



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda – Late Report

Meeting Date: Thursday 20 June 2019

Time: 1pm

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

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1. ANNUAL PLAN 2019/20

| | |
|--|---|
| <i>Type of Report:</i> | Operational |
| <i>Legal Reference:</i> | Local Government Act 2002 |
| <i>Document ID:</i> | 764372 |
| <i>Reporting Officer/s & Unit:</i> | Caroline Thomson, Chief Financial Officer |

1.1 Purpose of Report

That the Committee review and provide feedback to Council on the Annual Plan 2019/20 prior to the final adoption on 28 June 2019.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Annual Plan 2019/20.
- b. Provide any feedback to Council on the Annual Plan 2019/20 prior to the final adoption on 28 June 2019.
- c. Receive the minutes of the Council meeting held on 4 June 2019.

Chairperson's Recommendation

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

1.2 Background Summary

The Committee at its meeting on 28 March received the Draft Annual Plan for 2019/20 and recommended to Council for information to be approved for consultation. The Committee were advised at this meeting that information had been received indicating that kerbside recycling costs would increase further bringing the average rates increase to 6.4%.

Council has now completed all the relevant provisions contained within the Local Government Act 2002 regarding the preparation of an Annual Plan. Key changes adopted by Councillors at the 4 June 2019 meeting are outlined below.

This report is an administrative matter. We are now at the last stage of the process with a report going to the Council meeting on 28 June recommending that the 2019/20 annual plan be adopted. This is the final step in the annual plan process and is one of technical compliance with the provisions of the Local Government Act 2002. The annual plan is not audited and does not require audit approval prior to adoption.

The final overall budget position for the 2019/20 is a 6.4% average increase in rate requirement for existing ratepayers as agreed at the 4 June 2019 Council meeting.

The Annual Plan 2019/20 is attached as **attachment A**.

1.3 Issues

Key changes from the Draft Annual Plan presented to the Audit and Risk Committee on 28 March 2019 are:

- Council has confirmed that water is Council's number one priority

- A seminar on drinking water quality with representatives from the Ministry of Health and the Hawke's Bay District Health Board is scheduled for 18 June 2019. This will be a subject of another paper to the Audit and Risk committee (either intersessionally or at the next Audit and Risk).
- Council has allocated 200K (funded from loans-rates) to undertake an independent review of the options and costings for the supply of un-chlorinated water for Napier
- The funding for the Whakarire revetment (\$1.7m) has been moved to the 2020/21 financial year and inflated accordingly for LGCI price movements.
- The proposed Whakarire revetment targeted rate is withdrawn to allow Council officers an opportunity to address issues raised by residents and work through their perceived cost-benefit concerns.
- Council have endorsed changing the funding source for all 3 Waters projects in the capital programme for 2019/20 which are currently funded by rates, to be funded by loans-rates to better reflect inter-generational equity of the investment (\$860k).
- Council approved transferring the rates funding of \$860k from 3 Waters projects to Council's property assessment and compliance projects for 2019/20

The minutes from the Council meeting held on 4 June 2019 are attached as **attachment B**.

1.4 Significance and Engagement

Officers assessed the changes from year 2 of the Long-Term plan 2018-28 and advised Council of the significant and material changes. Consultation has occurred in accordance with the Local Government Act 2002.

1.5 Implications

Financial

There are also financial implications from bringing forward projects without these having a direct impact on the 2019/20 year rates, and new capital work, including the War Memorial and Kennedy Park ablution block. In the development of future Annual Plans there is the ability to further refine the annual budgets contained in that year within the Council's Long Term Plan (year 3 of the LTP). This will be at the discretion of the new Council to be elected October 2019. The following items have been approved as part of the Annual Plan and impact future years.

Cost of servicing additional loans:

- New War Memorial spending proposal (0.2%)
- Kennedy Park ablution block (0.3%)
- Changes to water projects (0.7%)
- Independent assessment – water (0.02%)

Waste Minimisation and Management Plan impacts – these impacts are ongoing:

- Impact of phasing in kerbside recycling over 3 years (0.5% in 2020/21 and a further 1.15% in 2021/22) to be confirmed after confirmation of tender.
- Rubbish collection service changes (to be confirmed with tendering).

Social & Policy

The Annual Plan 2019/20 aligns with all Council policy including the Joint Waste Management and Minimisation Plan 2018-24.

Changes to the Revenue and Financing Policy and Rates Remission Policy have been consulted on concurrently but separately to the Annual Plan and Council adopted the amended policies on 4 June 2019.

Risk

The following risks were noted as part of the development of the Annual Plan 2019/20:

- Strong Construction market demand – pressure on capital programme
- Climate change – Central Government requirements
- Government Healthy Home requirements
- Living wage/Min Wage changes
- Wellbeing legislation
- Insurance market (costs escalating as market making a loss)
- Outstanding detailed seismic assessments on Council owned buildings
- Timing of sections sold for Parklands development
- Elections and new Council requirements
- Limited general reserves
- Year-end provisions for weather tightness
- The impact on rates in future years from loan funding capital projects in 2019/20
- Implementing WMMP waste recommendations could result in an average rates increase of between 1% and 2% for 2020/21
- Implementing WMMP recycling recommendations will result in an average rates increase of 1.7% (0.5% in 2020/21 and a further 1.15% in 2021/22)
- Provincial Growth Fund projects:
 - o ongoing costs
 - o cap on Government support
 - o impact on current programme of work resulting from pressure to get work completed before Central government elections

1.6 Options

The options available to the Committee are as follows:

- a. Advise whether there are concerns on the changes made to the Annual plan budgets, and any other decisions made by Councillors at the 4 June 2019 meeting.

If there are concerns, officers will take these concerns to the Council meeting on 28 June 2019. However, at this late stage there is no ability for officers to amend the plan further without breaching our legislative requirements. Officers' note that an annual plan, as per the Local Government Act is an intentions document, and so if there are concerns by Audit and Risk, it is recommended that these concerns are dealt with post-adoption of the Annual Plan.

- b. Advise that there are no concerns on the changes made by Councillors at the 4 June 2019 meeting.

Officers will note that at the Council meeting on 28 June 2019.

1.7 Development of Preferred Option

N/A

1.8 Attachments

- A Annual Plan 2019/20
- B Council minutes - 4 June 2019



Napier City Council
ANNUAL PLAN
2019/20

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Prepared in accordance with the requirements of the Local Government Act 2002.

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Strategic direction

Our Mission

To provide the facilities and services, the environment and leadership, plus encouragement for economic opportunities to make Napier the best city in New Zealand in which to work, raise a family and enjoy a safe and satisfying life.



Annual Plan Rates Increase

Rates Increase of 6.4%

The 2019/20 Annual Plan includes a rates increase of 6.4% (excluding growth in the rating base). This is 1.3% higher than the increase indicated in the Long Term Plan adopted by Napier City Council in 2018 at 5.1%.

Changes in the recycling industry have resulted in increased costs for recycling and this has added to the overall rates increase by 1.4% for 2019/20. The total impact of the change is an increase of 3.0% smoothed over a three year period.

From the Mayor and Acting Mayor's Office

We have another busy year ahead of us at Napier City Council.

The Annual Plan for 2019/20 describes what we propose to do over the coming year. There are some minor changes from the Long Term Plan (LTP) adopted by Napier City Council in 2018, but we continue to focus on delivering our vision of being A Vibrant and Sustainable City for all.

We have heard from our community over the last year about the importance of water and have increased spend to \$11m over the next year (up from \$4.6m in the LTP). These key projects will be happening over the next three years and they include a new Taradale borefield, a new water treatment plant, and the replacement of the Enfield reservoir. These projects will increase rates for the 2020/21 year as they will require us to loan fund these.

A major project now being progressed is the Waste Minimisation and Management plan for Napier and Hastings. This plan includes our recycling service. Recently, China decided to stop taking recycling from New Zealand. Malaysia is now saying no to our non-recyclable plastics. This has an impact on what we do with our waste and we can expect further changes as the industry continues to change. However, we are still committed as a community to recycling, and will be providing a weekly service with receptacles around November 2019. This service has added to our overall rates increase by 1.4%.

Together with the other Hawke's Bay councils we will set up a new Regional Disaster Relief Trust that will be available to receive funding during a disaster – certainly important for us to be prepared for any event.

Other exciting projects progressing this year include the new Napier Aquatic Centre, options for the location of a new library, and the upgrade of the National Aquarium subject to the completion of the detailed business case as well as securing funding from central government and sponsors.


We have to keep an eye on other challenges which will impact on our planning in the coming years, such as climate change. More information is coming out now from central government on these matters and Hawke's Bay is high on the list from such issues. We will continue to ensure that we consider the implications for any future project that we undertake as well as being more prepared where we can in this space.



It's a balancing act to get things right – tackle the big issues like water, maintaining our infrastructure and delivering the many exciting projects for the city while keeping it affordable. The Annual Plan rates increase is in line with the Long Term Plan increase of 5.1% – however we have added the additional 1.4% for recycling that wasn't included in the LTP as it was separately consulted on. When we include all other budget changes, the average increase for ratepayers is 6.4%. The average rates increase equates to \$2.62 per week for residential ratepayers.

During the consultation period for this annual plan, we had 218 residents put in submissions and we held three community meetings. One of the key themes within the submissions was a desire expressed by residents to have Napier's water system unchlorinated. In response to these submissions, Napier City councillors named drinking water as their number one priority and are in favour of funding a report to assess the work and costs involved in providing a citywide water network that could be unchlorinated and would meet new national drinking water regulations that are yet to be confirmed.


Bill Dalton
Mayor


Faye White
Acting Mayor

Key Planning Assumptions in the Annual Plan

Inflation

Inflation Rates are based on the Local Government Cost Index (LGCI) forecasts from BERL.

| | LGCI OPERATING | LGCI CAPITAL |
|--------------|-------------------|-----------------|
| 2019/20 Plan | 2.2 | 2.2 |
| 2019/20 LTP | 2.2 | 2.2 |

Growth in Rating Base

| | ASSUMED GROWTH |
|--------------|-------------------|
| 2019/20 Plan | 0.30% |
| 2019/20 LTP | 0.30% |

Interest Rate on Loans (Internal & External)

| | INTEREST RATE |
|--------------|------------------|
| 2019/20 Plan | 4.5% |
| 2019/20 LTP | 4.5% |

Financial Condition Indicators

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | LTP/AP 2018/19 \$000 |
|---|------------------------|-------------------------|----------------------------|
| Rates revenue * | 60,326 | 58,968 | 56,104 |
| Net surplus | 13,825 | 30,008 | 15,433 |
| Working capital | 8,984 | 36,978 | 67,630 |
| Public debt | - | - | - |
| Internal debt | 78,701 | 74,924 | 50,467 |
| Total assets | 1,642,133 | 1,701,053 | 1,629,141 |
| Total net equity | 1,618,360 | 1,675,924 | 1,604,360 |
| % rates revenue to total revenue | 48 % | 45 % | 47 % |
| Public debt as a percentage of total assets | - % | - % | - % |
| Rates increase to existing ratepayers year on year ** | 6.4 % | 5.1 % | 5.2 % |
| Number of rating units | 26,099 | 25,980 | 25,790 |

* Excluding GST

** Excludes expected rating revenue increase arising from growth in the rating base.

Where Your Rates Dollar Goes



COMMUNITY SERVICES

Community services - library, pools, grants, MTG, sportsgrounds and reserves, safe community, youth etc

33¢



3 WATERS

10¢

WASTEWATER

Safe domestic and commercial sewerage collection, treatment and disposal

9¢

WATER SUPPLY

Supply of safe potable water and water for firefighting

6¢

STORMWATER

Sustainable stormwater management to minimise flooding

25¢



TRANSPORTATION

Roads, footpaths, bridges, lighting, traffic planning, management and safety, street cleaning

15¢



OTHER INFRASTRUCTURE

Waste minimisation, cemeteries, public toilets

10¢



CITY STRATEGY

Sustainable management of our resources (city planning, consents, licencing, parking, animal control)

8¢



DEMOCRACY AND GOVERNANCE

Council and elections

7¢



VISITOR EXPERIENCES


National Aquarium of New Zealand, i-Site, Napier Conference Centre, Municipal Theatre

Note: Kennedy Park and Par2 Minigolf make a profit

2¢

Our Priority Areas

| | COMMUNITY OUTCOMES | TOTAL SPEND FOR 2019/20 (LTP Y2) | | SIGNIFICANT INITIATIVES FOR 2019/20 |
|--|--|----------------------------------|--------------------|---|
| | | CAPITAL SPEND | OPERATING SPEND | |
|  Governance | Council works with and for the community. | Nil \$ million | 3.9 \$ million | <ul style="list-style-type: none"> Triennial election. Revenue and Financing Policy and Development Contributions Policy Review. |
|  Transportation | Excellence in infrastructure and public services for now and in the future. | 10.0 \$ million | 13.1 \$ million | <ul style="list-style-type: none"> Design Severn Street roundabout upgrade and commence construction. Develop a Transportation Strategy. |
|  Stormwater | Excellence in infrastructure and public services for now and in the future. | 2.7 \$ million | 4.5 \$ million | <ul style="list-style-type: none"> Investigation for CBD stormwater upgrade. Review Stormwater Bylaw. Investigations and design to improve direct outfalls in Ahuriri Estuary. |
|  Wastewater | Excellence in infrastructure and public services for now and in the future. | 3.6 \$ million | 8.6 \$ million | <ul style="list-style-type: none"> Pandora Industrial Main rehabilitated. Sewerage Treatment plant future consent investigation. Taradale wastewater diversion construction. Outfall replacement investigation. |
|  Water Supply | Excellence in infrastructure and public services for now and in the future. | 11.0 \$ million | 6.8 \$ million | <ul style="list-style-type: none"> 3 Waters Review. Site selection process for replacement of Enfield Reservoir. New bore field in Taradale South and a dedicated main to the Taradale reservoir started. Investigate and design an extension to the pumping main from Church Rd pump station to new Napier Hill reservoir (location to be confirmed) Extend the Awatoto Trunk main to the new Napier Hill reservoir. New bores to Awatoto bore field. Increased monitoring to identify high leakage areas. Reservoir inlet and outlets improved. De-chlorination consultation review. |
|  Other Infrastructure | A sustainable city. Excellence in infrastructure and public services for now and in the future. | 2.4 \$ million | 9.9 \$ million | <ul style="list-style-type: none"> New contract for enhanced recycling service in place. New contract for enhanced rubbish collection service awarded. Develop a Sustainability Strategy. |

| | COMMUNITY OUTCOMES | TOTAL SPEND FOR 2019/20 (LTP Y2) | | SIGNIFICANT INITIATIVES FOR 2019/20 |
|--|---|----------------------------------|----------------------------|---|
| | | CAPITAL SPEND | OPERATING SPEND | |
|  Property Assets | <p>Excellence in infrastructure and public services for now and in the future.</p> | <p>3.7 \$ million</p> | <p>12.7 \$ million</p> | <ul style="list-style-type: none"> Future state of Inner Harbour developed. |
|  Community and Visitor Experiences | <p>A vibrant innovative city for everyone.</p> <p>Excellence in infrastructure and public services for now and in the future.</p> <p>A sustainable city.</p> <p>A safe and healthy city that supports community well-being.</p> | <p>34.0 \$ million</p> | <p>44.2 \$ million</p> | <ul style="list-style-type: none"> Napier War Memorial designed and construction commenced. Site selected for new Napier Library. New Kennedy Park main ablution block constructed. New Aquatic Centre in construction. Onekawa Park master planning underway. Feasibility study completed for Tourism Hub (I-SITE/Par 2 redevelopment) Business Case for Aquarium Expansion completed. Shade and health and safety upgrades to Anderson Park playground. |
|  City Strategy | <p>A vibrant innovative city for everyone.</p> <p>Excellence in infrastructure and public services for now and in the future.</p> <p>A safe and healthy city that supports community well-being.</p> | <p>2.3 \$ million</p> | <p>10.9 \$ million</p> | <ul style="list-style-type: none"> District Plan stakeholder engagement completed and notification of new Draft Napier District Plan. Six of the Ahuriri Estuary Master Plan projects confirmed by Council and initiated. Planning for the development of the Napier Economic Development Strategy. Development of a Regional Industrial Land Strategy Development of an Inner Harbour Plan Land use study for the Lagoon Farm as part of the development of a Regional Park Development of a Heritage Strategy Implementation of the Placemaking Strategy by delivering 7 city activation projects Parking strategy development |

Annual Plan Disclosure Statement

Financial Prudence

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations 2014) were developed to assist in identifying local authorities where further enquiry is warranted in relation to their financial management, and promote prudent financial management by local authorities.

Section 101A of the Local Government Act 2002 (the Act) requires local authorities to prepare and adopt a financial strategy that includes a statement that quantifies limits on rates, rate increase and borrowings. These limits are then used as the basis of the Rates and Debt Affordability benchmarks. Council's planned performance in this Annual Plan against these specified benchmarks is shown below.

| | AP 2019/20 | LTP 2019/20 | Policy Limit | Met |
|--|------------------|------------------|------------------|-----|
| Rates Affordability Benchmarks | | | | |
| Rates Revenue (\$000) | \$60,326 | \$58,968 | \$61,159 maximum | Yes |
| Percentage Rates Increase | 6.4% | 5.1% | LGCI plus 5% | Yes |
| Debt Affordability Benchmarks | | | | |
| Liquidity to External Debt | No external debt | No external debt | 110% minimum | Yes |
| Net External Debt as a percentage of Total Revenue | No external debt | No external debt | 100% maximum | Yes |
| Net Interest to Total Income | (0.6)% | (1.0)% | 10% maximum | Yes |
| Balanced Budget Benchmark | | | | |
| Operating Revenue to Operating Expenses | 107% | 122% | 100% minimum | Yes |
| Essential Services Benchmark | | | | |
| Capital Expenditure to Depreciation | 178% | 148% | 100% minimum | Yes |
| Debt Servicing Benchmark | | | | |
| Borrowing costs to operating revenue | 0% | 0% | 10% maximum | Yes |

Rates Affordability Benchmarks

Under Section 17 of the Regulations 2014, Council must disclose planned rates revenue compared to quantified limit on rates revenue, and planned rates revenue increases compared to the quantified limit on rates revenue increases; a local authority meets the rates affordability benchmarks if planned rates revenue and percentage increases are equal or less than the Council's quantified limit on rates revenue and percentage increases. As per the table above, Council plans to meet its rates affordability benchmarks in 2019/20.

Debt Affordability Benchmarks

Under Section 18 of the Regulations 2014 Council must disclose its planned performance in relation to debt affordability by comparing planned borrowing with each quantified limit on borrowing; a local authority meets its debt affordability benchmarks if planned borrowing is within each of the Council's quantified limits of borrowing. Council has set five limits in its Liability Management Policy adopted 26 February 2015.

The Council plans to meet each of these debt affordability benchmarks in 2019/20. Council plans to have no external debt, and interest income is expected to exceed interest expense, resulting in a negative net interest to total income percentage.

Balanced Budget Benchmark

Under Section 19 of the Regulations 2014 Council must disclose its planned performance in relation to the balanced budget benchmark. Performance is portrayed as the percentage of operating revenue to operating expenses; a local authority meets the balanced budget benchmark if its operating revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment) exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The Council plans to meet the balanced budget benchmark in 2019/20.

Essential Services Benchmark

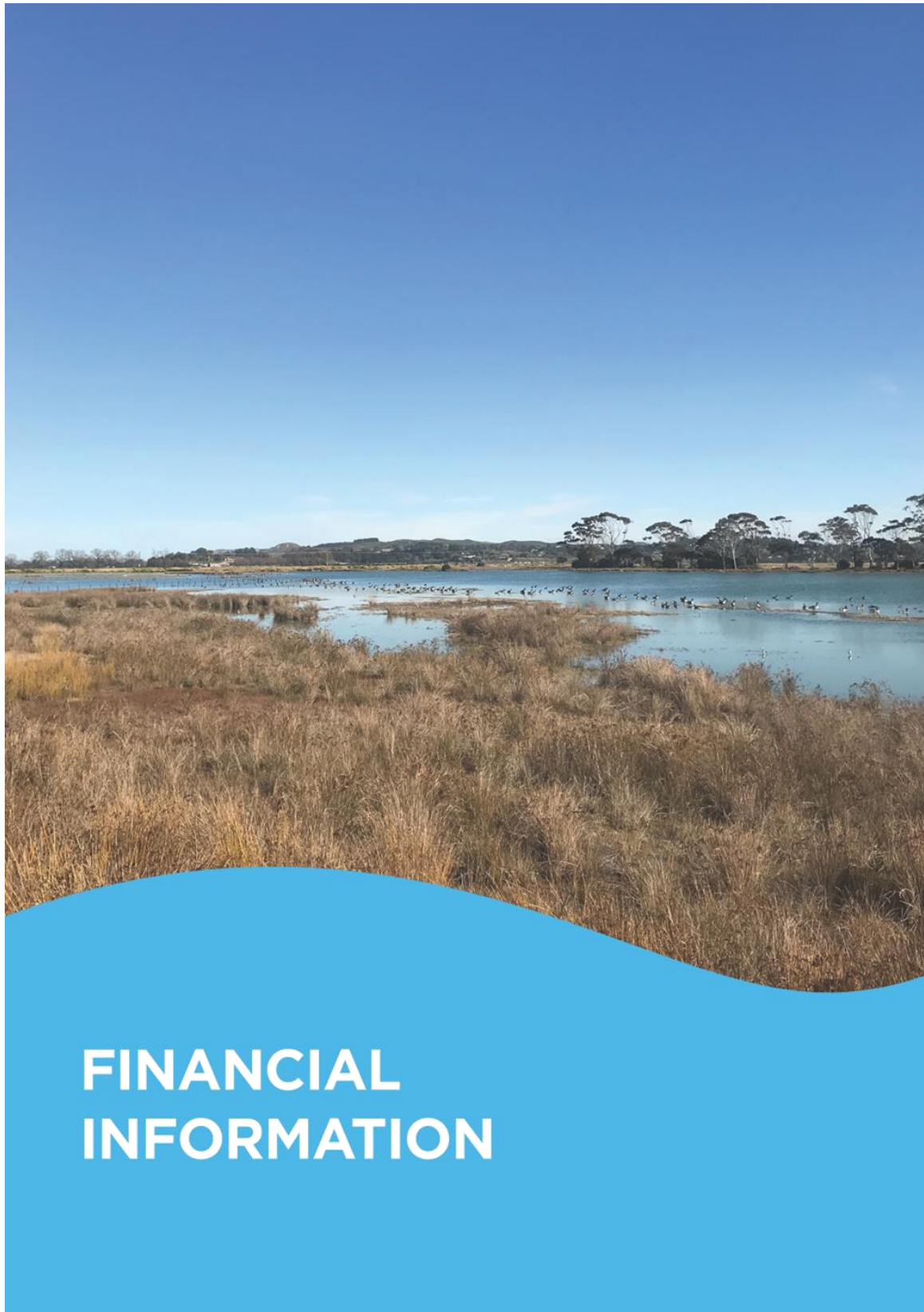
Under Section 20 of the Regulations 2014, Council must disclose its planned performance in relation to the essential services benchmark. Performance is portrayed as a percentage of capital expenditure to depreciation costs; a local authority meets the essential services benchmark if its capital expenditure on network services for the year equals or is more than depreciation of network services for the year.

The Council plans to meet the essential services benchmark in 2019/20.

Debt Servicing Benchmark

Under Section 21 of the Regulations 2014, Council must disclose its planned performance in relation to the debt servicing benchmark. Performance is portrayed as a percentage of borrowing costs to operating revenue; a local authority meets the debt servicing benchmark if borrowing costs for the year are equal or less than 10% of operating revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment).

The Council plans to meet this benchmark in 2019/20.



Prospective Statement of Comprehensive Revenue and Expenses

Forecast for the year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|---|------------------------|-------------------------|----------------------------|
| Revenue | | | |
| Rates revenue | 60,326 | 58,968 | 56,104 |
| Finance revenue | 753 | 1,313 | 1,925 |
| Development and financial contributions | 3,349 | 3,349 | 2,851 |
| Subsidies and grants | 8,822 | 20,904 | 8,087 |
| Other revenue | 51,204 | 46,196 | 50,310 |
| Other gains/(losses) | 1,196 | 1,096 | 1,076 |
| Total revenue | 125,650 | 131,825 | 120,353 |
| Expenditure | | | |
| Employee Benefit Expense | 39,013 | 36,621 | 35,785 |
| Depreciation and Amortisation | 24,938 | 24,961 | 23,791 |
| Finance Costs | - | - | - |
| Other Operating Expenses | 48,122 | 40,484 | 45,688 |
| Total expenditure | 112,073 | 102,065 | 105,264 |
| Operating surplus/(deficit) before tax | 13,577 | 29,760 | 15,090 |
| Share of associate surplus/(deficit) | 248 | 248 | 344 |
| Surplus/(deficit) before tax | 13,825 | 30,008 | 15,433 |
| Income tax expense | - | - | - |
| Surplus/(deficit) after tax | 13,825 | 30,008 | 15,433 |
| Other comprehensive revenue | | | |
| Valuation gains/(losses) taken to equity | 22,749 | 41,555 | 5,104 |
| Fair value gains/(losses) through comprehensive income on investments | - | - | - |
| Total comprehensive revenue and expenses | 36,574 | 71,564 | 20,538 |

Prospective Statement of Financial Position

Forecast for year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|--------------------------------------|------------------------|-------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents* | 2,334 | 13,602 | 9,929 |
| Debtors and other receivables | 17,046 | 15,840 | 14,374 |
| Prepayments | 245 | 171 | 171 |
| Inventories | 5,063 | 2,992 | 3,284 |
| Biological assets | 322 | 292 | 288 |
| Other financial assets | 4,500 | 20,000 | 55,000 |
| Total current assets | 29,510 | 52,897 | 83,046 |
| Non-current assets | | | |
| Property, plant and equipment | 1,546,554 | 1,590,984 | 1,488,580 |
| Intangible assets | 1,030 | 1,471 | 1,749 |
| Inventories | 12,520 | 7,527 | 8,524 |
| Investment property | 40,757 | 36,378 | 35,595 |
| Investment in associates | 7,838 | 8,380 | 8,231 |
| Other financial assets | 3,924 | 3,416 | 3,416 |
| Total non-current assets | 1,612,623 | 1,648,156 | 1,546,095 |
| Total assets | 1,642,133 | 1,701,053 | 1,629,141 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables and other accruals | 15,838 | 14,924 | 14,476 |
| Employee benefit liabilities | 4,688 | 3,962 | 3,908 |
| Total current liabilities | 20,526 | 18,887 | 18,384 |
| Non-current liabilities | | | |
| Revenue received in advance | - | 269 | 269 |
| Employee benefit liabilities | 790 | 1,015 | 1,069 |
| Provisions | 2,457 | 4,959 | 5,059 |
| Total non-current liabilities | 3,247 | 6,243 | 6,397 |
| Total liabilities | 23,773 | 25,129 | 24,781 |
| Total net assets | 1,616,360 | 1,675,924 | 1,604,360 |
| Net assets / equity | | | |
| Accumulated revenue & expenses | 804,539 | 832,655 | 798,830 |
| Other reserves | 813,821 | 843,269 | 805,530 |
| Total net assets / equity | 1,618,360 | 1,675,924 | 1,604,360 |

* In the LTP Cash and Cash equivalents included Omarunui Landfill (\$2,968). This has been reclassified to Non-current Other Financial Assets in the AP 2019/20.

Prospective Statement of Changes In Net Assets / Equity

Forecast for the year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|---|------------------------|-------------------------|----------------------------|
| Total net equity balance at 1 July | 1,581,786 | 1,604,360 | 1,583,822 |
| Total comprehensive revenue for the period | 36,574 | 71,564 | 20,538 |
| Total net equity balance at 30 June | 1,618,360 | 1,675,924 | 1,604,360 |
| Total comprehensive revenue and expenses attributable to: | | | |
| Napier City Council | 36,574 | 71,564 | 20,538 |
| Total comprehensive revenue and expenses | 36,574 | 71,564 | 20,538 |

Prospective Statement of Cash Flows

Forecast for the year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|---|------------------------|-------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Receipts from rates revenue | 59,930 | 58,882 | 55,266 |
| Interest received | 753 | 1,313 | 1,925 |
| Dividends received | - | - | - |
| Receipts from other revenue | 56,013 | 67,757 | 57,999 |
| Goods and services tax (net) | (959) | - | - |
| Payments to suppliers and employees | (84,509) | (77,645) | (80,429) |
| Interest paid | - | - | - |
| Net cash from operating activities | 31,228 | 50,307 | 34,761 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | 263 | 250 | 250 |
| Proceeds from withdrawal of investments | 97,354 | 95,099 | 165,138 |
| Purchase of property, plant and equipment | (66,858) | (81,983) | (38,829) |
| Purchase of intangible assets | 68 | - | - |
| Acquisition of investments | (63,000) | (60,000) | (165,000) |
| Net cash from investing activities | (32,173) | (46,634) | (38,442) |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | (946) | 3,673 | (3,681) |
| Cash, cash equivalents and bank overdrafts at 1 July | 3,280 | 12,897 | 16,578 |
| Cash, cash equivalents and bank overdrafts at 30 June | 2,334 | 16,570 | 12,897 |

Key Changes from the 2019/20 Year of the Long Term Plan

BY THE NUMBERS

| | | |
|--------------|--|--|
| 1.3% | RATES REVENUE to 6.4%, up from 5.1% forecast for 2019/20 | MAIN REASONS FOR CHANGE Increased costs for recycling of 1.4% for 2019/20. |
| 10.9% | OTHER REVENUE to \$51m, up from \$46m | MAIN REASONS FOR CHANGE Increase in Parklands Residential Sales (timing). Increase in fees and charges and expected retail sales. |
| 57.1% | SUBSIDIES AND GRANTS to \$9m, down from \$21m | MAIN REASONS FOR CHANGE Timing of expected external grant funding for the Aquarium. |
| 9.8% | OPERATING EXPENDITURE to \$112m, up from \$102m | MAIN REASONS FOR CHANGE Increase in Parklands Residential development costs. Increased operating expenditure relating to water quality. Increased budget provision for cost of recycling. Change in classification of a capital grant to operating. Changes to staff costs. |
| 15.3% | CAPITAL EXPENDITURE to \$72m, down from \$85m | MAIN REASONS FOR CHANGE The capital works programme outlined in the LTP includes a substantial investment in a variety of projects. For the Annual Plan 2019/20, there have been several changes where projects have been re-phased - either to later years, or brought forward. There have also been new requirements that have been identified since the LTP and some projects which are no longer required. The tables below outline key changes made to 2019/20. |

| Activity Group | AP 2019/20 (\$000) | LTP 2019/20 (\$000) | Change 2019/20 (\$000) |
|-----------------------------------|--------------------------|---------------------------|------------------------------|
| Community and Visitor Experiences | 34,296 | 46,478 | (12,182) |
| Property Assets | 3,700 | 9,489 | (5,790) |
| Transportation | 10,062 | 11,234 | (1,172) |
| Stormwater | 2,693 | 3,365 | (672) |
| Wastewater | 3,646 | 3,317 | 329 |
| Water Supply | 10,937 | 4,769 | 6,167 |
| City Strategy | 2,298 | 2,325 | (27) |
| Support Units | 2,008 | 2,049 | (41) |
| Other Infrastructure | 2,368 | 2,443 | (75) |
| Total | 72,008 | 85,470 | (13,462) |

Statement of Accounting Policies

In accordance with the Local Government Act 2002 Section 95a, Napier City Council (the Council) adopted the 2019/20 Annual Plan on 28 June 2019. As the authorising body, the Council is responsible for the Annual Plan presented along with the underlying assumptions and all other required disclosures.

The principal accounting policies adopted in the presentation of the Annual Plan's prospective financial statements are set out below. The prospective financial statements comprise the financial statements for the Council as an individual entity. The main purpose of the prospective financial statements outlined in the Annual Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much the Council requires by way of rates to fund the intended levels of service.

Reporting Entity

Napier City Council (the Council) is a New Zealand territorial local authority. It is governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The reporting entity consists of the Council only. The Council has investments in the following entities which are Council Controlled Organisations (CCO):

Hawke's Bay Museum Trust classified as an investment;

Hawke's Bay Airport Limited (26% share of voting rights) equity accounted.

The Council provides local infrastructure, local public services and amenities, and performs regulatory functions for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes. The financial statements comply with PBE Standards and have been prepared in accordance with Tier 1 PBE Standards.

Basis of Preparation

The prospective financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Prospective Financial Information

These are prospective financial statements and have been prepared in accordance with the requirements of the Local Government Act 2002 and may not be appropriate for other purposes. The main purposes of the prospective financial statements in the Annual Plan is to provide users with information about Council's plans for the next 12 months and the rates that will be required to fund this plan.

As a forecast, the Annual Plan has been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with the actions Council reasonably expects to take, as at the date the information was prepared. The Significant Planning Assumptions are included in the Annual Plan and outline assessed for potential risks that may impact future results. Actual results achieved for the Annual Plan period covered are likely to vary from the information presented and the variations may be material.

The Annual Plan is based on the forecast for the year ended 30 June 2020 included in the Long Term Plan 2018 – 2028. The prospective financial statements have been prepared by using the best information available at the time for the Annual Plan.

Prospective Financial Information continues

Changes in Accounting Standards

There were no changes in accounting policy during the financial year. All accounting policies and disclosures have been applied consistent with those applied in the previous financial year and Annual Plan.

Investments

Investment in Associates

The Council's associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the financial statements is increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Council transacts with an associate, surplus or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

Subsidiaries

The Council has no subsidiaries.

Joint Ventures

Jointly Controlled Assets

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

The Council has an interest in a joint venture that is jointly controlled asset. The Council recognises its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

Non-exchange Revenue

Rates Revenue

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised as revenue at the start of the financial year to which the rates resolution relates, and they are recognised at the amount due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Grants and Subsidies

Grants and subsidies received are recognised as revenue when the Council obtains control of the transferred asset (cash, goods, other assets or services) and the transfer is free from conditions that require the Council refund or return the asset if the conditions relating to the asset are not fulfilled. When grants and subsidies include a condition, a liability is recognised until the Council has satisfied the conditions when revenue is recognised. The Council receives the majority of grants and subsidies revenue from New Zealand Transport Agency (NZTA), which subsidises part of the Council's costs in maintaining the local road infrastructure. The right to receive the funding from NZTA arises once the work is performed therefore revenue is recognised when receivable as there are no further conditions attached to the funding.

Donated, Subsidised or Vested Assets

Donated, subsidised or vested assets are recognised when the right to receive them is established. Revenue is recognised at this time unless there are conditions attached to the asset, which require the asset to be returned if conditions are not met. A liability is recognised until the conditions are met. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Parking and Traffic Infringement

Revenue is recognised when the ticket is issued as there are no conditions attached.

Exchange Revenue

Licences and Permits

Revenue derived from licences and permits are recognised on receipt of appropriate application.

Residential Developments

Sales of sections in residential developments are recognised when contracts for sale are unconditional as control is deemed to have been transferred.

Development and Financial Contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Sales of Goods (Retail)

Sales of goods are recognised when a product is sold to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

Sales of Services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed, on the basis of the actual service provided as a proportion of the total services to be provided.

Rental Revenue

Rental revenue is recognised on a straight line basis over the term of the lease.

Interest Revenue

Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest revenue. Interest revenue on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue Recognition continues

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established.

Building and Resource Consent Revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Income Tax

In general, local authorities are only subject to tax from income derived through council controlled organisations and as a port operator.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting surplus or deficit or taxable surplus or deficit.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the controlling entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in other comprehensive revenue and expense or directly in equity.

Goods and Services Tax (GST)

The Statement of Comprehensive Revenue and Expenses has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Leases

The Council is the Lessee

Leases of Property, Plant and Equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the surplus or deficit in the Statement of Comprehensive Revenue and Expenses over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Revenue and Expenses on a straight line basis over the period of the lease.

The Council is the Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental revenue (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less impairment for doubtful debts.

Trade receivables are due for settlement no more than 150 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Revenue and Expenses.

When the receivable is uncollectible, it is written-off against the provision account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first in, first out (FIFO) method, which assumes the items of inventory that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses in the period of the write-down.

Land held for development and future resale

When land held for development and future resale is transferred from investment property or property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Non-current Assets Held For Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell in the Council's operating expenses. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current Assets Held For Sale continues

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Other Financial Assets excluding derivatives

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at their value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the categories below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. Those with maturities greater than 12 months after the balance date are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

Fair Value through Other Comprehensive Revenue and Expenses (Available for sale)

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the surplus or deficit as gains and losses from investment securities.

Fair Value Changes

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial Assets

The Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. Impairment losses are recognised in the surplus or deficit... In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit is removed from equity and recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Impairment losses recognised on available for sale equity instruments are not reversed through surplus or deficit in the Statement of Comprehensive Revenue and Expenses. Instead, increases in the fair value of these assets after impairment are recognised in other comprehensive revenue and expenses in the Statement of Comprehensive Revenue and Expenses.

Property, Plant and Equipment

Property, Plant and Equipment consist of:

Operational assets – These include land, buildings, library books, plant and equipment and motor vehicles.

Restricted assets – Restricted assets are mainly parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – infrastructure assets are the fixed utility system owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Additions

Items of Property, Plant and Equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Where a physical asset is acquired for nil or nominal consideration, it is recognised at its fair value at the date the asset was received with the fair value recognised as revenue. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to the accumulated comprehensive revenue and expense within equity.

Revaluations

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets and Library Collections are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads), Land and Buildings and Council Restricted Reserves are revalued on a three yearly valuation cycle.

Increases in the carrying amounts arising on a revalued class of assets are credited to a revaluation reserve in public equity. To the extent that the increase reverses a decrease previously recognised for the same class of assets in the surplus or deficit, the increase is first recognised in the surplus or deficit. Where the revaluation movement would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Revenue and Expenses during the financial period in which they are incurred.

Property, Plant and Equipment continues

Depreciation

Depreciation of property, plant and equipment other than land is calculated on a straight line basis at rates that will write off the cost or valuation, less estimated residual value, over their expected useful economic lives. The following rates have been applied:

| | Depreciation |
|-------------------------------------|--------------|
| Buildings & Structural Improvements | 2 to 10% |
| Fixed Plant & Equipment | 5 to 20% |
| Mobile Plant & Equipment | 5 to 50% |
| Motor Vehicles | 10 to 33.33% |
| Furniture & Fittings | 4 to 20% |
| Office Equipment | 8 to 66.67% |
| Library Book Stock | 7 to 25% |

Depreciation of infrastructural and restricted assets is calculated on a straight line basis at rates that will write off their cost or valuation over their expected useful economic lives.

The expected lives, in years, of major classes of infrastructural and restricted assets are as follows:

| | Years | | Years |
|-------------------------------|--------|--|--------|
| Roading | | Sewerage | |
| Base Course | 60-130 | Reticulation | 80-100 |
| Surfacings | 20-25 | Pump Stations | 15-80 |
| Concrete Pavers | 80 | Milliscreen | 10-80 |
| Footpaths & Pathways/Walkways | 15-80 | Outfall | 60 |
| Drainage | 25-100 | Others | |
| Bridges & Structures | 20-100 | Grandstands, Community & Sports Halls | 50 |
| Road Lighting | 4-50 | Sportsgrounds, Parks & Reserves Improvements | 10-50 |
| Traffic Services & Safety | 10-25 | Buildings on Reserves | 10-50 |
| Water | | Pools | 10-50 |
| Reticulation | 56-200 | Inner Harbour | 20-50 |
| Reservoirs | 100 | | |
| Pump Stations | 15-80 | | |
| Stormwater | | | |
| Reticulation | 80-100 | | |
| Pump Stations | 15-80 | | |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Valuation of Property, Plant and Equipment

Council's Property, Plant and Equipment are valued as follows:

| Description | Method of Valuation |
|--|--|
| Library Collections | Carried at fair value less depreciation. Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by Jessica Pearless, Director, Paragon Matter Art Services and performed on an annual basis. The last valuation was performed as at 30 June 2018. |
| Land under Roads | Carried at cost. Land under roads was valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. The Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued. |
| Land and Buildings | Carried at fair value less depreciation for buildings only. Land and Buildings are valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2017 using fair value based on market valuations. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value. |
| Infrastructural Road Assets | Carried at fair value less depreciation. Infrastructural road assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2018. Prepared and reviewed by Opus staff. |
| Water, Wastewater and Stormwater Above and Below Ground Assets | Carried at fair value less depreciation. Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council's engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2017. Some above ground assets e.g. Pumps are independently reviewed by registered valuer M Wyatt, of AECOM Ltd at 30 June 2017. |
| Restricted Assets | Carried at fair value less depreciation. Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2017 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value. If there is a material difference, then the off-cycle asset classes are revalued. All restricted asset classes carried at valuation were valued. |
| Plant and Equipment | Carried at cost less depreciation and impairment. Valued in 1994 using market value. Additions are at cost. |
| Omarunui Landfill | Carried at cost less depreciation and impairment. Landfill assets are comprised of land, plant and equipment, and motor vehicles. |

Investment Property

Investment property is held for long term rental yields and capital appreciation and is not occupied by the Council or held to meet service delivery objectives.

Properties leased to third parties under operating leases will generally be classified as investment property unless:

- the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation;
- the occupants provide services that are integral to the operation of the owner's business and/or these services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services;
- the lessor uses services of the owner and those services are integral to the reasons for their occupancy of the property.

Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

Intangible Assets

Trademarks and Licences

Trademarks and licences have a finite useful life and are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from three to five years.

Computer Software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding three years.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life and capital work in progress are not subject to amortisation and are tested annually for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment will depend on whether the asset is deemed to be cash generating or non-cash generating. All cash generating assets are assets held with the primary objective of generating a commercial return, all other assets are non-cash generating.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For non-cash generating assets where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For cash generating assets, value in use is determined using a present value of future cash flows valuation methodology.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) for assets that are cash generating. Once this assessment is made, this is adjusted through the revaluation reserve for revalued assets (where there is a positive reserve), or in the surplus or deficit in the Statement of Comprehensive Revenue and Expenses where revaluation does not occur or there is no positive revaluation reserve.

Trade and Other Payables

These amounts are initially recorded at their fair value and subsequently recognised at amortised cost. They represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Borrowing Costs

In line with PBE IPSAS 5 Borrowing Costs, all borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in the provision due to the passage of time is recognised as an interest expense.

Financial Guarantee

A financial guarantee contract is a contract that requires the Council or group to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and

The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Any funds that are not spent for the approved purpose are returned to the Council by 30 June of the same financial year.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave and Gratuities

The liability for long service leave and gratuities is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement Benefit Obligations

Current and former employees of the Council are entitled to benefits on retirement, disability or death from the Council's multi-employer benefit scheme. The scheme manager, National Provident Fund, has advised Council there is no consistent and reliable basis for allocating the obligation scheme assets and cost of the multi-employer defined benefit scheme to individual participating employers. As a result, the scheme is accounted for as a defined contribution plan and contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

Employee Benefits continues

Defined Contribution Schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Bonus Plans

The Council recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Biological Assets

Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Net Assets / Equity

Net Assets/Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Net Assets/Equity is disaggregated and classified into a number of components.

These are:

- Accumulated comprehensive revenue and expenses; and
- Reserves
 - Restricted Reserves
 - Asset Revaluation Reserves
 - Fair Value Reserves

Restricted and Council Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific requirements accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Capital Management

The Council's capital is its equity (or Ratepayers' Funds), which comprise retained earnings and expenses and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' Funds are managed largely as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations.

Additionally, the Council has Asset Management Plans in place for major classes of assets, detailing renewal and maintenance programmes to ensure that future generations of ratepayers are not required to meet the costs of deferred renewals and maintenance. The LGA requires the Council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long Term Plan.

Napier City Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surpluses or deficits relating to these separate areas of benefit are applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

Trust and bequest reserves are set up where the Council is donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where funds have been used for the purposes for which they were donated.

Budget Figures

The Annual Plan and Long Term Plan comparatives in the prospective financial statements are those approved by the Council and adopted as a part of the Council's 2018 -2028 Long Term Plan or as revised and approved by Council prior to the commencement of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Cost Allocation

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

Landfill Aftercare Provision

The Omarunui Landfill is owned jointly by the Hastings District Council (63.68%) and Napier City Council (36.32%). The landfill is operated by the Hastings District Council on behalf of a joint committee (comprising elected representatives from the two councils). The joint Landfill Committee gained a Resource Consent in 1985 to operate the Omarunui Landfill. The Councils have responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for monitoring and recovery of gas
- Post-closure responsibilities:
- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation

The management of the landfill will influence the timing of recognition of some liabilities – for example, the current landfill will operate in four stages. A liability relating to stages three and four will only be created when the stage is commissioned and when refuse begins to accumulate in these stages.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 2.3%.

Critical Accounting Estimates and Assumptions continues

The following major assumptions have been made in the calculation of the provision:

Aftercare will be required for 30 years after the closure of each stage.

The annual cost of aftercare for Valley A and D is \$94,000; and

The provision reported for the Council's share only (36.32%).

Infrastructural Assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are underground such as stormwater, wastewater and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimating the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under in estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expenses. To minimise this risk, the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections and deterioration and condition modelling are also carried out regularly as part of the Council asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations except for most above and below ground water, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations. In some cases, e.g. Pumps are independently valued by independent valuer.

Critical Judgements in applying Napier City Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period of the prospective financial statements.

Classification of Property

The Council owns a number of leasehold land and rental properties. The receipt of market-based rentals from these properties is incidental to the holding of these properties. In the case of residential leasehold properties, there are legal restrictions applying to how Council can manage these properties and in the case of rental properties, these are held as part of the Council's social housing policy or to secure the ability to undertake long term city development projects. As some of these properties are held for service delivery objectives, they have been accounted for as property, plant and equipment.

Standards issued and not yet effective, and not early adopted

Impairment of Revalued Assets

In April 2017, the XRB issued Impairment of Revalued Assets, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into the impairment accounting standards. From the 30 June 2018 year onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

PBE IFRS 9 Financial Statements

In January 2017 the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Council intends to apply this standard in its 30 June 2022 financial statements

The initial consideration of the impacts the implementation of PBE IFRS 9 is expected to have in the Council's financial statements are described below.

a) Classification and measurement

- Currently the Council classifies its investment in listed and non-listed equity shares and listed debt instruments as available-for-sale (AFS) financial assets. For the equity shares currently classified as AFS, the Council expects to continue measuring them at fair value.
- Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Council has analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised cost measurement under PBE IFRS 9. Therefore reclassification for these instruments is not required.

b) Impairment

- PBE IFRS 9 requires the Council to record expected credit losses on all of its debt instruments classified at amortised cost or fair value through other comprehensive revenues and expenses. For all of such assets, except receivables, the Council expects to apply the simplified approach and record lifetime expected losses on all receivables. The Council does not expect the application of PBE IFRS 9 to result in a significant impairment of its term deposits, or debt instruments.

Interests in other entities

In January 2017 the XRB issued new standards for interests in other entities (PBE IPSAS 34 – 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or on the 1 January 2019, with early application permitted.

The key changes introduced by the new standards and the expected impact on the Council is as follows:

Control

The new standards introduce an amended definition of control including extensive guidance on this definition. The Council does not expect the new standards to result in the consolidation of additional entities.

Investment entities

The standards introduce the concept of an "investment entity". They exempt investment entities from consolidating controlled entities, and require investment entities to recognise controlled entities at fair value through surplus or deficit instead. These requirements do not apply to the Council.

c) Joint arrangements

- PBE IPSAS 37 introduces a new classification of joint arrangements, sets out the accounting requirements for each type of arrangement (joint operations and joint ventures) and removes the option of using the a proportionate consolidation method. The Council will reclassify its interest in a jointly controlled entity as a joint operation under the new standards and will continue to account by way of recognising its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

Disclosures on interests in other entities

The standards requires PBEs to disclose information on their interests in other entities, including some additional disclosures that are not currently required under PBE IPSAS 6,7 and 8. This will result in additional disclosures regarding the Council's controlled entities, associate and joint arrangement.

Prospective Statement of Financial Performance

Forecast for the year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|--|------------------------|-------------------------|----------------------------|
| Operating revenue (Activity Cost of Service Statements) | | | |
| City Strategy | 6,543 | 6,272 | 6,081 |
| Community and Visitor Experiences | 21,291 | 32,450 | 18,674 |
| Other Infrastructure | 7,739 | 6,902 | 6,534 |
| Property Assets | 20,566 | 15,672 | 20,307 |
| Stormwater | 805 | 1,040 | 967 |
| Transportation | 8,108 | 8,727 | 9,261 |
| Wastewater | 9,273 | 9,411 | 9,168 |
| Water Supply | 6,873 | 6,524 | 6,282 |
| Total operating revenue | 81,198 | 86,998 | 77,326 |
| Other revenue (as per Prospective Statement of Comprehensive Revenue and Expenses) | | | |
| General rates | 42,263 | 42,445 | 40,053 |
| Rates Remissions* | (219) | (219) | (219) |
| Interest revenue | 753 | 1,313 | 1,925 |
| Other revenue | 1,656 | 1,070 | 1,049 |
| Total revenue | 125,650 | 131,606 | 120,134 |
| Operating expenditure (Activity Cost of Service Statements) | | | |
| City Strategy | 10,860 | 10,150 | 9,949 |
| Community and Visitor Experiences | 44,199 | 39,543 | 39,886 |
| Democracy and Governance | 3,883 | 3,621 | 3,532 |
| Other Infrastructure | 9,930 | 8,335 | 8,382 |
| Property Assets | 12,704 | 9,074 | 11,350 |
| Stormwater | 4,521 | 4,889 | 4,711 |
| Transportation | 13,109 | 14,198 | 13,671 |
| Wastewater | 8,601 | 8,754 | 9,629 |
| Water Supply | 6,837 | 5,966 | 6,019 |
| Total operating expenditure | 114,643 | 104,531 | 107,128 |
| Other expenditure (as per Prospective Statement of Comprehensive Revenue and Expenses) | | | |
| Internal expenditure | (2,068) | (2,343) | (1,833) |
| Interest Expense | - | - | - |
| Other Expenses | (502) | (342) | (251) |
| Total expenditure | 112,073 | 101,846 | 105,045 |
| Operating surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses) | 13,577 | 29,760 | 15,089 |
| Share of associate surplus/(deficit) | 248 | 248 | 344 |
| Surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses) | 13,825 | 30,008 | 15,433 |
| Income tax expense | - | - | - |
| Surplus/(deficit) after tax | 13,825 | 30,008 | 15,433 |

* LTP included rates remissions in expenditure where the correct treatment is to be against rates revenue.

Special Funds

| Name of Special Fund | Purpose of Fund | Activity to which fund relates | Opening 1 July 2019 \$000 | Deposits \$000 | Expenditure \$000 | Closing Balance 30 June 2020 \$000 |
|---|---|---|---------------------------|----------------|-------------------|------------------------------------|
| COUNCIL CREATED RESERVES | | | | | | |
| Aquarium Expansion | Derived from grants and donations for the Aquarium Expansion Project | Aquarium | (159) | 6,400 | (6,016) | 225 |
| Bay View Targeted Rate Fund | Established to recover the cost of connection to the Bay View Sewerage Scheme for properties connecting where the lump sum payment option was not elected. Income is derived from the Bay View Connection rate, and is used to recover loan servicing costs. | Wastewater | (123) | 23 | (8) | (108) |
| Capital Reserve | Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment. | All Activities | 2,159 | 148 | (742) | 1,565 |
| CBD and Taradale Promotional Levy Funds | Funds from the targeted rates for CBD and Taradale Promotion. The funds collected are paid in full to Napier Inner City Marketing and Taradale Marketing Association. | City and Business Promotion | - | 194 | (197) | (3) |
| Cycleway / Walkway Fund | Derived from donations and contributions for the construction and improvements of Cycleways/Walkways | Roading | 2,473 | 3,490 | (3,606) | 2,357 |
| Robson Collection Fund | This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice. | Libraries | 14 | - | - | 14 |
| Dog Control Fund | This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control. | Animal Control | (109) | 826 | (957) | (240) |
| General Reserve No.1 | Derived from rates from the NZ Railway land in Munroe and Station Streets. The reserve is used to fund the provision of infrastructure (including debt servicing) for any development on this site. | Roading, Stormwater, Parking | 477 | 185 | (100) | 562 |
| Development Contributions | Collected from development contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. | Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries | (201) | 204 | - | 3 |
| Financial Contributions | Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. Note: Council is itself a developer (Parklands) and contributions are transferred as internal charges. | Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries | 10,182 | 3,434 | (4,613) | 9,003 |
| Infrastructural Asset Renewal and Upgrade Funds* | Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades. | Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre | 21,820 | 12,158 | (12,428) | 21,550 |

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| Name of Special Fund | Purpose of Fund | Activity to which fund relates | Opening 1 July 2019 \$000 | Deposits \$000 | Expenditure \$000 | Closing Balance 30 June 2020 \$000 |
|---|--|--|---------------------------|----------------|-------------------|------------------------------------|
| Plant & Equipment Renewals | This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles. | All Activities | 3,909 | 3,628 | (1,761) | 5,776 |
| Marine Parade Disability Hoist | Derived from fundraising carried out by Mr N Bains for the purchase a disability hoist for the Marine Parade Pool. | Marine Parade Pools | 3 | - | - | 3 |
| Mayor's Discretionary Fund | Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal. | Community Planning | 2 | - | - | 2 |
| Pensioner Housing Upgrade Reserve | Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities. | Retirement & Rental Housing | 353 | - | - | 353 |
| Parking Contributions Account | Funds derived for the provision of parking facilities. | Parking | 3,433 | 271 | - | 3,704 |
| Parking Account | Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally. | Parking | 7,175 | 2,577 | (4,373) | 5,379 |
| Parking Equipment Reserve Account | To provide funds for replacement of parking equipment on a regular basis. | Parking | 1,045 | 106 | (50) | 1,101 |
| Taradale Parking Meters | Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking). | Parking | (138) | 194 | (206) | (150) |
| Parklands Residential Development Fund | Derived from proceeds of section sales of the Parklands Residential Development project less development expenditure. | Parklands Residential Development, Property Holdings, Sportsgrounds, Reserves, Napier Skate Park | 10,068 | 13,925 | (23,462) | 531 |
| Roading Property Reserve | Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements. | Roothing | (305) | | (11) | (316) |
| Property Reserve | Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time. | Property Holdings | 1,868 | 65 | - | 1,933 |
| McLean Park Property Reserve Account | Derived from rental income from the McVay Street and Vigor Brown Street houses less current loan servicing costs. As per Council resolution dated 15 May 2002, the fund may be used to fund future McLean Park property purchases or loan servicing costs on future purchases. | Sportsgrounds | 163 | 161 | (134) | 190 |

| Name of Special Fund | Purpose of Fund | Activity to which fund relates | Opening 1 July 2019 \$000 | Deposits \$000 | Expenditure \$000 | Closing Balance 30 June 2020 \$000 |
|---|--|---|---------------------------|----------------|-------------------|------------------------------------|
| Hawke's Bay Harbour Board Endowment Land Sale Account | Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002. | Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves | 18,011 | 2,080 | - | 20,091 |
| Investment Property Portfolio Sale Account | Derived from proceeds from freeholding HB Harbour Board Endowment Land. | Property Holdings | 1,023 | - | - | 1,023 |
| Solid Waste Disposal Income Account* | Amount is derived from returns from the Joint Regional Landfill Committee for the operation of the Omarunui Regional Landfill and is used to fund capital development of the landfill and the net operating costs including loan servicing, of the Transfer Station. | Solid Waste | 5,602 | 2,507 | (2,293) | 5,816 |
| Reserve Subdivision of Land | Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process. | Reserves | 1,972 | 69 | - | 2,041 |
| Lagoon Farm Account | Derived from the Lagoon Farm activity | Lagoon Farm | 88 | 618 | (664) | 42 |
| Subdivision and Urban Growth Fund | To service all borrowing in relation to Council's share of subdivision and urban growth projects, and to meet any servicing costs on financing the developer's share of projects where expenditure requirements precede the receipt of financial contributions. A part of the surplus is also used to reduce the general rate requirement. | All Activities | 2,587 | - | (700) | 1,887 |
| Total Council Created Reserves | | | 93,392 | 52,263 | (62,322) | 84,333 |
| RESTRICTED RESERVES | | | | | | |
| Endowment Land Account | Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land. | Property Holdings | 1,795 | 63 | - | 1,857 |
| Hawke's Bay Harbour Board Endowment Land Income Account | Derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. To be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act. | Inner Harbour, Reserves, Lagoon Farm, Property Holdings | (170) | 4,238 | (4,033) | 35 |
| Loan Reserve | Established to manage internal loan requirements. | Corporate | (120) | - | - | (120) |
| Total Restricted Reserves | | | 1,505 | 4,301 | (4,033) | 1,772 |

| Name of Special Fund | Purpose of Fund | Activity to which fund relates | Opening 1 July 2019 \$000 | Deposits \$000 | Expenditure \$000 | Closing Balance 30 June 2020 \$000 |
|--------------------------------------|--|--------------------------------|---------------------------|----------------|-------------------|------------------------------------|
| BEQUESTS AND TRUST FUNDS | | | | | | |
| Colenso Bequest | Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000) | Community Planning | 31 | 1 | - | 32 |
| Estate Henry Hodge | For charitable purposes, with a wish that it be used for the erection of flats for the needy. | Retirement & Rental Housing | 167 | 6 | - | 173 |
| Eskdale Cemetery Trust | This Trust fund, comprising a number of bequests totalling \$1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery. | Cemeteries | 25 | 1 | - | 26 |
| Hawke's Bay Municipal Theatre | Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust. | Napier Municipal Theatre | 6 | - | - | 6 |
| John Close Bequest | Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy. ii) Coal Trust - provided wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993. | Community Planning | 48 | 2 | - | 50 |
| Morecroft Bequest | To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect. | Sportsgrounds | 14 | - | - | 14 |
| Napier Christmas Cheer | For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District. | Community Planning | 32 | 11 | (10) | 33 |
| Total Bequests Trust Funds | | | 323 | 21 | (10) | 334 |

Capital Plan

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|--|------------------|---------------------|--|----------------------|
| Transportation | | | | |
| Ahuriri Masterplan - West Quay Upgrade | 45 | 0 | 100 | 0 |
| Associated improvements | 100 | 50 | 50 | 0 |
| CBD Development | 1,100 | 0 | 0 | 100 |
| Ground stabilisation and retaining wall | 300 | 0 | 70 | 30 |
| Intersection Improvement Projects | 250 | 50 | 50 | 100 |
| Intersection Safety Improvement Projects | 630 | 10 | 90 | 0 |
| KiwiRail - Level Crossing | 90 | 0 | 100 | 0 |
| Local Area Traffic Management Projects | 200 | 0 | 0 | 100 |
| Marine Parade Safety Improvements | 200 | 20 | 80 | 0 |
| New Cycle and Walking Tracks | 1,050 | 10 | 90 | 0 |
| Public transport infrastructure | 50 | 40 | 60 | 0 |
| Puketitiri Road Upgrade | 270 | 70 | 30 | 0 |
| Roading Renewals | 3,183 | 0 | 0 | 100 |
| Roading Vested Assets | 1,175 | 100 | 0 | 0 |
| School Zone Safety work | 300 | 0 | 100 | 0 |
| Severn St roundabout | 750 | 100 | 0 | 0 |
| Urban Corridor Improvement Projects | 370 | 50 | 50 | 0 |
| Transportation Total Spend | 10,062 | | | |

| | | | | |
|---|---------------|-----|-----|-----|
| Water Supply | | | | |
| Awatoto Trunk main extentison | 500 | 50 | 50 | 0 |
| District Modelling Projects | 500 | 0 | 100 | 0 |
| Network access points | 100 | 0 | 100 | 0 |
| New bores in Awatoto | 50 | 50 | 50 | 0 |
| New Reservoir Westen Hills | 500 | 100 | 0 | 0 |
| New Taradale Bore Field | 1,500 | 20 | 80 | 0 |
| New Water Treatment Plant | 1,500 | 20 | 80 | 0 |
| Replacement of Enfield reservoir | 5,000 | 20 | 0 | 80 |
| Reservoir inlets and outlets improvements | 800 | 0 | 100 | 0 |
| Water Control System minor works | 5 | 0 | 0 | 100 |
| Water Meter Renewals | 5 | 0 | 0 | 100 |
| Water Pipes Renewals | 255 | 5 | 0 | 95 |
| Water Supply Vested Assets | 221 | 100 | 0 | 0 |
| Water Supply Total Spend | 10,936 | | | |

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|--------------|------------------|---------------------|--|----------------------|
|--------------|------------------|---------------------|--|----------------------|

Stormwater

| | | | | |
|---|--------------|-----|-----|-----|
| Ahuriri Master Plan stormwater study | 100 | 5 | 95 | 0 |
| Ahuriri Master Plan Project 11 - Pandora catchment improvements | 200 | 5 | 95 | 0 |
| Ahuriri Master Plan Project 3 - improve direct outfalls | 200 | 5 | 95 | 0 |
| CBD Stormwater Upgrade | 100 | 10 | 90 | 0 |
| Construction of a hydraulic model and upgrades | 100 | 50 | 50 | 0 |
| Minor drain Improvements | 30 | 0 | 100 | 0 |
| New pump station in Bay View | 200 | 20 | 80 | 0 |
| Pump station minor replacements (mechanical) | 20 | 0 | 0 | 100 |
| SCADA minor replacements | 25 | 0 | 0 | 100 |
| SCADA upgrade project | 200 | 0 | 100 | 0 |
| Stormwater pump station electrical replacements | 20 | 0 | 0 | 100 |
| Stormwater Vested Assets | 448 | 100 | 0 | 0 |
| Taradale Stormwater Diversion | 200 | 15 | 85 | 0 |
| Tennyson St outfall improvements | 150 | 0 | 100 | 0 |
| Thames/Tynes pipe and drain upgrades | 700 | 15 | 85 | 0 |
| Stormwater Total Spend | 2,693 | | | |

Wastewater

| | | | | |
|---------------------------------------|--------------|-----|-----|-----|
| Flow metering | 150 | 0 | 100 | 0 |
| Guppy Rd pumping main installation | 400 | 75 | 25 | 0 |
| Harold Holt wastewater upgrades | 100 | 75 | 25 | 0 |
| Installation of Generator Connections | 200 | 0 | 100 | 0 |
| Pandora Industrial Main | 1,000 | 20 | 80 | 0 |
| SCADA Upgrade | 250 | 0 | 0 | 100 |
| Taradale Wastewater Diversion | 500 | 50 | 50 | 0 |
| Wastewater Outfall Replacement | 200 | 20 | 0 | 80 |
| Wastewater Pipe Renewals | 150 | 10 | 0 | 90 |
| Wastewater Pump Station Renewals | 95 | 20 | 0 | 80 |
| Wastewater Treatment Plant Renewals | 200 | 10 | 0 | 90 |
| Wastewater Vested Assets | 401 | 100 | 0 | 0 |
| Wastewater Total Spend | 3,646 | | | |

Refuse

| | | | | |
|--------------------------------------|--------------|---|---|-----|
| Omarunui Development - Forestry | 12 | 0 | 0 | 100 |
| Omarunui Development - Plant | 17 | 0 | 0 | 100 |
| Omarunui Development - Valley D | 470 | 0 | 0 | 100 |
| Omarunui Development - Valleys B & C | 1,196 | 0 | 0 | 100 |
| Refuse Total Spend | 1,695 | | | |

Public Toilets

| | | | | |
|-----------------------------------|------------|---|---|-----|
| Public Toilets Renewals | 300 | 0 | 0 | 100 |
| Public Toilets Total Spend | 300 | | | |

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|--------------|------------------|---------------------|--|----------------------|
|--------------|------------------|---------------------|--|----------------------|

Transfer Station

| | | | | |
|-------------------------------------|-----------|---|---|-----|
| Solid Waste Renewals. | 93 | 0 | 0 | 100 |
| Transfer Station Total Spend | 93 | | | |

Sportsgrounds

| | | | | |
|---|--------------|----|-----|-----|
| McLean Park Cricket Practice Nets upgrade | 800 | 20 | 0 | 80 |
| McLean Park Facility Renewals | 210 | 20 | 0 | 80 |
| New Pathways | 40 | 20 | 0 | 80 |
| New Shade Areas | 20 | 0 | 100 | 0 |
| Park Island Northern Revelopment | 2,140 | 20 | 80 | 0 |
| Safety Projects/CPTED | 10 | 50 | 0 | 50 |
| Sportsgrounds I.A.R. | 420 | 0 | 0 | 100 |
| Sportsgrounds Total Spend | 3,640 | | | |

Cemeteries

| | | | | |
|--------------------------------------|------------|----|----|-----|
| Cemetery Concept Plan Implementation | 60 | 10 | 90 | 0 |
| Cemetery Planting | 25 | 0 | 0 | 100 |
| Cemeteries Renewals | 110 | 0 | 0 | 100 |
| Napier Cemetery Development | 85 | 0 | 0 | 100 |
| Cemeteries Total Spend | 280 | | | |

Reserves

| | | | | |
|----------------------------------|--------------|-----|-----|-----|
| Ahuriri Estuary Projects | 20 | 0 | 100 | 0 |
| Coastal Erosion | 200 | 0 | 0 | 100 |
| Destination Playground - Stage 2 | 100 | 0 | 100 | 0 |
| Foreshore Planting | 20 | 0 | 100 | 0 |
| Marine Parade renewals | 265 | 0 | 0 | 100 |
| Planting | 70 | 0 | 100 | 0 |
| Playground Renewals | 200 | 0 | 0 | 100 |
| Reserves I.A.R. | 655 | 0 | 0 | 100 |
| Riparian Planting | 20 | 0 | 100 | 0 |
| Urban Growth | 200 | 100 | 0 | 0 |
| Vested Assets | 300 | 100 | 0 | 0 |
| Western Hill Pathway Development | 280 | 20 | 80 | 0 |
| Westshore Nearshore Restoration | 500 | 0 | 100 | 0 |
| Reserves Total Spend | 2,830 | | | |

Bay Skate

| | | | | |
|------------------------------|-----------|----|----|-----|
| Napier Skate Park Renewals | 20 | 0 | 0 | 100 |
| Park equipment | 10 | 10 | 90 | 0 |
| Bay Skate Total Spend | 30 | | | |

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|--|------------------|---------------------|--|----------------------|
| Services Administration | | | | |
| Depot Building Renewals | 39 | 0 | 0 | 100 |
| Depot General Renewals | 30 | 0 | 0 | 100 |
| Depot Minor Capital | 13 | 0 | 0 | 100 |
| Lockable storage-more sheds | 13 | 0 | 0 | 100 |
| Services Administration Total Spend | 95 | | | |

| | | | | |
|---|------------|---|---|-----|
| Plant & Vehicles | | | | |
| Replacement of Mobile Plant and Vehicle | 900 | 0 | 0 | 100 |
| Plant & Vehicles Total Spend | 900 | | | |

| | | | | |
|--|------------|---|---|-----|
| Halls | | | | |
| Halls Renewals | 150 | 0 | 0 | 100 |
| Maraenui Com Centre internal refurbishment | 30 | 0 | 0 | 100 |
| Minor Capital Allowance | 60 | 0 | 0 | 100 |
| Halls Total Spend | 240 | | | |

| | | | | |
|-------------------------------|--------------|---|-----|-----|
| Libraries | | | | |
| Building Renewals | 11 | 0 | 0 | 100 |
| Library Renewals | 10 | 0 | 0 | 100 |
| Library Stock | 360 | 0 | 100 | 0 |
| Minor Capital | 10 | 0 | 100 | 0 |
| Napier Library Rebuild | 1,011 | 0 | 100 | 0 |
| Robson Collection Donations | 1 | 0 | 100 | 0 |
| Taradale Library - Minor Work | 5 | 0 | 100 | 0 |
| Libraries Total Spend | 1,408 | | | |

| | | | | |
|--|---------------|----|----|-----|
| Napier Aquatic Centre | | | | |
| NAC I.A.R. | 92 | 0 | 0 | 100 |
| Napier Aquatic Centre expansion | 14,000 | 10 | 40 | 50 |
| Napier Aquatic Centre Total Spend | 14,092 | | | |

| | | | | |
|--|------------|---|-----|-----|
| Marine Parade Pools | | | | |
| Marine Parade Pools Renewals | 20 | 0 | 0 | 100 |
| Ocean Spa Upgrade | 200 | 0 | 100 | 0 |
| Marine Parade Pools Total Spend | 220 | | | |

| | | | | |
|-----------------------------------|-----------|---|-----|-----|
| Animal Control | | | | |
| Agility Tracks | 3 | 0 | 0 | 100 |
| Complex Shelter & Office Renewals | 8 | 0 | 0 | 100 |
| Stock Control Equipment | 2 | 0 | 100 | 0 |
| Animal Control Total Spend | 13 | | | |

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|-------------------------------|------------------|---------------------|--|----------------------|
| Parking | | | | |
| Alternative Transport Parking | 30 | 40 | 60 | 0 |
| CBD Parking Projects | 2,200 | 40 | 60 | 0 |
| Parking Equipment Replacement | 50 | 0 | 0 | 100 |
| Parking Minor Capital | 5 | 0 | 100 | 0 |
| Parking Total Spend | 2,285 | | | |

National Aquarium of NZ

| | | | | |
|--|--------------|---|---|-----|
| Aquarium Renewals | 206 | 0 | 0 | 100 |
| Expansion Project | 6,400 | | | |
| National Aquarium of NZ Total Spend | 6,606 | | | |

Par 2 MiniGolf

| | | | | |
|-----------------------------------|------------|---|-----|-----|
| Building Renewals | 3 | 0 | 0 | 100 |
| Par2 Building Upgrade | 100 | 0 | 100 | 0 |
| Par2 MiniGolf Renewal | 3 | 0 | 0 | 100 |
| Par2 Minor Capital | 1 | 0 | 100 | 0 |
| Par 2 MiniGolf Total Spend | 107 | | | |

Napier Conference Centre

| | | | | |
|---|--------------|---|-----|-----|
| Building Renewals | 105 | 0 | 0 | 100 |
| CC Minor Capital | 60 | 0 | 0 | 100 |
| CC Renewals | 40 | 0 | 0 | 100 |
| War Memorial | 1,540 | 0 | 100 | 0 |
| Napier Conference Centre Total Spend | 1,745 | | | |

Napier Municipal Theatre

| | | | | |
|---|------------|---|---|-----|
| Building Renewals | 14 | 0 | 0 | 100 |
| NMT Minor Capital | 40 | 0 | 0 | 100 |
| NMT Renewals | 132 | 0 | 0 | 100 |
| Replace sound system | 150 | 0 | 0 | 100 |
| Napier Municipal Theatre Total Spend | 336 | | | |

Napier i-SITE Visitor Centre

| | | | | |
|----------------------------------|------------|---|-----|-----|
| i-SITE building upgrade | 100 | 0 | 100 | 0 |
| i-SITE Minor Capital | 20 | 0 | 0 | 100 |
| Napier i-SITE Total Spend | 120 | | | |

Kennedy Park

| | | | | |
|---------------------------------|--------------|---|-----|-----|
| Building Renewals | 107 | 0 | 0 | 100 |
| Kennedy Park I.A.R. | 100 | 0 | 0 | 100 |
| Kennedy Park Minor Capital | 20 | 0 | 0 | 100 |
| Main Ablution Block | 1,200 | 0 | 100 | 0 |
| Kennedy Park Total Spend | 1,427 | | | |

| Project Name | 2019/20 \$000 | Project Growth % | Project Improved Level of Service % | Project Renewal % |
|---|------------------|---------------------|--|----------------------|
| Chief Executive | | | | |
| Minor Capital General Provision | 70 | 0 | 100 | 0 |
| Chief Executive Total Spend | 70 | | | |
| Faraday Centre | | | | |
| Minor Capital | 5 | 0 | 100 | 0 |
| Seismic Strengthening | 300 | 0 | 0 | 100 |
| Faraday Centre Total Spend | 305 | | | |
| MTG | | | | |
| Building Renewals | 23 | 0 | 0 | 100 |
| MTG Minor Capital | 80 | 0 | 100 | 0 |
| MTG Renewals | 80 | 0 | 0 | 100 |
| MTG Total Spend | 183 | | | |
| Property Holdings | | | | |
| Assessment & Compliance Projects | 1,150 | 0 | 0 | 100 |
| Pandora Pond Buildings | 250 | 0 | 0 | 100 |
| Property Holdings Total Spend | 1,400 | | | |
| Housing | | | | |
| Retirement Housing Minor Capital | 89 | 0 | 0 | 100 |
| Retirement Housing Renewals | 782 | 0 | 0 | 100 |
| Rental Housing Minor Capital | 21 | 0 | 0 | 100 |
| Rental Housing Renewals | 117 | 0 | 0 | 100 |
| Housing Total Spend | 1,009 | | | |
| Inner Harbour | | | | |
| Ahuriri Masterplan - Iron Pot Public Access | 300 | 0 | 100 | 0 |
| Inner Harbour Facilities I.A.R. | 2,000 | 0 | 0 | 100 |
| Inner Harbour Total Spend | 2,300 | | | |
| CIT | | | | |
| Corporate IT Network | 13 | 0 | 100 | 0 |
| Software Replacements and Upgrades | 230 | 0 | 100 | 0 |
| CIT Total Spend | 243 | | | |
| Internal Leases | | | | |
| Technology Equipment Minor Capital | 700 | 0 | 0 | 100 |
| Internal Leases Total Spend | 700 | | | |
| Total Capital Spend | 72,008 | | | |

| Funding Sources | 2019/20 \$000 |
|---------------------------------------|------------------|
| Buildings Projects Fund | 775 |
| Cemeteries IAR Fund | 220 |
| City Services Project Fund | 95 |
| External Grant | 3,000 |
| Financial Contributions | 5,466 |
| HB HB Endowment Land Income | 2,246 |
| Housing Building Projects Fund | 1,874 |
| IT Project Fund | 243 |
| Libraries IAR Fund | 21 |
| Loans - HB HB Endowment Land Income | 500 |
| Loans - Rates | 27,571 |
| Loans - Stormwater Catchments Upgrade | 200 |
| Marine Pde Facilities IAR Fund | 63 |
| MTG IAR Fund | 183 |
| NZTA Subsidy | 3,199 |
| Parking Account | 2,285 |
| Parklands | 6,859 |
| Plant Purchases & Renewals Fund | 900 |
| Pools IAR Fund | 92 |
| Public Toilets IAR Fund | 300 |
| Rates | 2,890 |
| Reserves | 21 |
| Reserves IAR Fund | 1,450 |
| Roading IAR | 2,172 |
| Roading IAR Fund | 170 |
| Sewer Pump Station Renewal | 645 |
| Sewer Treatment Plant Renewal | 200 |
| Sewerage IAR Pipes | 150 |
| Solid Waste Disposal Income A/c | 1,695 |
| Sportsgrounds IAR Fund | 700 |
| Stormwater Catchments Upgrade | 200 |
| Stormwater IAR Pipes | 840 |
| Technology Equip Renewal Fund | 700 |
| Tourism Capital Fund | 980 |
| Tsfe Stn & Composting IAR Fund | 93 |
| Vested Assets | 2,545 |
| Wastewater Outfall IAR | 200 |
| Water Meters IAR Fund | 5 |
| Water Supply IAR | 260 |
| | 72,008 |

Borrowing Programme

Forecast for the year ending 30 June 2020

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|--------------------------|------------------------|-------------------------|----------------------------|
| New loans | | | |
| Rate funded | 29,199 | 25,586 | 7,188 |
| Non-Rate funded | 690 | 2,248 | - |
| Total new loans | 29,889 | 27,834 | 7,188 |
| Less repayments (net) | (3,438) | (3,377) | (3,124) |
| Movement in debt | 26,451 | 24,457 | 4,064 |
| Opening public debt | 51,415 | 50,467 | 46,403 |
| Gross public debt | 77,866 | 74,924 | 50,467 |
| Internal funding | (77,866) | (74,924) | (50,467) |
| Net public debt | - | - | - |

Funding Impact Statement (Whole of Council) for 2019/20

Financial Overview: Summary of Revenue and Financing Mechanisms

| | AP 2019/20 \$000 | LTP 2019/20 \$000 | AP/LTP 2018/19 \$000 |
|--|------------------------|-------------------------|----------------------------|
| Sources of operating funding | | | |
| General rates, uniform annual general charges, rates penalties | 42,263 | 42,445 | 40,053 |
| Targeted rates | 17,668 | 16,523 | 16,051 |
| Subsidies and grants for operating purposes | 2,357 | 2,465 | 2,936 |
| Fees and charges | 24,112 | 22,305 | 21,860 |
| Interest and dividends from investments | 753 | 1,313 | 1,925 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 26,489 | 21,264 | 25,880 |
| Total operating funding (A) | 113,642 | 106,315 | 108,705 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 88,486 | 76,882 | 81,251 |
| Finance costs | - | - | - |
| Other operating funding applications | 221 | 222 | 222 |
| Total applications of operating funding (B) | 88,707 | 77,104 | 81,473 |
| Surplus/(deficit) of operating funding (A - B) | 24,935 | 29,212 | 27,232 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 6,490 | 18,465 | 5,176 |
| Development and financial contributions | 3,349 | 3,349 | 2,851 |
| Increase/(decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | 250 | 250 | 250 |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| Total sources of capital funding (C) | 10,089 | 22,064 | 8,277 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 3,250 | 2,432 | 1,510 |
| - to improve the level of service | 28,198 | 40,776 | 13,784 |
| - to replace existing assets | 38,016 | 39,661 | 23,368 |
| Increase (decrease) in reserves | (34,440) | (31,594) | (3,153) |
| Increase (decrease) of investments | | | |
| Total application of capital funding (D) | 35,024 | 51,275 | 35,509 |
| Surplus/(deficit) of capital funding (C - D) | (24,935) | (29,211) | (27,232) |
| Funding balance ((A-B) + (C-D)) | - | - | - |

The Funding Impact Statement (FIS) is provided in accordance with Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

The FIS includes only transactions involving monetary funding and therefore excludes vested assets, revaluations and depreciation. It is therefore, by necessity, exempt from the GAAP requirements as it follows the prescribed format required under the Act.

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that will be used, along with an indicative level of rates, together with examples of the impact of rating proposals for 2017/18 over a range of different categories of property and a range of different values.

Rating System

The following sources of rates funding are also set out in the Council's Rating Policy. The full rating system to apply from 1 July 2019 is as follows:

General Rate

- The General Rate funds the balance of the cost of all council activities after allowing for revenue proposed to be collected from the Uniform Annual General Charge and all targeted rates.
- The General Rate is based on the land value of all rateable land in the city's rating area.
- The General Rate is charged on a differential basis. The differentials applying for 2019/20 are set in accordance with Council's Rating Policy to enable:
 - 70% of the total general rate together with the Uniform Annual General Charge to be collected from residential properties and 30% from non-residential properties.
 - Residential properties includes those properties used primarily for residential purposes and included under differential codes 1 and 6. All other properties are considered to be non-residential for the purpose of apportioning and collecting the share of general rates.
 - The recovery of the assessed actual costs of services supplied to rural properties, excluding those in the Bay View Differential Rating Area (based on an assessment completed in December 2017).
 - The calculation of the rate for properties in the Bay View Differential Rating Area based on a comparison with other residential properties in Napier City, with an adjustment to reflect the assessed actual cost of transportation services supplied to Bay View.
 - The application of the same rate for miscellaneous non-residential properties as for residential properties.
 - The following are the differentials to be applied based on the land value of properties in each differential category.

| Differentials | Group/Code | 2019/20 |
|---------------------------|------------|---------|
| City Residential | 1 | 100% |
| Commercial and Industrial | 2 | 268.09% |
| Miscellaneous | 3 | 100% |
| Ex-City Rural | 4 | 63.47% |
| Other Rural | 5 | 63.47% |
| Bay View | 6 | 72.80% |

The purpose of the differentials applied to the general rate is to ensure that the amount payable by groups of ratepayers reflects Council's assessment of the relative benefit received and share of costs those groups of ratepayers should bear based on the principles outlined in the Revenue and Financing Policy and the residential/non-residential apportionment assessment which is updated in conjunction with each city revaluation.

Uniform Annual General Charge

Council's Uniform Annual General Charge is set at a level that enables all Targeted Rates that are set on a uniform basis as a fixed amount, excluding those related to Water Supply and Sewage Disposal, to recover about 20% of total rates.

The charge is applied to each separately used or inhabited part of a rating unit.¹

¹ Please refer to the definition of a separately used or inhabited part of a rating unit that appears before the description of differential categories.

Fire Protection Rate

This rate recovers 13.24% of the net costs of the water supply systems before the deduction of water by meter income.

The Fire protection targeted rate is based on the Capital Value of properties connected to, or able to be connected to, the Napier City Council water supply systems.

This rate is differentially applied, 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 rate is further differentiated where a property is not connected but is within 100 metres of a water supply system. 50% of the base rate for each differentiated category applies for each property not connected but located within 100 metres of the systems.

| Differentials | Connected | Not connected (but within 100m) |
|--|-----------|------------------------------------|
| Central Business District and Fringe Area | 400% | 200% |
| Suburban Shopping Centres, Hotels and Motels and Industrial rating units outside of the CBD | 200% | 100% |
| Other rating units connected to or able to be connected to the water supply systems | 100% | 50% |

City Water Rate and Bay View Water Rate

These rates recover the balance of the total net cost of the water supply systems after allowing for revenue collected from the Fire Protection Targeted Rate and the Water by Meter targeted rate.

The targeted rates are differentially applied and are a fixed amount set on a uniform basis, applied to each separately used or inhabited part of a rating unit connected to or able to be connected to, the Council's City and Bay View water supply systems.

The differential categories for the proposed water rates (City and Bay View) are:

- Connected – any rating unit that is connected to a Council system
- Service available – any rating unit that is not connected to a Council system but is within 100 metres of such system (charged 50% of the targeted rate for connected properties)

| Differentials | Connected | Not connected (but within 100m) |
|---|-----------|------------------------------------|
| Rating units connected to or able to be connected to the City and Bay View Water Supply Systems | 100% | 50% |

Refuse Collection and Disposal Rate

- This rate recovers the net cost of the Solid Waste Activity, excluding costs related to litter control and the kerbside recycling collection service.
- The Refuse Collection and Disposal targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which a rubbish collection service is available and is multiplied by number of times each week the service is provided. Rating units which Council Officers determine are unable to receive the council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Kerbside Recycling Rate

- This rate recovers the net cost of the kerbside recycling collection service.
- The Kerbside Recycling targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which the kerbside recycling collection service is available. Rating units which Council Officers determine are unable to receive the council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Sewerage Rate

- This rate recovers the net cost of the Wastewater Activity.
- The Sewerage targeted rate is applied differentially as a fixed amount and is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to, or able to be connected to, the City Sewerage System.
- A differential of 50% of the rate applies to each rating unit (excluding Bay View properties) not connected but located within 30 metres of the system.

| Differentials | Connected | Not connected (but within 100m) |
|--|-----------|------------------------------------|
| Rating units connected to or able to be connected to the City Sewerage Systems (all properties excluding Bay View) | 100% | 50% |
| Rating units connected to or able to be connected to Bay View Sewerage Scheme | 100% | 0% |

Bay View Sewerage Connection Rate

The Bay View Sewerage Scheme involves reticulation and pipeline connection to the City Sewerage System. Prior to 1 November 2005, property owners could elect to connect either under a lump sum payment option, or by way of a targeted rate payable over 20 years.

- The Bay View Sewerage Connection targeted rate is a fixed amount set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to the Bay View Sewerage Scheme, where the lump sum payment option was not elected.
- The rate applies from 1 July following the date of connection for a period of 20 years, or until such time as a lump sum payment for the cost of connection is made.
- The category of rateable land for setting the targeted rate is defined as the provision of a service to those properties that are connected to the sewerage system, but have not paid the lump sum connection fee.
- The liability for the targeted rate is calculated as a fixed amount per separately used or inhabited part of a rating unit based on the provision of a service by the Council, including any conditions that apply to the provision of the service.
- The rate is used to recover loan servicing costs required 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

This rate is used to provide additional off street car parking in the Central Business District.

- Those commercial rating units in the mapped areas identified as the Central Business District Off Street Car Parking 100% and 50% Parking Dispensation areas are charged the CBD Off Street Parking targeted rate based on land value. This rate is set on a differential basis as follows:-

| Differentials | Percentage |
|--|------------|
| Properties where council provides additional parking due to the property receiving a 100% parking dispensation | 100% |
| Properties where council provides additional parking due to the property receiving a 50% parking dispensation | 50% |

Refer Council maps:

- CBD Off Street Car Parking – 100% Parking Area
- CBD Off Street Car Parking – 50% Parking Area

Taradale Off Street Car Parking Rate

- This rate is used to provide additional off street car parking in the Taradale Suburban Commercial area.
- Those properties in the Taradale Suburban Commercial area only are charged the Taradale Off Street Parking targeted rate based on land value and set on a uniform basis.

Suburban Shopping Centre Off Street Car Parking Rate

- This rate is used 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.
- Those properties in suburban shopping centres and those commercial properties located in residential areas which are served by Council supplied off street car parking are charged the Suburban Shopping Centre Off Street Parking targeted rate based on land value and set on a uniform basis.

CBD Promotion Rate

- This 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.
- Each commercial and industrial rating unit situated within the area as defined on Council map "CBD Promotion Rate Area" are charged the CBD Promotion targeted rate based on land value and set on a uniform basis.

Taradale Promotion Rate

- This rate recovers the full cost of the Taradale Marketing Association's promotional activities.
- All rating units in the Taradale Suburban Commercial area are charged the Taradale Promotion targeted rate based on land value and set on a uniform basis.

Swimming Pool Safety Rate

- This rate recovers the cost of pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016. A targeted rate of a fixed amount set on a uniform basis, applied to each rating unit where a residential pool or small heated pool (within the meaning of the Building (Pools) Amendment Act 2016) is subject to a 3 yearly pool inspection.

Water by Meter Charges

- This rate applies to all with a water meter and is charged based on a scale of charges as shown on the schedule of indicative rates each year.
- Where any rating unit is suspected to have above average water usage Council officers may require that a water meter is installed and excess usage is charged based the water by meter targeted rate.
- The rate based on actual water use above the first 300m³ per annum will be charged to metered properties to which this rate applies.

Targeted Rates Note:

For the purposes of Schedule 10, clause 15(4)(e) or clause 20(4)(e) of the Local Government Act 2002, lump sum contributions will not be invited in respect of targeted rates, unless this is provided within the description of a particular targeted rate.

Separately used or inhabited parts of a Rating Unit definition

Definition

For the purposes of the Uniform Annual General Charge and all uniform (or fixed value) Targeted Rates outlined above, a separately used or inhabited part of a rating unit is defined as:

- Any part of a rating unit that is, or is able to be, separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement (SUIP does not apply to properties that are used solely as a single family residence)
- This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other forms of occupation) on an occasional or long term basis by someone other than the owner.

Examples of separately used or inhabited parts of a rating unit include:

- For residential rating units, each self contained area is considered a separately used or inhabited part, unless used solely as a single family residence. Each situation is assessed on its merits, but factors considered in determining whether an area is self contained would include the provision of independent facilities such as cooking/kitchen or bathroom, and its own separate entrance.
- Residential properties, where a separate area that is available to be used as an area independent to the rest of the dwelling is used for the purpose of operating a business, such as a professional practice, dedicated shop/display area or trade workshop. The business area is considered a separately used or inhabited part.
- For commercial or industrial properties, two or more different businesses operating from or making separate use of the different parts of the rating unit. Each separate business is considered a separately used or inhabited part. A degree of common area would not necessarily negate the separate parts.

These examples are not inclusive of all situations.

Description of Differential Categories

GROUP 1: City Residential Properties

Every rating unit used exclusively or predominantly as a home or residence of one or more households, and also including all vacant utilisable residential land, but excluding properties classified under Differential Groups 5 and 6.

GROUP 2: Commercial and Industrial Properties

Every rating unit used exclusively or predominantly for commercial and industrial purposes within the Napier City Council boundaries, other than properties in differential groups 5 and 6, but including but not limited to

- All commercial properties, including retail shops, professional offices, doctors surgeries, dental surgeries, veterinary clinics, garages, service stations and the like, not elsewhere described.
- All properties used for industrial purposes
- All Hotels and Motels including those situated in residential and industrially zoned areas

GROUP 3: Miscellaneous Properties

Every rating unit, not separately classified under groups 2,3,4,5 or 6, but including Homes for the Elderly, Private Hospitals and Public Utilities.

GROUP 4: Ex-City Rural Areas

Every rating unit, which is situated in an area not provided with normal city services, and which is not capable of development because of the lack of city services, but excluding properties in differential group 5.

GROUP 5: Other Rural Areas

Every separately assessed property, formerly within the Hawke's Bay County, but which became part of Napier City with effect from 1 November 1989 following Local Government Reform, except for those properties included in Group 6, or any subdivided property since reclassified to other Differential Groups.

GROUP 6: Bay View Differential Rating Area

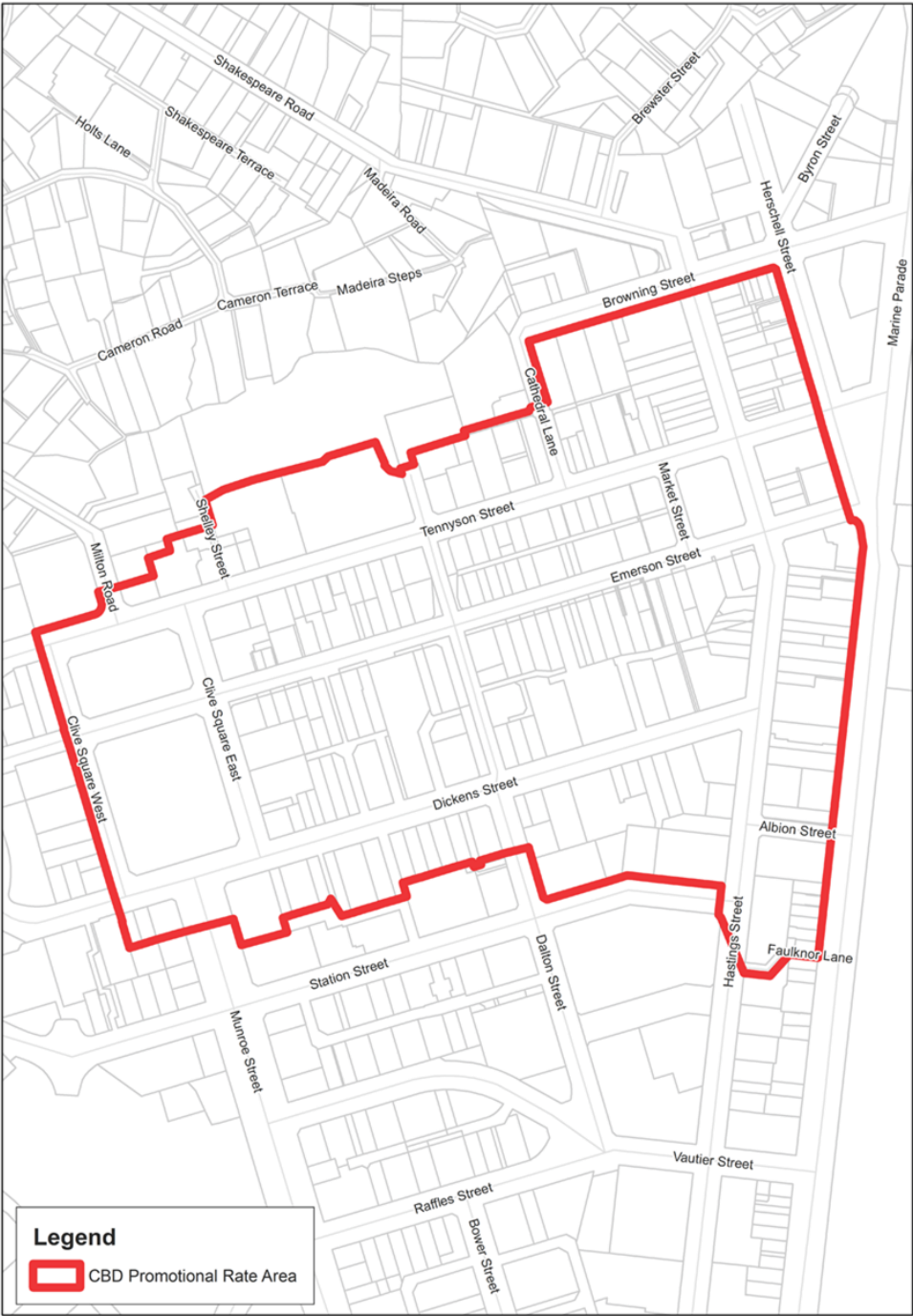
Every rating unit falling within the Bay View Differential Rating Area as defined on Council map "Bay View Differential Rating Area - Schedules 1,2,3".

Notes on allocation of properties into differential categories

- i. Rating units which have no apparent land use (or are vacant properties) will be placed in the category which best suits the zoning of the property under the district plan except where the size or characteristic of the property suggest an alternative use.
- ii. To avoid doubt where a rating unit has more than one use the relevant predominant use will be used to determine the category.
- iii. Subject to the right of objection as set out in Section 29 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of the Council to determine the use or predominant use of all separately rateable properties in the district.

Council Maps

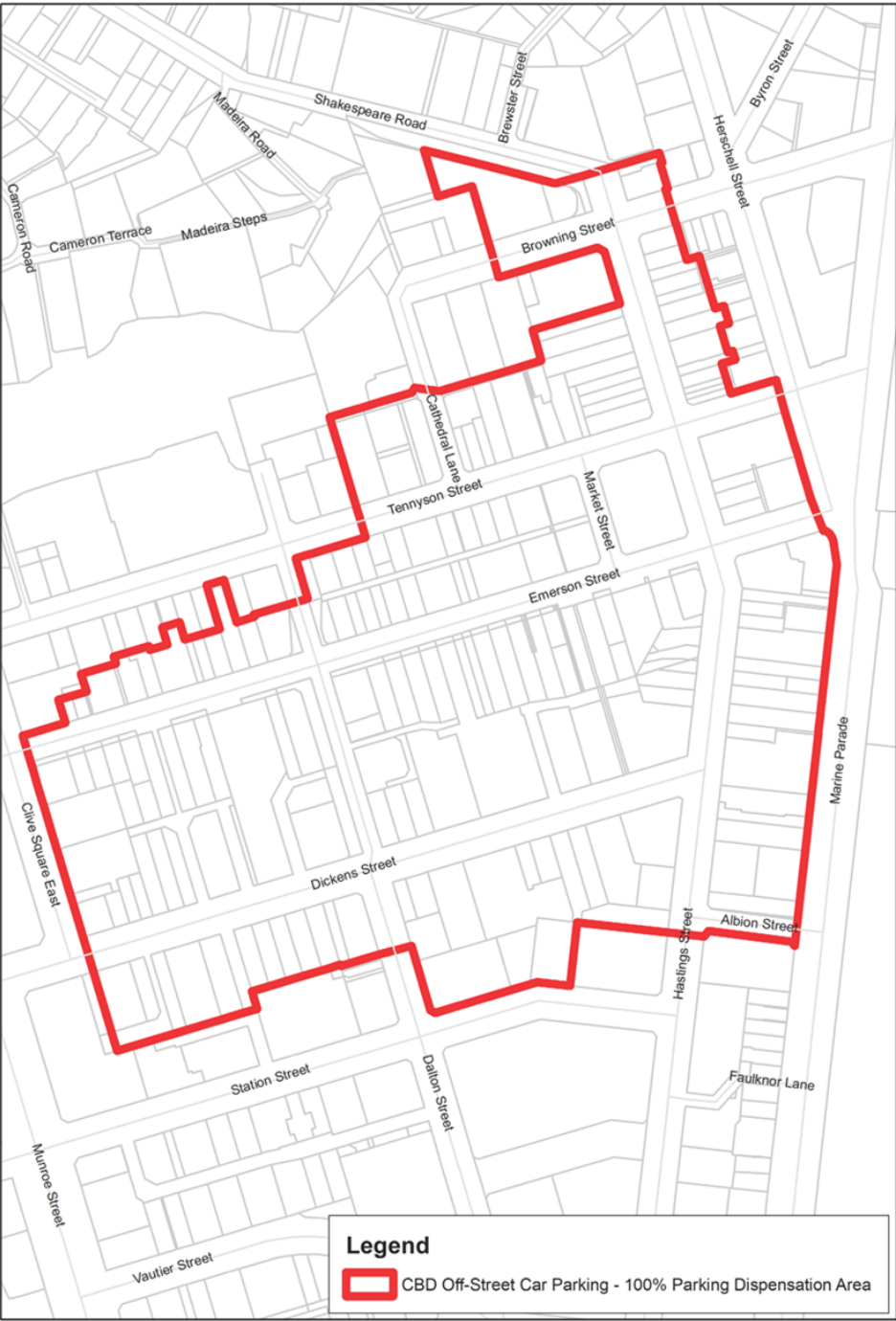
CBD Promotion Rate Area



Napier City Council - 2019/20 Annual Plan

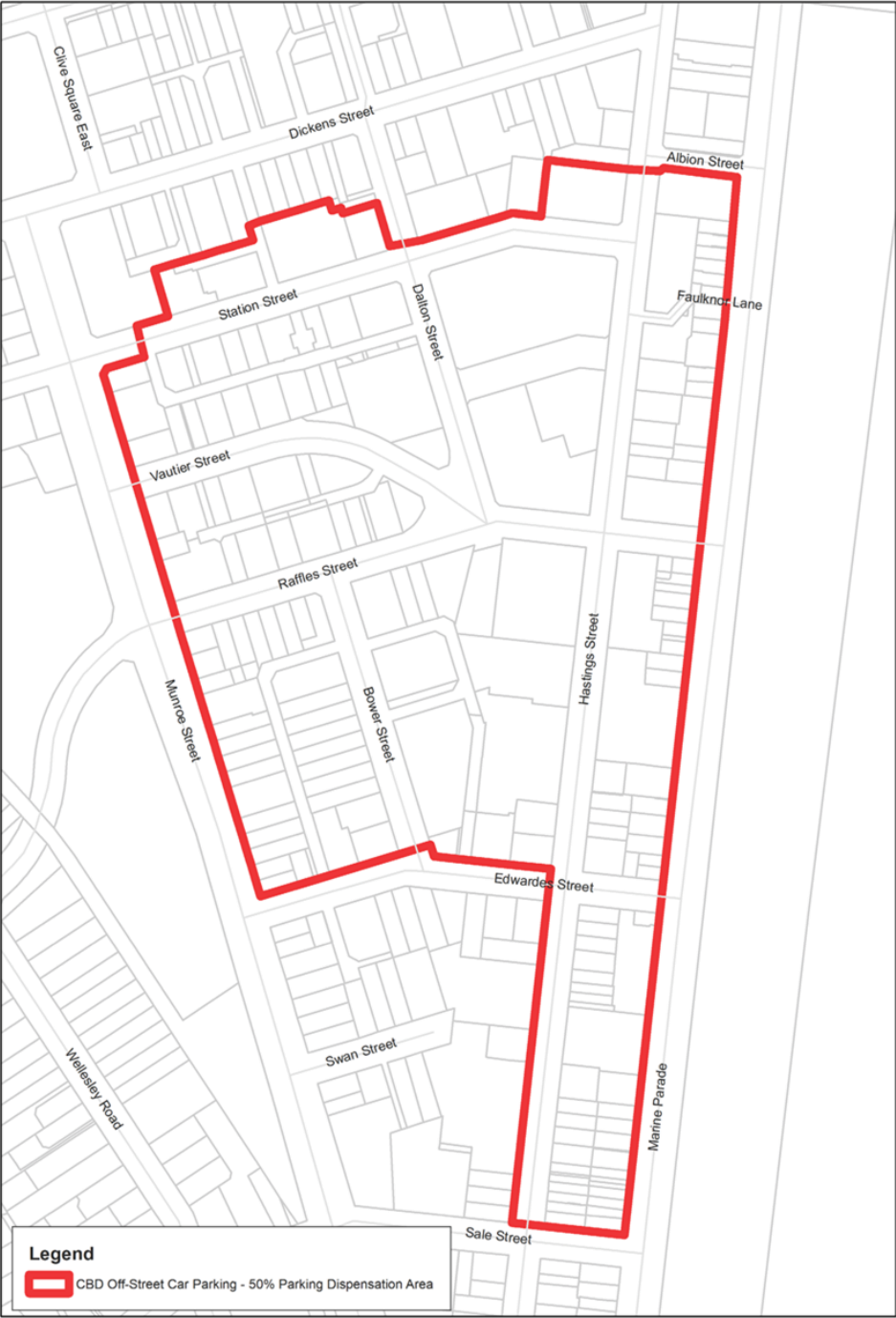
Council Maps

CBD Off Street Car Parking - 100% Parking Dispensation Area



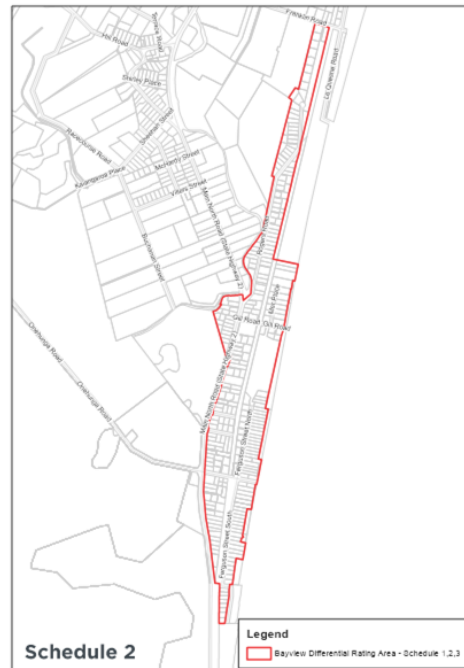
Council Maps

CBD Off Street Car Parking – 50% Parking Dispensation Area



Council Maps

Bay View Differential Rating Area - Schedules 1,2,3



Other Rating Matters

Due Dates for Payment and Additional Charges for Late payment of Rates

Rates for 2019/20 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments.

A penalty of 10% will be added to any portion of rates assessed in the current year which remains unpaid by the relevant instalment due date, on the respective penalty date below:

| Instalment | Due date | Penalty date |
|------------|------------------|------------------|
| 1 | 21 August 2019 | 27 August 2019 |
| 2 | 20 November 2019 | 26 November 2019 |
| 3 | 19 February 2020 | 25 February 2020 |
| 4 | 20 May 2020 | 26 May 2020 |

Any portion of rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2019 will have a further 10% added, firstly on 31 July 2019, and if still unpaid, again on 31 January 2020.

All rates payments made will be allocated to the oldest debt.

Due Dates and Additional Charges for Late Payment - Water by Meter

Targeted rates for metered water supply are separately invoiced; either quarterly in September, December, March and June for non-domestic supplies, or annually in June for metered domestic supplies.

| Instalment | Due date | Penalty date |
|---------------|---------------------------|-----------------|
| 1 | 20 July 2019 | 26 July 2019 |
| 2 | 20 October 2019 | 25 October 2019 |
| 3 | 20 January 2020 | 24 January 2020 |
| 4 | 20 April 2020 | 25 April 2020 |
| Period Ending | Annual invoicing Due Date | Penalty date |
| 30 June 2019 | 20 July 2019 | 26 July 2019 |
| 30 June 2020 | 20 July 2020 | 24 July 2020 |

A penalty of 10% will be added to any portion of water supplied by meter, assessed in the current year, which remains unpaid by the relevant instalment due date, on the respective penalty date above.

Any portion of water rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2019 will have a further 10% added, firstly on 31 July 2019, and if still unpaid, again on 31 January 2020.

Any water payments made will be allocated to the oldest debt.

Fees and Charges

Council applies a range of fees and charges to fully or partially recover the costs of various activities.

The level of fees and charges are reviewed annually and a schedule of Council Fees and Charges is prepared as a separate document.

The schedule is available upon request from the Council office.

Indicative Rates 2019/20

| Description | Indicative Rates for 2019/20 (Incl GST) | Revenue Sought (Excl GST) (\$000) |
|--|---|--------------------------------------|
| General Rates | | |
| General Rate (cents per \$ LV) | | |
| Differential 1 City Residential | 0.51749 | 21,098 |
| Differential 2 Commercial and Industrial | 1.39386 | 9,649 |
| Differential 3 Miscellaneous | 0.51749 | 157 |
| Differential 4 Ex-City Rural | 0.33332 | 79 |
| Differential 5 Other Rural | 0.33332 | 1,618 |
| Differential 6 Bay View | 0.38383 | 440 |
| Total general Rates charged on Land Value | | 33,042 |
| Uniform Annual General Charge (UAGC) - (per SUIP) | \$368.00 | 8,753 |
| Targeted Rates | | |
| Fire Protection Rate for properties connected | | 860 |
| Central Business District & Fringe Area | 0.0254 | |
| Suburban shopping centres, hotels & motels, & industrial outside CBD | 0.0127 | |
| All other rating units connected to water supply systems | 0.00635 | |
| Note: 50% of the applicable fire protection rate is applied where the service is available to properties which are not connected. | | |
| Water Rate - City (per SUIP) | \$221.00 | 4,889 |
| Water Rate - Bay View (per SUIP) | \$221.00 | 130 |
| Water Rate City & Bay View- Not connected but within service area (per SUIP) | \$110.50 | |
| Refuse Collection and Disposal Rate (per SUIP) | | 1,973 |
| 1 collection per week | \$83.00 | |
| 2 collections per week | \$166.00 | |
| 3 collections per week | \$249.00 | |
| Kerbside Recycling Rate (per SUIP) | \$58.00 | 1,208 |
| Sewerage Rate (per SUIP) | \$372.00 | 8,264 |
| Sewerage Rate - Not connected but within service area (per SUIP) | \$186.00 | |
| Bay View Sewerage Connection Rate | \$941.35 | 23 |
| CBD Off Street Car Parking Rate (cents per \$ LV) | | 119 |
| Properties within 100% Parking Dispensation area | 0.14825 | |
| Properties within 50% Parking Dispensation area | 0.07436 | |
| Taradale OFF Street Parking Rate | 0.10526 | 17 |
| Suburban OFF Street Parking Rate | 0.10526 | 13 |
| Promotion Rate - CBD (cents per \$ LV) | 0.20973 | 140 |
| Promotion Rate - Taradale (cents per \$ LV) | 0.23200 | 57 |
| Swimming Pool Safety Rate | \$51 | 72 |

Indicative Rates 2019/20 continues

| Description | Indicative Rates for 2019/20 (Incl GST) | Revenue Sought (Excl GST) (\$000) |
|--|---|--------------------------------------|
| Allowance for Penalties on unpaid rates | | 150 |
| Total Revenue (Excluding metered water) | | 59,712 |
| Water By Meter Charges | | 614 |
| Napier City (\$ per m ³) | 0.52017 | |
| Bay View and other supplies outside city boundary (\$ per m ³) | 0.96522 | |
| Total Revenue (Including metered water) | | 60,326 |

Note: SUIP = Separately Used or Inhabited Part

Examples of Proposed Rates for 2019/20

Examples of the impact of rating proposals for 2019/20 are shown in the following table:

| | Land Value | Rates 2018/19 | Rates 2019/20 | Change \$ | Change % |
|---------------------------------|------------|---------------|---------------|-----------|----------|
| City Residential | | | | | |
| Average | 214,000 | 2,102 | 2,239 | 137 | 6.5% |
| Median | 200,000 | 2,031 | 2,163 | 131 | 6.5% |
| Quartile 1 | 160,000 | 1,833 | 1,952 | 117 | 6.5% |
| Quartile 3 | 250,000 | 2,281 | 2,430 | 148 | 6.5% |
| Commercial / Industrial | | | | | |
| Average | 490,000 | 7,617 | 8,100 | 483 | 6.3% |
| CBD Average | 291,000 | 6,172 | 6,544 | 371 | 6.0% |
| Industrial Average | 563,000 | 8,573 | 9,122 | 549 | 6.4% |
| Miscellaneous Properties | | | | | |
| Average | 400,000 | 3,025 | 3,222 | 196 | 6.5% |
| Rural | | | | | |
| Average | 460,000 | 1,910 | 2,042 | 133 | 6.9% |
| Bay View | | | | | |
| Average - No Sewerage Rate | 248,000 | 1,589 | 1,707 | 118 | 7.5% |
| Average - With Sewerage Rate | 248,000 | 1,953 | 2,079 | 125 | 6.5% |

The rating examples should be read having regard for the following:

- Council's total rates revenue for 2019/20 will increase by 6.7% which is an average increase of 6.40% for existing properties after an allowance of 0.3% is made for new properties added since last year.

Rating Base Information

| As at 30 June 2019 | All Rating Units | Ratable Units |
|-------------------------------|------------------|----------------|
| Number of Rating Units | 26,099 | 25,720 |
| Capital value of Rating Units | 15,394,000,000 | 14,800,000,000 |
| Land Value of Rating Units | 6,652,000,000 | 6,480,000,000 |



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EXTRAORDINARY MEETING OF COUNCIL

Open Minutes

| | |
|----------------|---|
| Meeting Date: | Tuesday 4 June 2019 |
| Time: | 9.00am – 1.18pm |
| Venue | Large Exhibition Hall Napier Conference Centre Napier War Memorial Centre Marine Parade Napier |
| Present | Acting Mayor White (In the Chair), Councillors Boag, Brosnan, Dallimore, Hague, Jeffery, McGrath, Price, Tapine, Taylor, Wise and Wright |
| In Attendance | Chief Executive, Director Corporate Services, Director Community Services, Director Infrastructure Services, Director City Services, Director City Strategy, Manager Communications and Marketing, Chief Financial Officer, Environmental Solutions Manager, Corporate Planner, Manager Community Strategies, Manager Asset Strategy, Manager Sport and Recreation, Senior Advisor Policy, Transformation Lead, Communications Specialist |
| Administration | Governance Team |

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

Apologies

| | |
|---------------------------|---|
| Council resolution | Councillors Brosnan / Price |
| | That the apology from Mayor Dalton be accepted. |
| | Carried |

Conflicts of interest

Councillor Price declared an interest during the discussion on the Council Projects Fund as Chairman of Basketball Hawke's Bay.

Announcements by the Acting Mayor

The Acting Mayor acknowledged that Council's thoughts are with Mayor Bill and his family at this time and wished them all well through his rehabilitation process.

The Acting Mayor also noted that in accordance with the Local Government Act 2002, this meeting is an opportunity to deliberate on the 218 submissions made to the Draft Annual Plan consultation document, and will not be double debated as the Annual Plan is not able to be delegated to a committee.

Announcements by the management

Nil

FUNDING APPLICATIONS

Speakers

| Name | Organisation | Points Made |
|-----------------|-------------------|---|
| Peter Dunkerley | HB Knowledge Bank | <ul style="list-style-type: none"> HB Knowledge Bank has been running for eight years and is made up of 80-100 volunteers. The website was relaunched this year with the initial quote being \$35,000 for this work, but was achieved for \$12,500. The Knowledge Bank was profiled in this month's Bay Buzz magazine noting the broad section of challenges and issues they face. They are asking for Council's continued support. The labour is free; however, as the number of volunteers grows more equipment is required. Volunteers are currently researching the history of scouting in the area. <p>In response to questions from Councillors it was confirmed that other Councils have been approached also and Hastings District Council has committed funding for three years for equipment and projects.</p> |

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

| | | |
|--------------------------|--------------------------|---|
| Charles Daugherty | Biodiversity Hawke's Bay | <ul style="list-style-type: none"> • Biodiversity Hawke's Bay was founded on the view that biodiversity restoration will make a difference to the people in this region; it is a community based initiative. • The action plan was launched 18 months ago. • There are two operational streams being the Biodiversity Guardians and the Biodiversity Foundation. • All five Hawke's Bay Councils are involved as accountable partners. • The Foundation's primary focus is to create an endowment fund (\$10Million in 10 years) with the proceeds being used to grow the fund, and in perpetuity to support projects being undertaken by others around the region. A small grants/projects fund is already operational. • Partnerships are also a focus, as the aim of Biodiversity Hawke's Bay is to support others with their projects, rather than to lead them. Partnerships of note are with Great Things Grow Here and the Hawke's Bay Airport (a platinum sponsor). It was noted that Biodiversity Hawke's Bay may be able to apply for funding for Council projects. • Biodiversity Hawke's Bay is seeking support from all five Councils by way of contribution to the endowment fund, contribution to operating costs and through active partnerships. • Various large projects were talked through for which funding is being sought. <p>In response to questions from Councillors it was noted that of the \$50,000 provided by Council last year, \$25,000 was directed to the endowment fund with the remainder going towards staffing and projects.</p> <p>It was also noted that there is no particular organisational model to follow in this area but central government has confirmed that it needs to be done.</p> |
| Mark Aspden and Sam Weir | Sport HB | <ul style="list-style-type: none"> • An overview was provided for what has been achieved to date in the Maraenui and Tamatea communities following last year's approved funding. • Sport HB noted the work that Council is doing in the wellbeing space with development of the destination playground, sporting facilities and new swimming pool. • An overview was provided for what has been achieved to date in the Maraenui and Tamatea communities following last year's approved funding.. • Sam Weir, Community Activator, spoke to projects in Maraenui including 'a better life through movement' and whakakohe kura. • Sport HB feel that they have "only just scratched the surface" in the last 12 months and are seeking further support from Council to continue this work. |

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

| | | |
|------------------|------------------------|--|
| | | <p>In response to questions from Councillors the following points were clarified:</p> <ul style="list-style-type: none"> • In relation to funding for facilities and programmes and meeting the same outcomes in two different markets (Napier and Hastings), they believe as long as everyone is clear about who is doing what this can be managed with minimal conflict. Sport HB do not run any facility in the region so there is no overlap there. • The focus needs to be on home life and not just activity focused. Sport NZ is clear that the biggest barrier is deprivation. • Sport HB have started waka ama with Tamatea Intermediate in terms one and four. The main focus has been on Maraenui at this time though, as it would be difficult to start on both areas at once. • Sport HB are currently working with EIT to see how they can evaluate their progress. • Sport HB approach the schools and it is up to the school whether they choose to take up the opportunity or not. • Sport NZ's strategic plan focuses on 5-18 year olds and decile 1-4 schools. Sport HB also takes the lead from the DHB and Councils regarding specific areas of focus. |
| Deborah Burnside | Jervois town Residents | <ul style="list-style-type: none"> • Spoke on behalf of residents in relation to security and roadside dumping issues in the Jervois town area. • Some residents would like to see better street lighting and cameras installed. It was noted that some residents may be prepared to contribute to the cost of this in some way, if necessary. • Following requests for data which is not currently tracked, residents are asking Council to investigate the cost to Council for collecting dumped rubbish in this area and to find a way to prosecute those responsible. • It was suggested that cameras be installed at the entry/exit points to capture number plates etc. <p>In response to questions from Councillors the following points were clarified:</p> <ul style="list-style-type: none"> • It was noted that properties in this area are rated as rural properties and therefore do not receive the same level of service as residential properties. • There is currently no signage in the area to deter dumping. • Six or seven cameras might be required to cover the entry/exit points, including Napier Street, Jervois Road and the tunnel end. |

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

Questions from Councillors for Further Action

| <i>Item</i> | <i>Requestor</i> | <i>Action</i> | <i>Responsible</i> |
|-------------|------------------|--|--------------------|
| 2 | Cr Boag | Council officers to provide a summary of funding application criteria to Councillors. | Community Services |
| 1 | Cr Dallimore | The Harbour Endowment Fund cannot meet all the works committed against it over the next 10 years. Officers to provide more detail on this fund to Councillors. | Corporate Services |

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

DELIBERATIONS

The Chair elected to take Agenda Item 2, Submissions on the Annual Plan 2019/20 Consultation document, first.

2. SUBMISSIONS ON THE ANNUAL PLAN 2019/20 CONSULTATION DOCUMENT

| | |
|-----------------------------|---|
| Type of Report: | Legal |
| Legal Reference: | Local Government Act 2002 |
| Document ID: | 751752 |
| Reporting Officer/s & Unit: | Jane McLoughlin, Corporate Planner Natasha Carswell, Manager Community Strategies Caroline Thomson, Chief Financial Officer Adele Henderson, Director Corporate Services Antoinette Campbell, Director Community Services Catherine Bayly, Manager Asset Strategy Jon Kingsford, Director Infrastructure Services |

2.1 Purpose of Report

To present the submissions received on the Annual Plan 2019/20 Consultation Document for Council's consideration.

At the meeting

The Chair elected to take the officer's recommendation in Parts. The following points were discussed during deliberations:

Part A

i. Waste Management:

- It was suggested that Council would be doing a disservice to ratepayers by hiding the true cost and paying for this service from reserves.
- It is expected that there will be a robust debate around recommendations for receptacles.
- The community are clearly concerned about environmental options.

ii. Disaster Relief Trust:

- It was noted that as we live in an area that is susceptible to large disaster events, it is sensible to have this in place before an emergency occurs.

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iii. Whakarire Targeted Rate:

- The Director Infrastructure Services spoke to the report and noted that the officer's recommendation is to delay any decision on the matter of the targeted rate to allow Council officers an opportunity to address issues raised by residents, and work through their perceived cost-benefit concerns.
- Around 12 properties are directly affected and 96% of residents disagree with the revetment.
- The proposed delay is not connected to the decision on coastal hazards funding as every cell has their own risks to consider; this is a separate issue.
- It was noted that a number of residents have concerns around security and cost, and others are uninformed as they have not taken part in engagement opportunities to date. Further discussion with the affected residents is required to ensure they fully understand the project before this can be progressed further.
- These properties are at severe risk should another extreme weather event occur. Some residents claim that they have not suffered damage to their property to date but it is considered that those residents may not have experienced a significant event (such as that of the 1970s).
- Council has an obligation to protect both public and private properties; to protect the whole Westshore shingle spit is a priority.
- Residents are confused by the proposed targeted rate as they had previously been advised that funding was allocated through the endowment fund.
- There is no greater risk to the delay than has been the case for some time already.
- There was some concern that Council could be seen to be 'double dipping' through the targeted rate as well as increased rates if the property values increase as a result of the revetment. Council officers noted that all such considerations for public/private funding splits will have taken into account in s101(3) of the Local Government Act 2002 (LGA). This is not just about cost, but rather how the revetment interacts with their properties.
- It was confirmed that should a common understanding be reached with residents within the 12 months then the project can be progressed at that time.

The meeting adjourned for morning tea at 10.07am and reconvened at 10.34am.

iv. Water projects:

- It was noted that this decision is about bringing \$7.8Million of water related projects forward. 193 submissions were received on this topic, with 168 comments.
 - An amended motion was proposed adding the following to the Officer's recommendation:
 3. *Confirms that Water is Councils number 1 priority.*
 4. *That council commission an independent options and costings assessment report for the supply of un-chlorinated water for Napier.*
 5. *Council seek expressions of interest for the preparation of this report, and that the selection of the consultant be done by full Council.*
 6. *That \$200k be allocated for this review, with this to be funded through loans. Council note that this will add 0.02% to rates for 2020/21.*
 7. *That an invitation be extended to CCC Water Supply Improvement Manager and Canterbury Medical Officer of Health to visit Napier to share their*
-

Extraordinary Meeting of Council - 04 June 2019 - Open Minutes

information and experience with the removal of chlorine from their network with NCC councillors and staff.

8. *That Council approve those funds be transferred to Council's property assessment and compliance projects for 2019/20 (\$860k).*

- A number of Councillors reiterated that chlorination was forced on Council following the Havelock North Water Inquiry.
- Council should consider their options in case central government leaves the door open to an unchlorinated supply. Some Councillors noted they would be comfortable spending money to investigate other options considering the community feedback on this matter. The options and costings should then form part of a consultation process to allow the community to decide whether it is unaffordable or not.
- It is important to state that water is Council's number one priority.
- It was acknowledged that selecting the consultant for the independent report may need to be undertaken in a public excluded meeting for commercial reasons.
- The community are asking Council to investigate other options and Council need to show that they are listening.
- Christchurch City Council (CCC) is on track to remove chlorine by 98% from their network by the end of June.
- CT or "Contact time" is the concentration of chlorine x the time required to sit in the holding taken before being released into the network. This is how Council ensures that any bugs in the network might be addressed by chlorine. Currently Council is unable to achieve the required 30 minutes contact time from every dosing point which is why the two new treatment plants are required.
- It is correct that chlorine doesn't address protozoa risk which is why secure bore status is held and water age actively tracked.
- Council officers are already in contact with their counterparts at CCC. For CCC to follow the Netherlands model it would cost a significant amount to achieve. Council has different views on risk to CCC and although there are key learnings to be taken from them, Council would prefer the Dutch were involved in considering options for an un-chlorinated water supply for Napier as they are the experts in this field.
- It was noted that the Ministry of Health (MoH) have been impressed with Council's work in this space to date and will address Council later this month. CCC are focussed on getting back to secure bore status, not on the risks within their network. It is understood MoH are advising CCC on what needs to be put in place if they move towards a chlorine free network.
- Some Councillors felt that the community has been left behind and these discussions need to be held with the community as well.

The meeting adjourned briefly at 10.56am and reconvened at 11.02am.

- A Councillor questioned whether \$30Million over 10 years indicates that water is the number one priority for Council. Council needs to invest in the network.
 - It was clarified that the network is not 'wasting away'. Staff are adhering to a new regulatory scheme. They are essentially trying to force our network to meet a different set of standards to what it was built to.
 - Although it would be a greater piece of work if the independent report could be completed from a regional perspective, the costs would likely be prohibitive. Council has also been advised that Hastings District Council do not intend to move to an un-chlorinated water supply.
-

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-
- It was asked that the independent report also take into consideration the negative affects chlorine has had on residents.

In response to questions around funding the independent report the Chief Executive advised that this report will require significant Council resources. It was recommended that an estimated figure of \$200,000 be loan funded to cover the cost.

v. Provincial Growth Fund:

- Although the Westshore and Regional Park project applications will be withdrawn from the Provincial Growth Fund (PGF) the funding that was allocated for these projects in the Long Term Plan (LTP) will remain but are based on a different level of outcomes.
- It was noted that a number of Council's applications were made in partnership with community groups i.e. Mana Ahuriri were the lead on the Regional Park project and Activate Maraenui was made in partnership with a number of agencies.
- Although the PGF is a three year fund there are a number of commitments against it. Council would be best to focus on the applications already submitted at this time.

Parts B - E

- EnviroSchools is set down for year two. These funds are committed for now through the LTP but in future they will be directed to apply through other funds.
 - There were several submissions to the LTP for funding last year for which the projects fund was used at that time. However this means these funding allocations fall outside of the grants process; Council officers will look at the most appropriate fund moving forward as this makes grants management difficult.
 - Subject to a carry forward being approved by Council, some funding could be allocated for other applications pending the rollover of the new financial year, specifically for Basketball Hawke's Bay and Creative Arts Napier. These have not been assessed yet and will come to Council on a case by case basis.
 - The Jervoisstown Residents application did not specify an amount. To buy seven cameras would cost around \$21,000, not including installation or management. This is not something Council has funded in the past and could be proposed as a community development project through another grant.
 - Council are currently undertaking a street management review, including consideration of CCTV run by Council and the Napier Safety trust in the various business districts. If Council is going to facilitate CCTV in rural residential areas then this should be part of the wider picture.
 - The Sport HB application for \$20,000 could also be applied for through the community developments fund, although the administrative element would be ineligible.
 - The Biodiversity HB Foundation application would be ineligible under the Council Projects fund and the Small Projects fund due to the endowment fund aspect; Council does not fund the building of other organisations funds. They would be better to seek funding for a specific project. They were funded through the Council Projects Fund last year but that was for seed funding.
 - HB Knowledge Bank could apply to the community development fund although this has a maximum individual grant amount. Council officers will liaise with them to assess what funds could be available to them.
 - It was noted that the money set aside for the Pirimai Residents' Association under the LTP was for optimising the reserve component of the land.
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9

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- Council officers confirmed that those funded through the LTP were advised that it would be a one-off grant. A review of all community development funding is to be undertaken to assess how effective it is and how it could be better distributed.
 - Potential duplication and other factors are considered when funding applications are assessed.
 - It was confirmed that Sport HB have a three year service agreement with Council and every three years they can propose different activities and deliverables to be assessed against the agreed outcomes.
 - Information around funding application criteria is available on the Council website. Council officers will provide a summary to Councillors.
 - It was noted that it might be helpful for staff responses regarding the location of the library to provide a timeframe for consultation.
 - In relation to comments on essential services, a comment should be included to note that water has been made the number one priority.
 - Feedback was provided on behalf of Greypower members that they would have liked a freepost form included in the consultation document.
 - It was also noted that the community services grant allocation has increased from \$1.60 to \$1.80 this year.
 - Council officers were reminded that the community meetings were a trial this year and Council may elect to go back to formal hearings next year.
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*Taken in parts as
directed by the
Chair*

Officer's Recommendation

That Council:

- a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document:
 - i. **Waste Management:**
That Council proceed with the part pay option, that is,
 1. Using reserves of \$1.3 mil to absorb the increased cost of the kerbside recycling service over the next three financial years, 2019/20, 2020/21 and 2021/22.
 2. For 2019/20, seven hundred thousand dollars (\$700,000) will be used from the capital reserve, and the remainder of the increased cost of \$683,000 will be paid from rates.
 - ii. **Disaster Relief Trust:**
That Council proceed to establish the Trust.
 - iii. **Whakarire Targeted Rate:**
 1. That Council agree to delay the project to provide the opportunity to re-engage with affected parties as to the necessity, final form and funding options of the proposed revetment, and withdraw the proposed targeted rate component of the project from this annual plan.
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2. That Council agree that the funding allocation for the Whakarire Ave Rock Revetment as outlined in the Long Term Plan (as \$1.737 mil for 2019/20), be moved to the 2020/21 financial year and inflated accordingly for LGCI price movements.
 3. That Council note funding for the project will remain as a Loan- HBHB Endowment Land income, which is repaid through general rates, until such time that Council makes a formal decision on a targeted rate for Whakarire Ave residents.

iv. Water projects:

That Council proceed with bringing forward water related capital projects of \$7.8m, and

1. Council endorse the change of the funding source for all 3 Waters projects in the capital programme for 2019/20 which are currently funded by rates, to be funded by loans-rates to better reflect inter-generational equity of the investment (\$860k).
2. That Council work with the Ministry of Health to develop a community education campaign to inform the community of the risks of managing network water supplies, the need for chlorine and the potential health impacts of chlorination.

v. Provincial Growth Fund:

That Council note that officers will report back on the success of applications to the Provincial Growth Fund.

- b. Note the following commitments from the Council Projects Fund for 2019/20.
Requests committed during the year
 1. Taradale Community Pool Trust \$50k
 2. Enviroschools \$15k
 3. Napier Community Advice Bureau \$30k
 - c. Consider funding requests to the annual plan and provide direction to Council Officers.
 - d. Direct officers to prepare the Annual Plan 2019/20 document in accordance with the recommendations above (a-c).
 - e. Direct officers to advise the submitters of Council's decision in relation to their submission at the time of the adoption of the Annual Plan 2019/20 on 28 June 2019.
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|---------------------------|---|
| Part A i. | Councillors Brosnan / Hague |
| Council resolution | <p>That Council:</p> <p>a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document:</p> <p>i. Waste Management:</p> <p>That Council proceed with the part pay option, that is,</p> <ol style="list-style-type: none"> Using reserves of \$1.3 mil to absorb the increased cost of the kerbside recycling service over the next three financial years, 2019/20, 2020/21 and 2021/22. For 2019/20, seven hundred thousand dollars (\$700,000) will be used from the capital reserve, and the remainder of the increased cost of \$683,000 will be paid from rates. |
| | Carried |
| Part A ii. | Councillors Taylor / Price |
| Council resolution | <p>That Council:</p> <p>a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document:</p> <p>ii. Disaster Relief Trust:</p> <p>That Council proceed to establish the Trust.</p> |
| | Carried |
| Part A iii. | Councillors Hague / Wright |
| Council resolution | <p>That Council:</p> <p>a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document:</p> <p>iii. Whakarire Targeted Rate:</p> <ol style="list-style-type: none"> That Council agree to delay the project to provide the opportunity to re-engage with affected parties as to the necessity, final form and funding options of the proposed revetment, and withdraw the proposed targeted rate component of the project from this annual plan. |

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| | <ol style="list-style-type: none"> 2. That Council agree that the funding allocation for the Whakarire Ave Rock Revetment as outlined in the Long Term Plan (as \$1.737 mil for 2019/20), be moved to the 2020/21 financial year and inflated accordingly for LGCI price movements. 3. That Council note funding for the project will remain as a Loan- HBHB Endowment Land income, which is repaid through general rates, until such time that Council makes a formal decision on a targeted rate for Whakarire Ave residents. |
| | Carried |
| Part A iv. Substitute Motion Council resolution | <p>Councillors Brosnan / Wise</p> <p>That Council:</p> <ol style="list-style-type: none"> a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document: <ol style="list-style-type: none"> iv. Water projects: <p>That Council proceed with bringing forward water related capital projects of \$7.8m, and</p> <ol style="list-style-type: none"> 1. Council endorse the change of the funding source for all 3 Waters projects in the capital programme for 2019/20 which are currently funded by rates, to be funded by loans-rates to better reflect inter-generational equity of the investment (\$860k). 2. That Council work with the Ministry of Health to develop a community education campaign to inform the community of the risks of managing network water supplies, the need for current chlorine and the potential health impacts of chlorination. 3. Confirms that Water is Council's number 1 priority. 4. That council commission an independent options and costings assessment report for the supply of un-chlorinated water for Napier. 5. Council seek expressions of interest for the preparation of this report, and that the selection of the consultant be done by full Council. 6. That \$200k be allocated for this review, with this to be funded through loans. Council note that this will add 0.02% to rates for 2020/21. 7. That an invitation be extended to CCC Water Supply Improvement Manager and Canterbury Medical Officer of Health to visit Napier to share their information and experience with the removal of chlorine from their network with NCC councillors and staff. |

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| | 8. That Council approve those funds be transferred to Council's property assessment and compliance projects for 2019/20 (\$860k) |
| | Carried |
| Part A v. Council resolution | Councillors Boag / Taylor That Council: a. Adopt the following officer recommendations, including any changes and/or additional recommendations arising from the deliberations and consideration of all submissions to the Annual Plan 2019/20 Consultation Document: v. Provincial Growth Fund: That Council note that officers will report back on the success of applications to the Provincial Growth Fund. |
| | Carried |
| Parts B and D Council resolution | Councillors Taylor / Wright That Council: b. Note the following commitments from the Council Projects Fund for 2019/20: <i>Requests committed during the year</i> 1. Taradale Community Pool Trust \$50k 2. EnviroSchools \$15k 3. Napier Community Advice Bureau \$30k d. Direct officers to prepare the Annual Plan 2019/20 document in accordance with the recommendations above (a-c). |
| | Carried |
| Part C Substitute Motion Council resolution | Councillors White / Wise That Council: c. Direct Council officers to review the funding requests made under this consultation process, seek further information if necessary, and make a recommendation to Council on funding. |
| | Carried |

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| Part E | Councillors Hague / Taylor |
| Council resolution | <p>That Council:</p> <p>e. Direct officers to advise the submitters of Council's decision in relation to their submission at the time of the adoption of the Annual Plan 2019/20 on 28 June 2019.</p> |
| | Carried |

The meeting adjourned for lunch at 12pm and reconvened at 12.34pm.

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1. AMENDMENTS TO FUNDING POLICIES AND FEES AND CHARGES

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| <i>Type of Report:</i> | Legal and Operational |
| <i>Legal Reference:</i> | Local Government Act 2002 |
| <i>Document ID:</i> | 750774 |
| <i>Reporting Officer/s & Unit:</i> | Jane McLoughlin, Corporate Planner Caroline Thomson, Chief Financial Officer |

1.1 Purpose of Report

To present to Council submissions received on proposed amendments to funding policies and changes to fees and charges for consideration.

At the meeting

The Chair elected to take the officer's recommendation in Parts. The following points were raised during deliberations:

Part A

- Council officers confirmed that they are already engaging with Whakarire Avenue residents regarding the revetment and there will be a follow up meeting with them. The project could progress in the 2019/20 financial year provided a resolution can be reached with residents.
- Some residents feel that they are losing their front lawn; officers note that this is reserve land. It was noted that a concrete path would be more suitable than limestone or a boardwalk as it is more durable in the environment; without significant ongoing maintenance, wooden boardwalks can be noisy and also become quite slippery. Officers confirmed that the path will be closer to the revetment than the private property boundaries.
- The culvert will remain where it at as Council is looking to use that as an option to drain stormwater away from properties. This may need to be bridged to continue the pathway further away from properties.
- Council officers noted that they have engaged with the Whakarire Avenue residents at every critical point in the process and as Council has been looking to move into each new project phase. The latest phase of consultation was targeted to affected residents and only two were unable to attend the meeting. Following the meeting a letter outlining discussion points and next steps was sent. The residents also had the opportunity to make submissions through the Annual Plan process, and many of them have.
- It was clarified that the loan for the Whakarire Revetment is through the Harbour Endowment Fund and will not impact ratepayers.
- The Harbour Endowment Fund cannot meet all the works committed against it over the next 10 years.

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Part B

- It was noted that low income earners can apply for a rates rebate and this now includes retirement village home owners; however, most married couples do not qualify for this rebate as their household income is too high.

Part C

- A number of Councillors enquired whether the members' entry fee to BaySkate could be reduced from \$4 to \$2, as it is currently more expensive for kids that are regular users to go to BaySkate than to hold an adult golf club membership. It was felt that kids are being priced out of the facility.
The Chief Executive advised that this could be possible but Council may need to increase the membership fee to be able to lower the visit fee.
- The Manager Sport and Recreation confirmed that membership retention is quite high for BaySkate with around 360 at present and a number of very regular users. A revenue review including benchmarking has been undertaken for the facility and our fees are in line or lower than other facilities. He noted that if the facility follows a sustainable cost recovery model this will allow them to be more targeted with specific communities of interest i.e. providing programmes etc.
One Councillor noted that they were hesitant to agree to any changes in fees and costs purely to meet the 40-45% revenue return for facilities under the Revenue and Financing Policy. The Chief Executive advised that the Revenue and Financing Policy adopted by Council identifies the public/private split across all facilities and budgets are then set to meet those splits. It was suggested that the fees for BaySkate could be left as is at this point allowing officers to undertake an assessment of different ways the revenue could be achieved.
- It was noted that the current operating system at BaySkate needs to be replaced to better track regular users and that the fees can be reset at any time during the year.
- The charge for "live-aboards" at East Pier was queried as being too low at \$18 per night. People are making an economic choice to live aboard and this is having an impact on sanitation facilities etc. in the area. The Chief Executive confirmed that this will be looked at as part of the larger inner harbour project.

Taken in Parts as Officer's Recommendation*directed by the
Chair*

That Council:

- Adopt the amended Revenue and Financing Policy as attached in Attachment A, noting,
 - that the proposed targeted rate for Whakarire Ave has been removed from the amended policy.
 - Adopt the amended Rates Remission Policy as attached in Attachment B.
 - Adopt the amended Fees and Charges for 2019/20 as attached in Attachment E.
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| Parts A and B | Councillors Taylor / Hague |
| Council resolution | <p>That Council:</p> <ol style="list-style-type: none"> a. Adopt the amended Revenue and Financing Policy as attached in Attachment A, noting, <ol style="list-style-type: none"> i. that the proposed targeted rate for Whakarire Ave has been removed from the amended policy. b. Adopt the amended Rates Remission Policy as attached in Attachment B. |
| | Carried |
| Part C | Councillors McGrath / Wright |
| Substitute Motion | |
| Council resolution | <p>That Council:</p> <ol style="list-style-type: none"> c. Adopt the amended Fees and Charges for 2019/20, with the exception of Bay Skate, which charges will be left at their current levels, with a review to be undertaken by officers as soon as possible and the results brought back to Council for decision. |
| | Carried |

On closing the meeting Acting Mayor White acknowledged and thanked all staff involved in the Annual Plan process to date.

The meeting closed at 1.18pm

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval