively sought to offset both operating and capital costs.

Petrol Tax

This is the local government share of the petrol tax levied by central government. It is used to contribute to the costs of road maintenance.

Waste Levy Income

This is the Council share of waste levy fees collected by the Ministry for the Environment. Income is received from the Waste Levy Fund and must be applied to waste minimisation activities.

General Rates

[For the purposes of the Revenue and Financing Policy](#), General Rates includes are levied through a combination of a Uniform Annual General Charge (UAGC) and a rate in the dollar based on land value. General Rates are used to fund services where Council believes there is a public benefit even though it may not be to the whole community. Council funds 'public good' for which there is no practical or economically effective method for identifying and charging individual users or where benefits are wider than just the specific users. General Rates fund a range of services which are used by individual ratepayers to varying extents. [Council's Rating Policy contains more information on General Rates](#). General rates are charged differentially based on the different categories explained under General rates in the Rating Policy section.

Targeted Rates

Targeted Rates are also used to fund community services. A targeted rate is used specifically for the cost incurred. Generally these are operating costs but may also be used to recover capital costs incurred on behalf of a specific community sector. Targeted Rates are charged to the households or commercial users who have access to or benefit from the service provided. Napier City Council applies a number of targeted rates. [Some targeted rates are applied differentially \(different rates for different groups of ratepayers\) however most targeted rates are applied on a uniform basis \(same amount or rate in the dollar\)](#).

Two examples are:

- Refuse rate - a standard charge to all properties based on the number of collections per week.
- Promotion rate CBD - a charge, based on land value, levied on identified properties within the Napier CBD, and used to fund the Napier City Business Inc. organisation.

Council's Rating Policy contains detailed information on Targeted Rates.

Borrowing

Borrowing is not used to fund operating expenses. Borrowing is used as a tool to smooth cash requirements for capital acquisitions and replacements - see Funding of Capital Expenses below.

Depreciation Funding Policy

Council always aims to operate with a balanced budget however it has identified some assets where it believes that it may not be prudent to fully fund the depreciation expense. Council has adopted the following depreciation funding policy:

Except for the two categories of assets specified below, depreciation will be funded fully from operating revenues each year.

Exceptions:

- a. Community assets considered to be of a non-critical / essential nature.

- b. Assets identified in this category include; Rodney Green Centennial Events Centre, McLean Park, Napier Municipal Theatre, Napier Conference Centre and community halls, Tourism assets (Napier i-SITE Visitor Centre, Par2 MiniGolf, National Aquarium of NZ) and MTG Hawke's Bay.
- c. Council will manage these assets as part of the Building Asset Management Plans and to financially provide for the assets so they may be maintained on an on-going basis at a level that meets the community's requirements. Any decision to replace the assets will be made at the time in consultation with the community. A mixture of loans, reserves and community funding could fund the cost of replacement.
- d. Road assets are continually maintained and renewed, and over 50% of this cost is received as a subsidy from New Zealand Transport Agency (NZTA). Council funds the portion of the depreciation to be funded after allowance for the expected subsidy to be received.
- e. Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:
 - Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party; or
 - Where the Council has elected not to replace the asset at the end of its useful life; or
 - Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

Use of Depreciation Funds:

Depreciation funds are used for capital expenditure and the repayment of debt.

Funding of Capital Expenditure

Rates are used to fund an ongoing replacement programme (renewals) up to the level of the annual depreciation expense and may be used to fund a portion of capital acquisitions. This is balanced against both the affordability for current ratepayers and the period over which the community is likely to receive the use or benefits of an asset.

Development and Financial Contributions

These contributions are charges against new developments within the city. They are applied to the funding of infrastructure required due to city growth. Infrastructure includes Transportation, Stormwater, Wastewater, Water Supply, Sportsgrounds, Reserves and Libraries. Growth drives a significant portion of our capital work requirement in order that service levels are maintained to the growing community. As the cost of growth is driven by development the Council considers that it is equitable that a development should make a contribution to these costs. Charges under these policies are used to fund the portion of capital expenditure that relates to growth. In determining the requirement for contribution any increase in level of service or renewal of asset is identified and funded from other sources. A change to the Development and Financial Contributions policy will occur in 2021.

Borrowing

Borrowing is used as a method of funding some capital projects. The Council views debt as a smoothing mechanism to achieve equity between time periods. However, Council does not have an unlimited capacity to borrow and the community does not have an unlimited capacity to service those loans into the future. The Council adopts a prudent approach to debt and its capital programme to ensure that the burden of debt and the associated interest cost does not place an

impossible burden on the community. In doing so Council is conscious of its debt limits included in the Financial Strategy.

Proceeds from Asset Sales

These proceeds may be used to fund capital works, through internal loans, or to repay debt to external parties. The main planned asset sales programme over the period of this plan is the ongoing freeholding of HBHB Endowment Land Residential leases. However, as outlined in the Financial Strategy, Council also intends to review assets for potential sale to reduce debt, replace with higher yielding investments or fund key projects.

User Charges

User charges are not generally available to fund capital expenditure however some activities generate a surplus that is able to be used to fund capital expenditure. Examples include the Kennedy Park and Parking activities.

Reserves (Special Funds)

Council maintains a number of special funds that are available to fund capital projects when a project meets the specific criteria for the reserve.

Grants, Subsidies, Donations and other income

Council relies on significant subsidies for capital works in its transportation activity. Other activities are able to access grants, subsidies and donations from time to time and Council looks to obtain external funding to support new community projects wherever possible.

Funding by Activity

Operating Expenditure - Significant Sources of Activity Funding

Low: 0 - 19%, Low - Med: 20 - 39%, Medium: 40 - 59%, Med - High: 60 - 79%, High: 80 - 100%

Activity Group	Activity	General Rates	Targeted Rates	Fees and Charges	Grants, Subsidies & Other
Democracy and Governance	Democracy and Governance	High			
Transportation	Transportation	High	Low	Low	Low
Stormwater	Stormwater	High		Low	Low
Wastewater	Wastewater		High	Low	
Water Supply	Water Supply		High	Low	Low
Other Infrastructure	Waste Minimisation	Low	Low - Med	Low - Med	Low - Med
	Cemeteries	Med - High		Low - Med	Low
	Public Toilets	High		Low	
City Strategy	City Development	High	Low	Low	Low
	Resource Consents	Medium		Medium	
	Regulatory Solutions	Med - High		Low - Med	

Activity Group	Activity	General Rates	Targeted Rates	Fees and Charges	Grants, Subsidies & Other
	Building Consents	Low - Med	Low	Med - High	
	Animal Control	Low-Med		Med - High	Low
	Parking			High	
Community and Visitor Experiences	Community Strategies	High		Low	Low
	Community Facilities	High		Low	
	Napier Aquatic Centre	Med - High		Low - Med	Low
	Marine Pde Pools	Med - High		Low - Med	
	Bay Skate	Medium		Medium	
	McLean Park			High	
	Events and Marketing	High		Low	Low
	Housing			High	Low-Med
	Libraries	High		Low	
	MTG Hawke's Bay	Medium		Low - Med	Low
	Napier Municipal Theatre	Low - Med		Med - High	
	Napier i-SITE Visitor Information Centre	Low - Med		Med - High	
	Par2 MiniGolf			High	
	National Aquarium of NZ	Low		High	Low
	Napier Conference Centre	Low		High	
	Kennedy Park Resort			High	
	Sportsgrounds	High		Low	
	Reserves	High		Low	Low
Property Assets	Property Holdings			High	
	Inner Harbour	Low		Low - Med	Med - High
	Lagoon Farm			High	Low
	Parklands Residential Development				High

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Capital Expenditure - Significant Sources of Funding

Activity Group	Activity	General Rates	Financial & Development Contributions	Loans	Fees & Charges	Reserves (Special Funds)	Other (Subsidies, Donations, Asset Sales)
Democracy and Governance	Democracy and Governance	Yes					
Transportation	Transportation	Yes	Yes	Yes		Yes	Yes
Stormwater	Stormwater	Yes	Yes	Yes		Yes	
Wastewater	Wastewater	Yes	Yes	Yes		Yes	
Water Supply	Water Supply	Yes	Yes	Yes		Yes	
Other Infrastructure	Waste Minimisation	Yes		Yes		Yes	Yes
	Cemeteries	Yes		Yes		Yes	
	Public Toilets	Yes				Yes	
City Strategy	City Development	Yes					
	Resource Consents	Yes					
	Regulatory Solutions	Yes					
	Building Consents	Yes					
	Animal Control				Yes	Yes	
	Parking				Yes	Yes	
Community and Visitor Experiences	Community Strategies	Yes					
	Community Facilities	Yes		Yes		Yes	
	Napier Aquatic Centre	Yes		Yes		Yes	Yes
	Marine Parade Pools	Yes					
	Bay Skate	Yes					
	McLean Park	Yes		Yes		Yes	Yes
	Events and Marketing	Yes					
	Housing			Yes		Yes	Yes
Libraries	Yes	Yes	Yes		Yes	Yes	

Activity Group	Activity	General Rates	Financial & Development Contributions	Loans	Fees & Charges	Reserves (Special Funds)	Other (Subsidies, Donations, Asset Sales)
	MTG Hawke's Bay	Yes		Yes		Yes	Yes
	Napier Municipal Theatre	Yes				Yes	Yes
	Napier i-SITE Visitor Information Centre	Yes		Yes			
	Par2 MiniGolf	Yes		Yes	Yes		
	National Aquarium of NZ	Yes		Yes		Yes	Yes
	Napier Conference Centre	Yes				Yes	Yes
	Kennedy Park Resort	Yes		Yes	Yes		
	Sportsgrounds	Yes		Yes		Yes	Yes
	Reserves	Yes ¹	Yes	Yes		Yes	Yes
Property Assets	Property Holdings	Yes		Yes		Yes	Yes
	Inner Harbour				Yes	Yes	
	Lagoon Farm					Yes	
	Parklands Residential Development					Yes	Yes

¹ Also includes a targeted rate for part of the costs of revetment works adjacent to Whakarire Avenue.

Rationale for Activity Funding

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
DEMOCRACY AND GOVERNANCE					
Democracy and Governance	Engagement: Council works with and for the community	Benefits flow to the entire community through the provision of the democratic and consultative system for decision making	Costs are applied on an annual basis as the primary benefit of operating expenditure is achieved in the year the expenditure is incurred	There are no negative effects to be addressed by this activity	Individual benefits are unable to be quantified so General Rates is the appropriate funding source. As the whole community benefits from this activity it is Council's view that General Rates is the most appropriate funding source.
TRANSPORTATION					
Transportation	Excellence in infrastructure and public services for now and in the future (primary) A safe and healthy City that supports community well-being (secondary)	Benefits flow to the community, private individuals, businesses and visitors through the provision of a safe and effective transportation network for both transportation and pedestrian traffic in and around the City.	Operating costs are applied on an annual basis. The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Significant road assets have life ages	A transportation network is a key requirement for any community to function effectively. Consequently there are no exacerbator pays characteristics of this activity.	Users of the transportation network are the primary beneficiaries of this activity. Subsidy received from NZTA is for the benefit of the users of the network in general. In addition, funding is provided by Petrol Tax Distributions and contributions to city walk and cycleways through Grants and Donations. Targeted rates are applied to CBD and suburban retailers for funding off-street parking requirements. It is appropriate that the remaining costs are met from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
			ranging from 15 to 120 years.		
STORMWATER					
Stormwater	Excellence in infrastructure and public services for now and in the future (primary) A sustainable City (secondary)	Beneficiaries are land owners, property owners, general public, visitors and stakeholders of national infrastructural assets.	Operating costs are applied on an annual basis. The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Stormwater assets have life ages ranging from 15 to 100 years.	This activity is required to protect the community from a naturally occurring event (e.g. rainfall), rather than from effects created by the action or inaction of one or more groups of people. Individuals within the community can exacerbate the cost to the community. These issues are addressed through management routines.	Actual benefits received by individual property owners are difficult to determine and it is not cost efficient to apply individual charges. On the grounds of fairness and equity, and from a practical point of view, costs related to this output will be met by the wider Napier community funded by General Rates.
WASTEWATER					
Sewerage	Excellence in infrastructure and public services for now and in the future (primary)	Direct beneficiaries are occupants and industrial/commercial entities whose residence/premises are	Operating costs are applied on an annual basis and the primary benefit of operating expenditure is	This activity provides the disposal of wastewater for the members of the community connected	Actual benefits received by individual property owners are difficult to determine and it is not cost efficient to apply individual charges. On the grounds of fairness and equity, and from a practical

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
	A safe and healthy City that supports community well-being (secondary)	connected to the sewerage system. Indirect beneficiaries are occupants and industrial/ commercial entities that can be easily connected to the system, developers who can extend and connect to the system. The wider Napier community benefit through the safe disposal of effluent.	achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Wastewater assets have life ages ranging from 15 to 100 years.	to the sewerage system. Individuals within the community can exacerbate the cost to the community. These issues are addressed through management routines.	point of view, it has been decided that the costs related to this output including depreciation but excluding trade waste should be met by the wider Napier community by a Targeted Rate where connection to the system is available. The Targeted Rate rating system was chosen by Council as all households have equal access to the system and no one household benefits significantly more than any other. Direct charging of trade waste charges is applicable for industrial premises which discharge quantities of trade waste in excess of the minimum laid down in the Trade Waste By-Laws.
WATER SUPPLY					
Water Supply	Excellence in infrastructure and public services for now and in the future (primary) A safe and healthy City that supports community well-being (secondary)	Beneficiaries are domestic water users, commercial water users and the community at large for fire fighting requirements.	Operating costs are applied on an annual basis and the primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are	There are no negative effects arising from this activity.	Benefits received by property owners could be achieved through direct user charging. The community preference is for the cost of water supply including depreciation to be achieved through the rating system with a Water Rate on each separately used or inhabited part of a rating unit connected to the system (all domestic users have equal access to the system). A half rate applies to all rating

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
			<p>achieved over the expected life of the activity assets. Water Supply assets have life ages ranging from 15 to 200 years.</p>		<p>units not connected but located within 100 meters of the system.</p> <p>Direct charging of commercial and of Bay View domestic use is achieved through Water by Meter Charges. Meter fees recover actual use after the first 300m³ per annum for commercial water users in the Napier system and Bay View domestic users.</p> <p>Beneficiaries of fire protection costs are the wider community therefore direct charging for this service is not applicable. The Fire Protection Rate based on capital value applies to all properties connected or able to be connected to the water supply system. The rate is differentially applied to reflect the need for higher carrying capacity to commercial and industrial properties.</p>
OTHER INFRASTRUCTURE					
Waste Minimisation	A sustainable City	Direct beneficiaries are the users of the refuse and recycling collections, the transfer station and Omarunui Landfill.	<p>Operating Costs benefits arise in the year costs are incurred.</p> <p>Benefits of capital expenditure are achieved over the</p>	Negative effects being addressed by this activity are the effective disposal of waste produced by the whole community.	It would not be practical to administer fees and charges for refuse and recycling collection on the basis of actual usage so funding is based on access to service. A Targeted Rate based on the cost of service provision of refuse collection

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
		Benefits flow to the community as a whole from a clean and tidy environment and through responsible waste minimisation.	expected life of the activity assets.		and/or kerbside recycling collection is applied to all serviced properties. User Fees and Charges are not practical for litter control services and there are no identifiable beneficiaries so funding is by General Rates. The direct beneficiaries of the Transfer Station and Omarunui Landfill are readily identifiable so funding is by Fees and Charges that recover the full operating and capital costs. Note: Subject to the final decisions of the Waste Management and Minimisation Plan consultation.
Cemeteries	A sustainable City	Burial and ash interment spaces provide direct benefits are to the family and friends of the deceased. Genealogists/historians benefit directly from records information. Indirect beneficiaries are business suppliers. The community as a whole benefit from safe	Costs are applied on an annual basis as the primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets.	There are no negative effects arising from this activity.	Some components of this activity are discrete activities that can be applied on an individual basis. Fees and Charges are applied to these components. Where Fees and Charges are not applicable or not cost efficient to implement, the activity cost, being considered a public good, is funded from General Rates as the appropriate funding tool. The Fees and Charges are set at a level that is comparable to neighbouring Councils.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
		interment facilities, keeping of genealogical information and the well maintained open spaces.			
Resource Consents	A safe and healthy City that supports community well-being (primary) A sustainable City (secondary)	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined in the Council's District Plan. Management and application of the Resource Management Act (RMA).	Although benefits of this activity will continue to accrue over future years through the consistent application and development of policies in the District Plan and the management of the RMA, the primary benefit is achieved in the year the expenditure is incurred so costs are allocated to the year that these are incurred. Capital costs are minor as these are	The need for these services arise from the actions taken by both individuals and businesses which necessitate the need to ensure compliance with laws enacted to protect the health and safety of both users and the community at large and the environment for future generations.	Where direct benefits can be attributed to individuals and businesses the costs will be recovered by Fees and Charges within an affordable level. The community as a whole benefits from this activity so any remaining balance will be recovered from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
			largely administrative equipment costs.		
Regulatory Solutions	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals through enhanced public and community safety, environmental protection and protection of public health.	Benefits flow to the community and private individuals through enhanced public and community safety, environmental protection and the protection of public health.	The need for these services results from the action or inaction of both individuals and businesses to comply with laws enacted to protect the health and safety of both users and the community at large.	Where direct benefits can be attributed to individuals and businesses the costs will be recovered by Fees and Charges within an affordable level. The community as a whole benefits from this activity so any remaining balance will be recovered from General Rates.
Building Consents	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined by the Council and management and application of the Building Act, Regulations and Codes of Practice.	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined by the Council and management and application of the Building Act, Regulations and Codes of Practice.	The need for these services results from the action of both individuals and businesses to ensure compliance with laws enacted to protect the health and safety of both users and the community at large.	Costs of this activity are related to the control and management of the built environmental and their effects. Direct benefit can be attributed to individuals and businesses. These will be recovered by Fees and Charges. Any remaining balance will be recovered from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
Animal Control	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals through enhanced public and community safety. Wellbeing is enhanced by the presence of animals in the community.	Although benefits for these activities may continue to accrue over future years through consistent programmes and application the primary benefit is allocated to the year that the costs are incurred.	The need for these services results from the action or inaction of individuals to comply with animal control and welfare laws enacted to protect the health and safety of the community at large and/or the welfare of animals in the community.	Costs relating to dog registration and associated activities are funded from Fees and Charges through annual registration fees and other fees for impounding and other enforcement activities. Recipients of other Animal Control Functions such as feral cats and stock control and general community benefits are not easily identified. Consequently, the appropriate funding mechanism for these costs is General Rates.
Parking	Excellence in infrastructure and public services for now and in the future (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the users of parking spaces with indirect benefits flowing to businesses in shopping areas. Benefits of community safety flow to the community as a whole through adequate provision of public parking.	Benefits of this activity accrue over future years through consistent programmes of land purchase and development. The primary benefit of regulatory activity occurs in the year the expenditure is incurred. Capital items other than land have an	Commuter, general business activity and visitor vehicle activity create the need for parking to be provided. The need for enforcement services results from the action or inaction of both individuals and businesses to comply with parking and road safety laws.	Parking operating is funded from either by Targeted Rates on businesses where free parking is provided or a direct charge to users where paid parking is provided. The exception is abandoned vehicles where owners are not always able to be charged.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
			expected life of 10 to 50 years.		
COMMUNITY AND VISITOR EXPERIENCES					
Community Strategies	A safe and healthy City that supports community well-being (primary) Engagement: Council works with and for the community (secondary)	Direct benefits are to community and government organisations and individuals receiving information, resources and advice. Direct benefit is received by youth and youth service providers. Benefits flow to the community as a whole through safer community initiatives.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	In general, individual benefits are not easily quantified and benefits are to the community as a whole so General Rates are the appropriate funding source. Where possible grants are sought to fund specific projects.
Community Facilities	A safe and healthy City that supports community well-being	Benefits are to community organisations and private individuals who use the facilities for social, leisure and cultural needs at an affordable level.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Hall facilities have an expected service life of 50 years.	There are no negative effects arising from this activity.	Fees and Charges are applicable and cost effective for this activity as users have exclusive use of the facility. However, on the basis of community benefit fees are set in the low - medium range and the balance is funded from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
Napier Aquatic Centre	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from improved health and fitness.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Pool facilities have an expected service life of 10 to 50 years.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate funding method for this activity to an affordable level. Funding required above this level will be met from General Rates due to the benefit the community as a whole derives from availability of the activity.
Marine Parade Pools	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from improved health and fitness.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Pool facilities have an expected service life of 10 to 50 years.	There are no negative effects arising from this activity.	The Marine Parade Pools are treated separately from the Aquatic Centre as the facility is operated by a management agreement with a third party. The facility does not always generate sufficient funds to fund all asset maintenance and renewal. Any shortfall will be met by General Rates.
Bay Skate	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facility.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate funding method for this activity to an affordable level. Funding required above this level will be met from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
McLean Park (this activity does not include the building assets)	A safe and healthy City that supports community well-being (primary) A vibrant, innovative City for everyone (secondary)	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facility. Indirect benefits flow to the local economy from sporting events.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	There is community good from the provision of this facility and associated events. Residual costs not covered Fees and Charges are met by General Rates.
Events and Marketing	A vibrant, innovative City for everyone	Direct benefits are to the event organisers and participants. Indirect benefits flow to the local economy and community as a whole.	The benefit from these activities is in the year the costs are incurred.	There are no negative effects arising from this activity.	The purpose of this activity is for the benefit of the community as a whole so funding is from General Rates. Initial funding from special funds has been used to minimise rates increases. Income is received from jointly organised events.
Housing	Excellence in infrastructure and public services for now and in the future	Direct beneficiaries and the tenants.	The benefits from this activity arise in the year costs are incurred.	The need for this service arises from the shortage of housing opportunities for some members of the community. There are no negative	Operating costs of this activity are funded by Fees and Charges.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
				effects arising from this activity..	
Libraries	A sustainable City (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the users of and visitors to the facilities and services. There is an indirect flow on benefit to the community as a whole through better well-being.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Library stocks have an expected life of 4 to 15 years.	There are no negative effects arising from this activity.	Direct beneficiaries are identifiable but it is not appropriate or affordable to charge users the actual cost of operating the activity. Public expectation is that core library services are free and the LGA does not allow Council to charge residents a membership fee. Libraries fees and charges are applied to noncore services e.g., best seller collection, costs of lost or damaged items. Some grants and donations are received. Most costs are funded from General Rates.
MTG Hawke's Bay	A sustainable City (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the visitors to the facility. The MTG Hawke's Bay services include education programmes. There is an indirect flow on benefit to the community as a whole through access to historic material and	The primary benefit is achieved in the year expenditure is incurred. Benefits of capital items are expected to extend from 5 to 50 years.	There are no negative effects arising from this activity.	Through HB Museums Trust, Napier City Council and Hastings District Council provide funding for the management and care of the regional collection. Napier City Council's share of the regional collection costs is funded from General Rates. The MTG receives grants and donations in particular for the education programmes. The Fees and Charges for the operation of the theatre and retail

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
		education programmes. The MTG archived collection is held in trust by the Hawke's Bay Museums Trust for the Hawke's Bay community.			shop are set at level that aims to cover costs. The balance of costs of non-collection activities are funded from General Rates due to the benefits to the community at large.
Napier Municipal Theatre	A vibrant, innovative City for everyone (primary) A sustainable City (secondary)	Direct beneficiaries are the users of the facility. There is an indirect community benefit through the protection and preservation of the Art Deco style of the theatre.	The primary benefit is achieved in the year expenditure is incurred. Life expectancy of the building is greater than 50 years.	There are no negative effects arising from this activity.	Full cost recovery by way of fees and charges for the Municipal Theatre would be prohibitive to users. The building itself contributes to the Art Deco heritage of Napier. As the facilities and services of this activity are available to and benefit the community as a whole, General Rates is the appropriate funding mechanism for the net costs.
Napier i-SITE Visitor Information Centre	A vibrant, innovative City for everyone	Benefits are received by the individual users and the business suppliers of services.	The primary benefit is achieved in the year expenditure is incurred.	There are no negative effects arising from this activity.	Operating costs are recoverable as part of the re-sale price for goods and services. Costs not recovered by Fees and Charges to be met by General Rates due to the benefits derived by the community at large.
Par2 MiniGolf	A vibrant, innovative City for everyone	Direct benefits are to the users of the facility.	The benefit is achieved in the year	There are no negative effects arising from this activity.	Fees and Charges are set at commercial rates to fund the operating and capital requirements of this facility. Recoveries

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
			expenditure is incurred.		above cost of operations are returned to General Rates.
National Aquarium of NZ	A vibrant, innovative City for everyone (primary) A sustainable City (secondary)	Direct benefits are to the users of the facility. The education function of the Aquarium benefits the school children concerned. Indirect benefits flow to local businesses, particularly those associated with the tourism industry. The community as a whole benefits from a more vibrant economy resulting from the wide range of qua	The primary benefit is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets.	There are no negative effects arising from this activity.	Fees and Charges are set a pricing structure consistent with other attractions. Council have resolved to fund costs of operations not recovered by Fees and Charges 100% from General Rates.
Napier Conference Centre (located in the War Memorial Centre)	A vibrant, innovative City for everyone	Direct benefits are to the users of the facility and services. Indirect benefits flow to local businesses, particularly those associated with the tourism industry. The community as a whole	The primary benefit is achieved in the year expenditure is incurred.	There are no negative effects arising from this activity.	Fees and Charges, set at commercial rates, are the appropriate funding mechanism for this activity. Costs not recovered from Fees and Charges to be met by General Rates in recognition of the public good aspect of this facility.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
		benefits from a more vibrant economy.			
Kennedy Park Resort	A vibrant, innovative City for everyone	Direct benefits are to the users of the facility. Indirect benefits flow to local businesses and the community as a whole benefits from a more vibrant economy.	The primary benefit is achieved in the year the expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Activity assets have life ages ranging from 5 to 50 years.	There are no negative effects arising from this activity.	This facility is user pays. Fees and Charges are set at commercial rates and generate an annual surplus which is applied to General Rates. Surpluses returned to General Rates over a period of years are used to renew and replace capital items along with loan funds serviced from operating surpluses.
Sportsgrounds	A safe and healthy City that supports community well-being (primary) A sustainable City (secondary)	Direct benefits are to the users of the recreation facilities as participants and spectators of sports events. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facilities.	The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Sportsgrounds have an expected service life of 50 years.	There are no negative effects arising from this activity.	Fees and Charges are applicable where users have the exclusive use of grounds and facilities. General use is considered a public and is funded from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
Reserves	A sustainable City (primary) A safe and healthy City that supports community well-being (secondary)	Direct benefits are to the infrequent exclusive users of reserves. Indirect benefits flow to the community as a whole from the provision of safe and accessible parks and reserves facilities.	The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the assets.	There are no negative effects arising from this activity.	Fees and Charges are applicable where users have the exclusive use of grounds and facilities. General use is considered a public and is funded from General Rates.
Property Holdings	Excellence in infrastructure and public services for now and in the future	Direct benefit is to the leaseholders and the users of Council buildings.	The primary benefit is achieved in the year the expenditure is incurred.	There are no negative effects arising from this activity.	Restrictions on use of funds applies to the income from leases as defined in the Hawke's Bay Endowment Land Empowering Act 2002. Funds from these leases and Council's commercial property portfolio are held in a special fund and used to support the costs of operating the Inner Harbour activity and foreshore reserves operating costs Net income from leases, rentals and licences received from other properties is held in Reserves.
Inner Harbour	Excellence in infrastructure and public services for now and in the future	Direct benefits are to berth-holders, boat owners and recreational water	Generally benefits arise in the year costs are incurred although the benefits from dredging accrue over	There are no negative effects arising from this activity.	Fees and Charges are charged at levels comparable to other facilities and are the appropriate source of funding for berthage and use of the boat ramp up to market

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
		users and the community in general	3 to 4 years, and maintenance and renewal of facilities over future years.		level. The remainder will be met from the HB Harbour Board Land Income Account.
Lagoon Farm	Excellence in infrastructure and public services for now and in the future (primary) A sustainable City (secondary)	Benefits are received by the City as a whole through the use of part of the farm as a ponding area during extreme weather.	The primary benefit is achieved in the year the expenditure is incurred.	There are no negative effects arising from this activity.	The operation of the Lagoon Farm funded from Fees and Charges with any shortfall met from General Rates.
Parklands Residential Development	Excellence in infrastructure and public services for now and in the future	Direct benefit is to the purchasers of sections created. Indirect benefits flow to the community through the provision of residential land for growth and development.	The benefit is in the year of section creation.	There are no negative effects arising from this activity.	Direct charging by tender process is applicable as residential lots are developed for resale. This activity provides a source of funding for other Council capital projects.

Consideration of Section 101(3) B

The purpose of this consideration is to evaluate the overall impact of using all the funding tools available. Having identified the funding tools, Council has considered the effects of the different types of rates, the levels of fees including development and financial contributions and the use of funding policies² together with the impacts of debt on the community. In the developing these policies Council has considered the overall impact on the community and the long-term objectives of the city.

The requirement for this consideration is set out in section 101(3) of the Local Government Act, where the funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of the overall impact of any allocation of liability for revenue needs on the community.

As a result of this consideration, Council utilises the rating tools provided by the Local Government (Rating) Act 2002 to give effect to what it considers to be a fair and equitable allocation of rate funding across residential and non-residential properties in Napier City. This allocation is described in the following section entitled 'Rating Policy'.

The policy is included as part of the Revenue and Financing Policy and states Council's policy in relation to the use of rating tools including targeted rates, general rates and the basis for setting general rate differentials and uniform annual general charges.

As outlined below the allocation of general rates is determined every three years based on assessment of benefits arising from each of the General Rate funded activities to residential and non-residential properties respectively.

Rating Policy

The rating system provides for the net funding requirement (after taking into account all other income sources including fees and charges) of the Council's programmes as outlined in the Long Term Plan or Annual Plan.

Rates are set and assessed in compliance with the statutory provisions of the Local Government (Rating) Act 2002.

Apart from Targeted Rates for property based services, rates are allocated to specific properties based on:

Land values (capital values for the Fire Protection Rate) as supplied under contract (present contractor being Quotable Value Limited). Napier City was revalued in 2017, and these values will apply from 2018/19 to 2020/21, and A Uniform Annual General Charge (UAGC) set at a level that enables all Targeted Rates that are set on a uniform basis as a fixed amount, excluding Water Supply and Sewage Disposal, to recover about 20% of total rates.

Council applies the following rates.

General Rates

Uniform Annual General Charge - as indicated above [charged to each separately used or inhabited portion of a property](#).

General Rate - Based on land values and differentially applied. Recovers the balance of the rating requirement not received from any other rate.

[Differentials – General Rate](#)

[The following categories explain the differentials applied to the Napier City General Rate:-](#)

[Residential Properties \(70% of General Rate\)](#)

[Group 1 - City Residential](#)

² The funding policies are: Liability Management Policy; Investment Policy; Rates Remission Policy; Rates Postponement Policy; Policy on the Remission and Postponement of Rates on Māori Freehold Land; and Development and Financial Contributions Policy
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All costs apportioned to residential properties, less the share apportioned to Bay View, are used to calculate the rates for City Residential properties. For the purpose of setting differentials the City Residential rate is set at 100% and other differentials are set as a %age relative to the City Residential rate.

Group 6 Bay View Residential

Group 6 includes all properties in Bay View as defined on Council maps. An allocation of costs to Bay View drives to calculation of the share of rates charged to Bay View properties and this is converted to a differential percentage relative to city residential properties.

Non- Residential Properties (30% of General rate)

Group 2 Commercial/Industrial

All properties within the Napier City territorial boundary, excluding those in groups 5 and 6, which are used predominantly for commercial or industrial purposes are included in differential category two. This group is the main non-residential category. The rates, and relative differential, are calculated by taking the 30% non-residential share of the general rate requirement, less rates apportioned to groups 3, 4 and 5, and apportioning this requirement amongst the properties in this group based on property value.

Group 3 Miscellaneous

The miscellaneous category includes all lodge rooms, halls, homes for the elderly, private hospitals, public utilities, pensioner flats, schools, kindergartens and playcentres, sports clubs, no profit-making organisations and vacant substandard sections together with any land used by public schools and other miscellaneous crown properties which are rateable. This category is charged at the same rate as residential properties.

Group 4 Rural – Ex City

All rural properties, which are situated in an area not provided with normal city services, and which is not capable of development because of lack of city services, excluding those properties in differential group 4. These properties are charged based on an assessment of costs applicable to rural properties.

Group 5 Rural – Other

All properties previously in the Hawke's Bay county area, except those that are in Group 6 or those that have been reclassified into other differential groups. These properties are charged based on an assessment of costs applicable to rural properties.

The allocation of General Rates between residential and non-residential properties is reviewed triennially to coincide with the revaluation of Napier City. The allocation is determined by assessing the benefits from each of the General Rate funded activities to residential and non-residential properties respectively.

The last review was undertaken during 2017/18 to apply from 2018/19. The review determined that an overall allocation of 70% of total general rates, including the UAGC, should be collected from residential properties and 30% from non-residential properties.

Following is a summary of the Assessed Benefits Allocations, resulting from the last review.

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Assessed Benefits Allocation of General Rates Funded Activities

Activity	Rate Funded Cost 2017/18	Allocation %		Cost Allocation \$	
		Residential	Non Residential	Residential	Non Residential
Democracy and Governance	3,320,100	74	26	2,456,874	863,226
Sportsgrounds	2,870,600	75	25	2,152,950	717,650
McLean Park	489,000	75	25	366,750	122,250
Napier Aquatic Centre	1,658,800	95	5	1,575,860	82,940
Marine Parade Pools	192,700	70	30	134,890	57,810
Par2 MiniGolf	-115,700	70	30	-80,990	-34,710
Bay Skate	135,500	70	30	94,850	40,650
Reserves	3,410,100	90	10	3,069,090	341,010
Inner Harbour	264,600	77	23	203,742	60,858
Libraries	3,369,500	90	10	3,032,550	336,950
Napier Conference Centre (located at the War Memorial Centre)	-158,200	40	60	-63,280	-94,920
Municipal Theatre	301,800	80	20	241,440	60,360
MTG Hawke's Bay	2,130,100	70	30	1,491,070	639,030
Community Strategies	1,000,100	90	10	900,090	100,010
Grants	730,800	90	10	657,720	73,080
Housing	63,500	95	5	60,325	3,175
Community Facilities (Halls)	284,000	90	10	255,600	28,400
Cemeteries	472,000	95	5	448,400	23,600
Public Toilets	902,400	88	12	794,112	108,288
Emergency Management	524,200	69	31	361,698	162,502
City & Business Promotion	890,300	40	60	356,120	534,180
City Promotion Grants	68,500	10	90	6,850	61,650

Activity	Rate Funded Cost 2017/18	Allocation %		Cost Allocation \$	
		Residential	Non Residential	Residential	Non Residential
Public Toilets	902,400	88	12	794,112	108,288
Emergency Management	524,200	69	31	361,698	162,502
City & Business Promotion	890,300	40	60	356,120	534,180
City Promotion Grants	68,500	10	90	6,850	61,650
Events Promotion & Marketing	783,100	40	60	313,240	469,860
National Aquarium of NZ	538,900	20	80	107,780	431,120
Napier i-SITE Visitor Centre	253,600	30	70	76,080	177,520
Kennedy Park Resort	-1,038,300	30	70	-311,490	-726,810
Property Holdings	-797,500	74	26	-590,150	-207,350
City Development	1,220,800	20	80	244,160	976,640
Regulatory Consents	603,300	66	34	398,178	205,122
Building Consents	509,900	88	12	448,712	61,188
Environmental Health	435,100	84	16	365,484	69,616
Animal Control	216,600	95	5	205,770	10,830
Transportation	11,286,300	50	50	5,643,150	5,643,150
Waste Minimisation	694,100	82	18	569,162	124,938
Stormwater	4,095,000	80	20	3,276,000	819,000
Total	41,605,600			29,262,787	12,342,813
				70%	30%

Basis of Allocation**KEY:**

R = Residential, in Napier City and Bay View

NR = Non Residential, including rural properties and properties in Meeanee and Jervois town

Democracy & Governance

Based on the total rateable capital value of each of the property categories.

Sportsgrounds

The non-residential portion was assessed on the commercial benefits of sportsgrounds, in particular Park Island.

The balance was allocated as residential.

McLean Park

The non-residential portion was assessed on the commercial benefits of McLean Park (including Rodney Green Centennial Events Centre).

The balance was allocated as residential.

Napier Aquatic Centre

The non-residential portion is based on use by non-residential users, including users from outside Napier.

Marine Parade Pools

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of the Marine Parade Pools.

Par2 MiniGolf

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of Par2 MiniGolf.

Bay Skate

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of Bay Skate.

Reserves

The non-residential portion was assessed on:

- a visitor promotion component on expenditure on foreshore reserves and major greenbelt reserves; and
- a visitor promotion component, particularly on expenditure for the City's high profile public gardens.

The balance was allocated as residential.

Inner Harbour

12.5% of cost reflects benefits to direct commercial users such as fishing companies and other fishing industry servicing companies. Remaining costs reflect general benefits to the community and are allocated on the number of rateable properties (88% R, 12% NR).

Libraries

Non-residential portion assessed on a share of general benefit to the community (5%) and to a share of membership (5%). The balance is allocated as residential.

Napier Conference Centre (located in the War Memorial Centre)

The majority of use is by corporate/commercial businesses. A smaller percentage of use relates to ratepayer residential purposes such as weddings.

Napier Municipal Theatre

The majority of usage benefits the local and regional community through residents attending theatrical events, etc. The remainder relates to commercial hire and the benefits of this to non-residential beneficiaries.

MTG Hawke's Bay

Residential based on the benefits to residential ratepayers through cultural enrichment from an important community/public facility. The balance is allocated as non-residential to reflect the tourism economic impact.

Community Strategies

Based on an assessed allocation of the services provided to the categories of beneficiaries.

Grants

Based on an assessed allocation of community related benefit.

Housing

Services provided by the Housing activity are primarily of benefit to residential. The maintenance and operation of the complexes provides a small commercial benefit.

Community Facilities (Halls)

Based on the current usage

Cemeteries

Based on the number of residential and rural properties.

Public Toilets

Based on the number of rateable properties.

Emergency Management

Based primarily on the value of improvement to properties, but adjusted to recognise the priority of restoring the business and commercial activities of the City following an emergency.

City and Business Promotion

Based on an assessed allocation of the services provided.

City and Promotion Grants

Based on an assessment of the beneficiaries of the grants.

Events and Marketing

Based on an assessed allocation of the services provided.

National Aquarium of NZ

The majority of people visiting are from outside of Napier, with benefits to the commercial tourism support sector. The Napier residential community benefits from visits and various functions.

Napier i-SITE Visitor Centre

Based on usage. Local residents source local and national information especially for visiting friends and relatives. Commercial activity and accommodation operators use the Centre to advertise their products and receive bookings.

Kennedy Park Resort

Residential benefits include accommodation for friends and family, quality of life/tourism benefits and employment opportunities. Non-residential benefits include commercial opportunities for local goods and service providers and commercial sector benefits from tourism activity generally.

Property Holdings

Based on the total rateable land value of each of the property categories.

City Development

Based on the proportion of the District Plan related to the various categories of properties.

Regulatory Consents

Based on the average number of subdivision, non-notified and notified consents issued over the last three years for the various categories of properties.

Building Consents

Based on the average volume of building consents for the last three years.

Regulatory Solutions

Based on actual time and effort and materials on each type of activity, and the following assessment of benefit by function:

- General Licences 30% R 70% NR
- Liquor Licensing 10% R 90% NR
- General Activities 100% R
- Monitoring 90% R 10% NR

Animal Control

Based on the number of residential and rural properties.

Transportation

Allocation for traffic related costs (76% of roading expenditure) based on network analysis of the number and reasons for trips.

Allocation for amenity related costs (24% of roading expenditure) based on the number of rateable properties.

Waste Minimisation

Based on the number of rateable properties, with a multiplier of two for commercial/ industrial properties to allow for litter generation.

Stormwater

Based on a combination of:

- costs for maintenance and reticulation allocated between urban and rural areas on an actual expenditure basis - urban areas reallocated to residential and non-residential for disposal costs based on run off determined from land area and run off coefficient obtained from the building code; and
- infrastructural asset renewal costs fully allocated to urban areas, with allocation between residential and non-residential based on run off (see above).

Apportionment of other costs based on number of rateable properties.

Targeted Rates

Water Rates

Fire Protection Rate

- Recovers 13.24% of the net costs of the water supply systems before deduction of water by meter income.
- Applied differentially in recognition that the carrying capacity of water required in the reticulation system to protect commercial and industrial properties is greater than that required for residential properties. The rates is based on the capital value of properties based property type and location and further differentiated between properties that are connected and are not connected to the water supply system. Properties in the CBD pay 4 times the base differential and suburban shopping centres, hotels and motels and industrial properties outside of the CBD pay 2 times the base differential. When a property is not connected the differential is discounted to be 50% of the differential that would apply if a property was connected.

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City Water Rate and Bay View Water Rate

- Recovers the balance of the total net cost of the Napier City and Bay View water supply systems.
- Charged as a uniform amount per separately used or inhabited property (SUIP) on a differential basis as follows
 - Connected properties pay 100% of the assessed annual charge
 - Properties non-connected but within 100m of the network pay 50% of the assessed annual charge

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Water by Meter Charges

- Based on actual water use after the first 300m3 per annum and applies to all non-domestic water supplies users in the Napier Water Supply Area, and metered domestic supplies in Bay View and other metered properties outside the Napier Water Supply Area.

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Refuse Collection and Disposal Rate

Recovers the net cost of the Refuse activity, excluding costs related to litter control and the kerbside recycling collection service

Kerbside Recycling Rate

Recovers the net cost of the kerbside recycling collection service.

Sewerage Rate

Recovers the net cost of the Wastewater Activity.

- [Charged as a uniform amount per separately used or inhabited property \(SUIP\) on a differential basis as follows](#)
 - o [Connected properties pay 100% of the assessed annual charge](#)
 - o [Properties non connected but within 30m of the network pay 50% of the assessed annual charge.](#)

Bay View Sewerage Connection Rate

Recovers loan servicing costs on loans raised to finance the cost of connection to the Bay View Sewerage Scheme for properties connecting under the targeted rate payment option.

Off Street Car Parking Rates

CBD Off Street Car Parking Rate - to provide additional off street car parking in the Central Business District [where properties are in an area with a parking dispensation. This is charged on a differential basis where properties within the 100% parking dispensation area pay 100% and those in the 50% parking dispensation area pay 50%.](#)

Taradale Off Street Car Parking Rate - to provide additional off street car parking in the Taradale Suburban Commercial area.

Suburban Shopping Centre off Street Car Parking Rate - to provide additional off street car parking at each of these areas served by Council supplied off street car parking, and to maintain the existing off street car parking areas.

CBD Promotion Rate

Recovers at least 70% of the cost of the promotional activities run by Napier City Business Inc. The remainder is met from general rates to reflect the wider community benefit of promoting the CBD to realise its full economic potential.

Taradale Promotion Rate

Recovers the full cost of the Taradale Marketing Association's promotional activities.

Swimming Pool Safety Rate

Recovers the cost of residential pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016.

Whakarire Revetment Rate

[Recovers 3% of the cost of revetment works adjacent to Whakarire Avenue from those properties in Whakarire Avenue who are deemed to benefit from the revetment works.](#)

[The targeted rate is to be recovered as a fixed annual amount per property.](#)

Full details of the rating system are included in the Funding Impact Statement.

Policy Review

The review timeframe of this policy will be no longer than every three years.

Document History

Version	Reviewer	Change Detail	Date
2.0.0	Caroline Thompson	Updated and approved by Council with LTP	29 June 2018
3.0.0	Caroline Thomson	Updated in conjunction with 2019-20 Annual Plan	

Proposal to amend the Revenue and Financing Policy

About the Revenue and Financing Policy

The Revenue and Financing Policy sets out the way Council intends to fund its operating expenses and capital expenditure. The specific requirements, relating to the content of a Revenue and Financing Policy are set out in section 103 of the Local Government Act 2002. Council adopted the current Revenue and Financing policy in June 2018 and a copy of the policy is included in Council's Long Term Plan 2018-28.

What we need your feedback on

Napier City Council proposes to amend its Revenue and Financing Policy to include:

1. The inclusion of a new targeted rate on 12 properties in a defined area that will benefit from revetment works adjacent to Whakarire Avenue. Those specific properties affected are being contacted directly and consulted with regarding Council's proposal.
2. A change to the funding range for the animal control activity. The range changes from Low (0-19% General Rates) to Low-Med (20-39% General Rates).
3. Changes in the wording to better explain the different Council rates and the rating differential applied as part of Napier's rating policy.

A copy of the proposed amended Revenue and Financing Policy, with changes highlighted in red, can be found on www.sayitnapier.nz including more information about the proposed amendments.

When can you have your say

Submit your feedback on the proposed Revenue and Financing Policy from Monday 8 April to Monday 13 May (noon).

What happens next

Your feedback will be considered by Council and a decision will be made to adopt the proposed amendments to the policy in June 2019.

Proposal to amend the Rates Remissions Policy

About the Rates Remissions Policy

The Rates Remission Policy sets out the circumstances in which Council may use its discretion, in certain circumstances, to reduce the amount of rates charged against properties.

What we need your feedback on

Council proposes to make the following changes to its Rates Remission Policy:

1. Make the Chief Financial Officer responsible for managing the rate remissions policy (instead of the Corporate Services Manager).
2. Include a clause to allow for the remission of water by meter rates, in certain circumstances.
3. Include a clause to allow additional flexibility for Council to remit rates penalties in certain circumstances.
4. Remove text in clause 4 relating to remission on contiguous properties as this is already a statutory adjustment that must be made.
5. Add an additional clause to allow Council to provide temporary relief where there is a substantial change to the rates payable due to a change in policy or other change.

A copy of the proposed amended Rates Remission Policy, with changes highlighted in red, can be found on www.sayitnapier.nz including more information about the proposed amendments.

When can you have your say

Submit your feedback on the proposed Revenue and Financing Policy from Monday 8 April to Monday 13 May (noon).

What happens next

Your feedback will be considered by Council and a decision will be made to adopt the proposed amendments to the policy in June 2019.

3. CONSULTATION DOCUMENT AND DRAFT ANNUAL PLAN 2019/20

<i>Type of Report:</i>	Legal
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	708247
<i>Reporting Officer/s & Unit:</i>	Jane McLoughlin, Corporate Planner Caroline Thomson, Chief Financial Officer Adele Henderson, Director Corporate Services Natasha Carswell, Manager Community Strategies

3.1 Purpose of Report

To present the consultation document and supporting information for the annual plan 2019/20 for Council's adoption.

Officer's Recommendation

That Council:

- a. Approve the amendments to fees and charges for Environmental Health and Planning Support Services in the document titled *Fees and Charges 2019/20*.
- b. Adopt the following documents as supporting information:
 - Long Term Plan 2018-28 Major Projects Update
 - FAQs – Water
 - FAQs – Waste
 - Capital Programme Changes
 - What you get for your rates dollar
- c. Adopt the Consultation Document form the basis of Council's consultation with the community on the Annual Plan 2019/20.
- d. Note that separate consultation will occur on the Revenue and Financing Policy to inform the Annual Plan 2019/20.
- e. Delegate responsibility to the Chief Financial Officer to approve any final edits required to the Consultation Document and supporting information in order to finalise the documents for uploading online and physical distribution.

Mayor's Recommendation

That the Council resolve that the officer's recommendation be adopted.

3.2 Background Summary

Developing the annual budget

The process to develop council's annual budget began in December 2018 with a series of workshops with Councillors to set direction on the budget. These seminars occurred on 18 December 2018, 29 January 2019, 31 January 2019, 28 February 2019, and 5 March 2019. Councillors were provided with cost pressures and efficiencies that could be

made, and set direction to stay within our financial caps as outlined in the Finance Strategy.

On 15 March 2019, Council approved the underlying material, assumptions and key decisions for the development of the draft Annual Plan 2019/20 and Consultation Document.

Since that meeting the following has occurred:

1. An indicative cost range for the kerbside recycling and kerbside rubbish service has been received from the consultants who are working on a procurement strategy for the Council. This cost range is significantly higher than what was estimated in the WMMP consultation. The recycling contract report in this agenda outlines in detail the new funding and budget requirements. Officers sought direction from Councillors at a seminar on 19 March 2019 on how these new costs could be introduced in to budgets to minimise the rating impact. It is intended that the rating impact would be smoothed over a three year period (see the financial implications section in this report for more details).
2. Officers have further reviewed the schedule of fees and charges and are recommending the following amendments be made to the fees and charges schedule:

Business unit	Charge	Proposed 19/20 charge (incl GST)	Reason for change
Environmental Health	Amendment of Food Control Plan Registration (per hour)	\$180	Charge description now includes 'per hour'
Environmental Health	Amendment of National Programme Registration (per hour)	\$180	Charge description now includes 'per hour'
Environmental Health	Verification follow up (per hour)	\$155	New fee introduced based on Ministry of Primary Industry recommendation
Planning Support Services	Digital property file (scanned on an ad hoc basis, if scanning less than 15 minutes no charge)	\$95	Remove 'scanned on an ad hoc basis, if scanning less than 15 minutes no charge' Charge has been reduced from \$250 to \$95 to provide the ability to recover property file administration costs

Rates increase

At the Council meeting on 15 March 2019 the average rates increase was 5.9%. The increased likely cost for the new kerbside recycling contract has an impact of 3% on rates. In the consultation document, as per direction from Councillors, a part pay option is proposed to reduce the impact to 1.3% in 2019/20. The Consultation Document proposes an average rates increase of 6.4% over the 2018/19 rates level.

Information for consultation

The consultation topics are:

- Implementation of enhanced kerbside recycling and rubbish collection services,
- Water projects,
- Regional Disaster Relief Trust,
- the Whakarire Revetment, and
- applications to the Provincial Growth Fund.

The Consultation Document also signals the timing changes to the capital works programme.

The following documents have been prepared as supporting information for the Consultation Document:

- A Fees and Charges 2019/20
- B Long Term Plan 2018-28 Major Projects Update
- C FAQs - Water
- D FAQs - Waste
- E Capital Programme Changes
- F What you get for your rates dollar

3.3 Issues

The Central Governments Provincial Growth Fund (PGF) was created with a \$3billion fund to stimulate and provide jobs to the New Zealand regions. The Hawkes Bay councils have collectively been working together on applications to this fund to seek funding for key projects that meet the objectives of the PGF.

The following projects will be noted in the Annual Plan Consultation document as Council has submitted applications for these projects

- Maraenui Activation
- Inner Harbour feasibility
- Regional Park
- Westshore

The Maraenui and Inner Harbour projects were both included in the Council's Long Term Plan, however the funding provided by the PGF will allow for better outcomes for these projects. Council has considered the benefits in obtaining this funding for the projects, but recognises that it may be required to undertake further consultation with the public depending on the outcome from the application. It is anticipated that the first round of announcements for Hawke's Bay projects are likely to be made during May 2019.

Any additional ongoing costs as a result of the larger projects submitted to the fund have not been included in the Annual Plan 2019/20. It would be anticipated that the funding

from the PGF would be fixed and Council would need to be aware that it would be responsible for carrying any project funding shortfalls (if any).

3.4 Significance and Engagement

Council has assessed that there are material and significant changes from the 2018-28 Long Term Plan for the 2019/20 year and that these matters will be consulted on as per the Consultation Document (**Attachment G**).

The consultation and submission period for the Annual Plan 2019/20 is Monday 8 April 2019 to noon Monday 13 May 2019. Submissions can be made online on the Council website. A flyer will be sent to all households outlining the process and how they can provide their feedback.

Councillors can engage with the community via three community meetings on the Annual Plan 2019/20. There will be no formal hearings prior to the deliberations process. As well as the three community meetings, there will also be a funding request meeting prior to the Council deliberations. Council will consider all feedback from the community, received both online and from the meetings, when making its final decisions on the Annual Plan 2019/20. Community meetings will occur on:

- Monday 15 April 2019, 6-7pm, Small Exhibition Hall, Napier Conference Centre, Napier War Memorial Centre
- Wednesday 17 April 2019, 11am-12 noon, Greenmeadows East Community Hall
- Thursday 2 May 2019, 6-7pm, Living Waters, Tamatea

The funding request meeting will occur at 9.00am, Wednesday 29 June 2019, Large Exhibition Hall, Napier Conference Centre, Napier War Memorial Centre, Marine Parade, Napier.

Council deliberations and resolution to proceed and complete the final Annual Plan will follow the funding request meeting on Wednesday 29 May 2019.

Council adoption of final Annual Plan will be Friday 28 June 2019.

3.5 Implications

Financial

There is an ongoing impact to rates from the increased recycling costs. In the Consultation Document, Council's preferred option is a part pay option to smooth the rates impact bringing the average rate increase to 6.4%. The other option is to fully pay now however this will result in a breach of our self-imposed rates affordability limit for 19/20 by approximately 1% (an average rates increase of 8% on 18/19).

The impact of any of the changes proposed in 19/20 on rates for 20/21 will be considered in the development of the 20/21 budget.

Social & Policy

N/A

Risk

Noted in the paper brought to Council on 15 March 2019 – Proposal for Draft Annual Plan 2019/20 and Consultation Material.

3.6 Options

- a. Approve the supporting information and Consultation Document.
- b. Do not approve the supporting information and Consultation Document.
- c. Approve in part the supporting information and Consultation Document.

3.7 Development of Preferred Option

Approve the supporting information and Consultation Document. A robust process for budget development has been undertaken.

3.8 Attachments

- A Fees and Charges 2019/20 *(Under Separate Cover)*
- B Long Term Plan 2018-28 Major Projects Update *(Under Separate Cover)*
- C FAQs - Water *(Under Separate Cover)*
- D FAQs - Waste *(Under Separate Cover)*
- E Capital Programme Changes *(Under Separate Cover)*
- F What you get for your rates dollar *(Under Separate Cover)*
- G Annual Plan 2019/20 Consultation Document *(Under Separate Cover)*
- H Draft Annual Plan 2019/20 *(Under Separate Cover)*