



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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EXTRAORDINARY MEETING OF COUNCIL

Open Attachments Under Separate Cover

Meeting Date: Thursday 26 September 2019

Time: 2.00pm

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

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Our Facilities



NAPIER
CITY COUNCIL
Te Kauhāhara o Ahuriri

**AQUATIC
CENTRE**



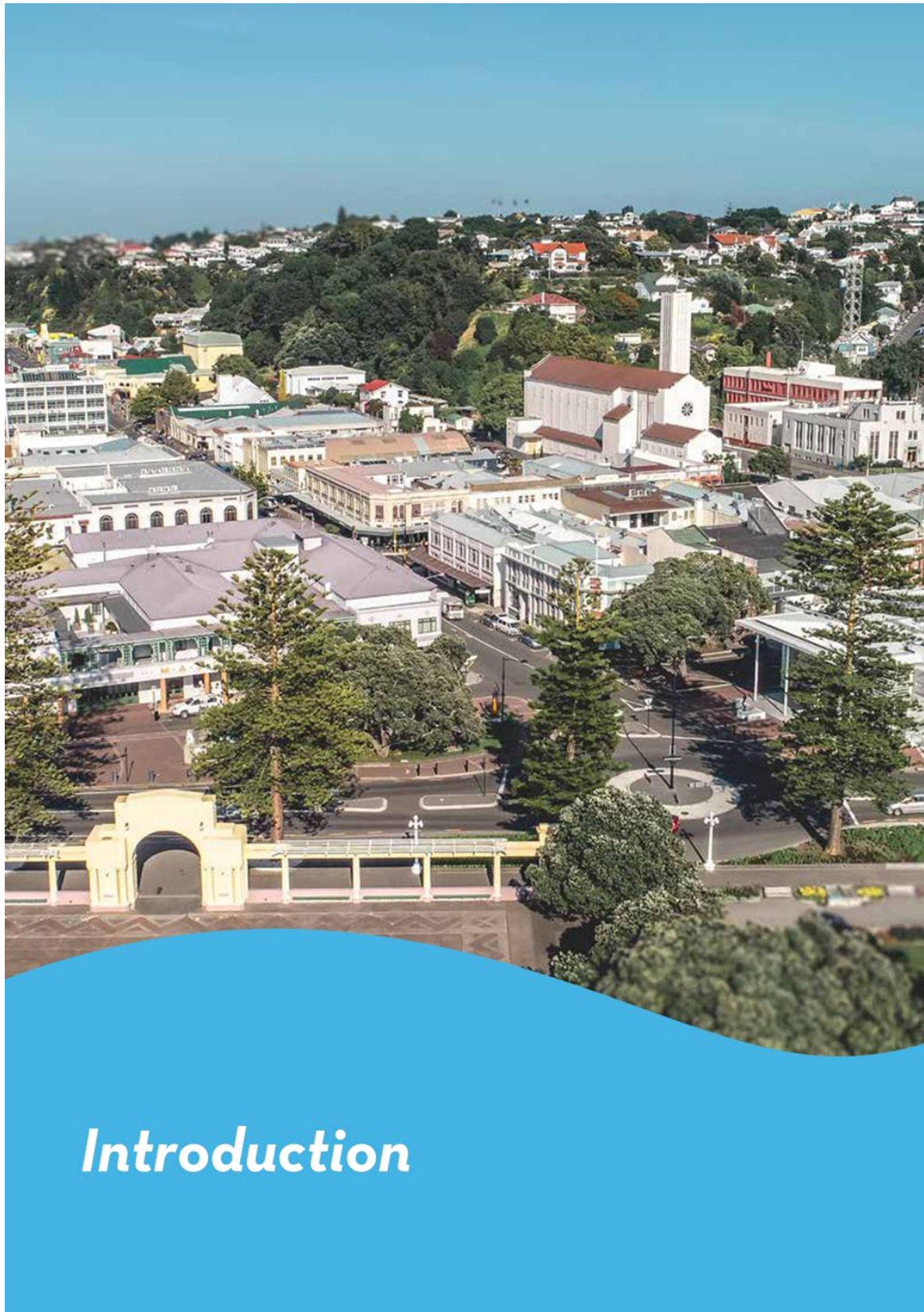
NAPIER
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Te Kauhāhara o Ahuriri

LIBRARIES



**McLean
Park**





Overview from the Acting Mayor and Chief Executive

Welcome to the Napier City Council's Annual Report for 2018/19.

Council is in good financial health, with a healthy balance sheet. We have continued to work hard to set rates and debt levels that balance affordability with the need to provide for our growing community. We are proud that Napier's average residential rates remain one of the lowest in the country at \$2,118 per property for 2018/19.

Improving our water network has been a big focus during the year and recently Council confirmed that water is its number one priority. There is urgency with regards to work required but it will take time. As part of the large water programme to address dirty water, a significant amount of work has been undertaken to make improvements to our water network. There has been significant increase in cleaning and changes to network configuration. We will continue to give this work priority. We also designed new de-chlorinated water stations and the first station was completed and commissioned on 1 July. Napier continues to be a very high user of water compared to other areas across New Zealand and we plan to encourage and educate the public on ways to make water conservation part of their daily lives.

This year saw the settlement of a weathertightness claim. Council is in the unenviable position of being last man standing in these situations. At this year's LGNZ Annual Conference a remit was put forward by Napier City Council to introduce a cap on the liability of Councils in relation to building defects claims. This remit was passed with 93 per cent support of the sector. Napier City Council will work closely with central government agencies to progress a positive outcome for Councils in this space.

One of the most successful projects undertaken was the re-turfing of McLean Park. This project included new stormwater mains and drains being laid, and then 130 truckloads of hybrid turf was laid down. This project was completed in August in time for the first rugby match on 2 September when Hawke's Bay took on Counties-Manukau in the Mitre 10 cup clash. Nitro Circus was the first non-sporting event to be held on the new turf. This event sold more tickets per capita than any other Nitro Circus show of the tour.

We have continued to work on the Park Island Northern Development and expect this project to be complete in 2019/20. The re-development of the northern end of Hastings Street has created a vibrancy in our central business district with locals and visitors enjoying this space by day and night.

Signature events are not only a drawcard for visitors but provide many opportunities for locals too. We sponsored the outdoor and street events of the hugely popular Art Deco Festival held in February 2019. We also hosted a number of events such as Nitro Circus, ICC Cricket ODI matches including India and Bangladesh, and between India and the White Ferns, the Air New Zealand Hawke's Bay International Marathon, the Elite Road National Cycling Championships, Iron Māori and a Hurricanes Super Rugby game.

We also won several awards during the year. In October 2018 Anderson Park Playground was named as the winner of the NZ Recreation Association (NZRA) Outstanding Park Award and it received a highly commended at the recent Local Government Excellence Awards. MTG Hawke's Bay (Museum, Theatre and Gallery) won awards for Tuturu and He Manu Tioriori 100 Years of Ngati Kahungunu Music. Most recently, in conjunction with the NZ Transport Association, and Wsp-Opus, we were awarded a best practice award at the NZPI Conference for the Watchman Road intersection project.

Napier is well-positioned to continue its vision of being a vibrant and sustainable city for all.

Lastly, we would like to acknowledge the hard work, passion and dedication Mayor Dalton has shown to our city and wish him well with his ongoing recovery, after a stroke earlier this year.

Faye White

Acting Mayor

26 September 2019



Wayne Jack

Chief Executive

26 September 2019



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.



Mayor and Councillors

Mayor

Bill Dalton

Acting Mayor

Faye White

Councillors

Annette Brosnan
 Api Tapine
 Claire Hague
 Graeme Taylor
 Keith Price
 Kirsten Wise
 Larry Dallimore
 Maxine Boag
 Richard McGrath
 Tania Wright
 Tony Jeffery

Statement of Compliance and Responsibility

The Council and management of the Napier City Council confirm that all the statutory requirements in relation with the Annual Report have been complied in accordance with Clause 34 of Schedule 10 of the Local Government Act 2002.

Responsibility

1. The Napier City Council and its management accept responsibility for the preparation of the annual Financial Statements and Statement of Service Performance and the judgements used in them.
2. The Napier City Council and its management accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
3. In the opinion of the Napier City Council and its management, the annual Financial Statements for the year ended 30 June 2019 fairly reflect the financial position and operations of Napier City Council.

Faye White

Acting Mayor

26 September 2019

Wayne Jack

Chief Executive

26 September 2019

Key Statistics

Napier City Council - 2018/19 Annual Report

Introduction



10,560
hectares of land



63,900
residents
*(based on forecast
from Statistics NZ)*



25,922
rating units
as at 01 July 2018



25,776
rating units
as at 01 July 2017



\$14.7B
capital value of rating units
as at 01 July 2018



\$10.7B
capital value of rating units
as at 01 July 2017

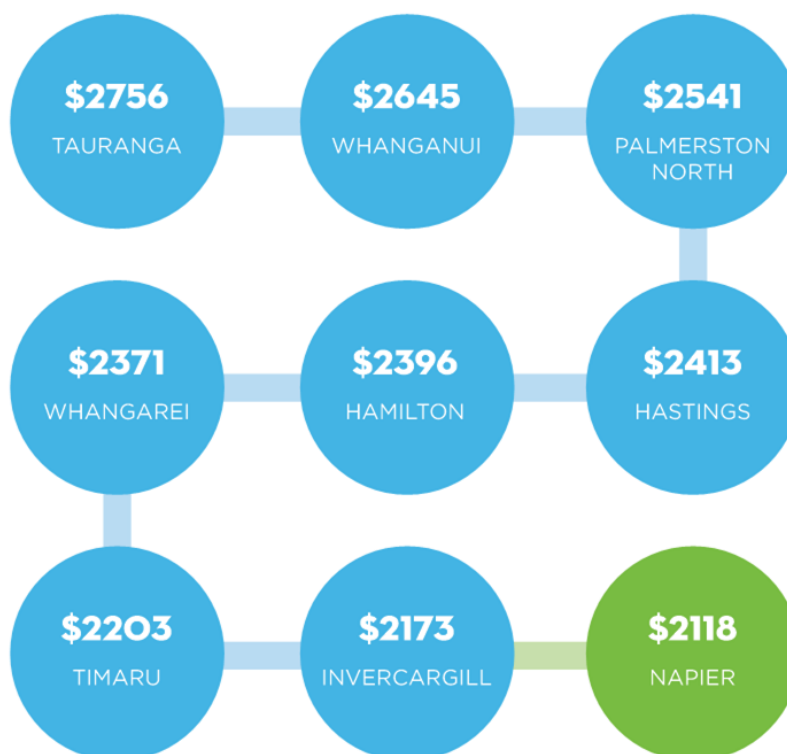


\$6.6B
total land value
as at 01 July 2018



\$4.8B
total land value
as at 01 July 2017

Average Residential Rates Comparison



Insurance of Assets

The total value of above ground buildings and plant and equipment covered by insurance contracts is \$579.8m. These are insured under a group policy held in the name of the five Hawke's Bay Councils.

Motor vehicles and mobile plant are insured for market value. The total value of underground facilities and services for the provision of Water, Stormwater and Wastewater services covered by insurance contracts is \$587.7m. In general, upon a major disaster, the government will provide a 60% subsidy for infrastructure recovery costs. Council must demonstrate that it is able to meet the remaining 40% through insurance and other financial means.

Councils insurance cover for underground infrastructure is based on a Probable Maximum Loss (PML) of \$120m. The PML was reviewed in 2015 through a natural catastrophe modelling exercise carried out for Council by Jardine Lloyd Thompson Ltd. Australia. Councils insurance cover is based on 40% of this exposure with insurance cover limited to 40% of \$120m.

A deductible of 40% of \$10m exists under the policy, meaning that Council would be liable for a maximum of \$4m in the event of a major claim.

The total value of all assets that are covered by financial risk sharing arrangements is nil.

Council does not operate a formal self-insurance scheme or maintain a specific fund for that purpose. Various assets are however not covered by insurance.

Roads and associated assets are not covered by Council's insurance as in the event of a major disaster, support is anticipated to come from Central Government to reinstate the roading network.

Other assets including land, playgrounds and sports fields are also not covered by insurance.

Funding of uninsured risks and amounts over and above any insurance recovery and Government support would be provided from a combination of, debt and the reprioritisation of Council's planned capital and operating expenditure.

How Rates Were Spent



Working across Hawke's Bay

All Councils are required to deliver efficient and effective services for the current and future needs of its communities. Local Government Act Section 17a Service Delivery reviews are undertaken jointly where appropriate and as part of the ongoing requirement for these reviews.

Besides our own work, we're also working closely with the other Hawke's Bay Councils. Our regional Mayors/Chair and Chief Executives are leading the commitment to collaborate better together and finding ways that we can achieve the best outcome for our communities in the Hawke's Bay region.

The five Councils within the Hawke's Bay area have joined together to review our region's three waters delivery to respond to Central Government reform. Hawke's Bay is one of the few regions to proactively consider how to achieve outcomes together and are working with Central Government on developing the best service delivery solution for our region. While acknowledging the broader issues and community concern relating to the wider management of rivers, lakes and marine environments, the review is focused on the delivery models for the three waters services (drinking water, wastewater and stormwater). Ultimately a recommendation will be provided to the Councils about the best way forward. It will then be for the Councils and their communities to decide the next steps.

There are a broad range of other collaborative initiatives underway including the development of a regional procurement strategy to support our significant capital programmes; a LiDAR aerial mapping project for our region; and working together to deal with coastal erosion and funding issues relating to climate change. Other regional activities include joint procurement for ICT services, insurance, fuel, utilities, recycling and refuse collection, Omarunui Landfill, Shared IT Support and Web Services, Civic Defence, Alcohol Strategy, Geographic Information Services, Hawke's Bay Airport, Business Hawke's Bay, Hawke's Bay Tourism, Regional Development Strategy for Economic and Social Growth (Matariki) and LIFT (Social Inclusion Strategy), Property Valuations, and Crematorium Services.

Māori Contribution to Decision Making Process

The predominant mechanism for the Council engagement and consultation with Māori is through the Māori Consultative Committee.

The Council also maintain relationships with Māori representative entities for involvement in Council projects, events and policy development.

An appointed Council Kaumātua provides cultural advice and support to the Mayor, Council and Chief Executive on matters of cultural importance, and where support understanding of cultural protocols is required.

Māori Consultative Committee

The role of the Committee, which meets every six weeks, is to make recommendations to the Council or the appropriate Council standing committees on any Council or committee agenda items, or other matters they consider relevant, and pass on any such information to the people they represent.

Members are invited to attend all Council meetings, seminars and functions, and provide a representative to the Hearings Committee.

The Committee comprises of one independent member, the Mayor or Deputy Mayor, Council Kaumātua, a chairperson and the following external representatives:

- Piri Prentice representing Mana Ahuriri Trust
- Mr Tiwana Aranui, and Te Whetū Marama Henare, representing the Pukemokimoki Marae Trust
- Mr Hori Reti, representing Te Taiwhenua o Te Whanganui-a-Orotū

Council Kaumātua

This position is important to Council as it empowers all relationships between Tāngata Whenua and Council through guidance and assistance to Council's decision making process. Piri Prentice was appointed Council Kaumātua in 2014.

Relationships

The Council holds multiple relationships with Māori across the city with groups who represent mana whenua within the Council boundaries. Mana whenua hapū are a part of the wider Ngāti Kahungunu iwi group which extends across the eastern seaboard from Wairoa to the North and Wairarapa to the South. Ngāti Kahungunu is acknowledged in Napier by Te Taiwhenua o Te Whanganui-a-Orotū who represent eight mana whenua marae and their whānau interests within the Council boundaries. Taiwhenua are the representative bodies for Ngāti Kahungunu Iwi Inc whose mandate is held through the Treaty of Waitangi Fisheries Claims Settlement Act 1991.

In recent years land-based Treaty of Waitangi grievances have been settled, or are currently in the process of being settled, which has seen the emergence of Post Settlement Governance Entities as the representative bodies for their respective hapū clusters. Mana Ahuriri Trust (MAT) represent the majority of mana whenua hapū within the Council boundaries alongside Maungaharuru Tangitū Trust (MTT) to the North and Heretaunga Tamatea Settlement Trust (HTST) to the South.

The Council acknowledge and respect the individual and collective mana of hapū and understand that at times one-on-one engagement and consultation may be required. As such, we acknowledge the Ngāti Pārau Hapū Trust with who the Council works when within their specified hapū boundary. The Council works closely in the community with the Ahuriri Māori Wardens, Māori health and housing agencies, and social service providers.

Consultation

The Council is currently formalising its engagement with Māori as part of the development of a Community Engagement Strategy.

Specific input from Māori has contributed to the development and implementation of Council initiatives and projects, including:

- The implementation of dual language signage for McLean Park;
- The inaugural Young Māori Leader's Summit Te Kāhui o Tautoru for youth of Napier to be inspired by young role-models and influencers;
- The establishment of a District Plan Review working group to work alongside the Council's City Strategy and Policy Teams for the purposes of the District Plan Review;
- Environmental restoration work with Ngāti Pārau Hapū Trust and Napier Māori Tours through planting of native trees across Napier City;
- The establishment of Te Rōpū Kaiāwhina Taonga, which oversees the holdings of Māori taonga in the Museum Theatre Gallery (MTG).

The Council was also involved in the building of Napier's mataawaka marae, Pukemokimoki Marae, which sits on Council-owned reserve land. The Marae is run by a Trust on which a Councillor is always one of the Trustees and the Manager of Community Strategies acts as an advisor to the Trust Board. The Council also provides funding support to the Marae.

Financial Overview

Financial Condition Indicators

	Actual 2018/19 \$000	AP 2018/19 \$000	Actual 2017/18 \$000
Rates revenue	56,369	56,104	53,694
Net surplus	11,253	15,433	10,849
Working capital	60,558	64,662	63,618
Net public debt (external)	-	-	-
Total assets	1,771,341	1,629,141	1,604,481
Proportion of rates revenue to total revenue (%)	45%	47%	49%

Rates increases

The Council is a democratic institution and is the primary provider of infrastructure and public services to the community for the community. The costs of these are met by the community; consequently decisions taken at all levels in the organisation recognise this, and consider community affordability of all activities of the Council.

Since 2000/01 the Council has surveyed councils of similar size for a comparison of average residential rates. The table of comparison for the last two years is shown on page 6 of this report and is compiled from returns direct from each of the councils listed. While Napier has been below the average of this group since 2006/07, Napier's average residential rates are the lowest within the survey group for the last two years and are \$638 per annum lower than the highest Council.

There are many reasons for the Council's clear success in managing rates levels. Choices and decisions made in the management of the strategic direction of the Council and in the organisation and focus of the Council's operational arm have been on:

- strong management of city debt and investments
- high quality outcomes
- best total cost and
- affordability for this community
- non rate funded income

This has been the underlying philosophy over successive Councils and, as a result, the cumulative effect of many small decisions over many years has led to the benefits ratepayers now enjoy.

As noted above, Napier City has one of the lowest dependencies on rates income in New Zealand's Territorial Local Authorities Community. This results from well-defined and implemented funding policies which reduce dependency on rates income.

Other examples of why Napier rates are lower than others:

Funding:

- Income generated by tourism activities which support the city's tourism businesses
- Property related activities such as the Parklands residential section development project
- Investment property income, which supports the inner harbour and city foreshore reserves
- Other allocations of cost recoveries between users and ratepayers via Council's funding policies

Cost Control:

- In-house workforce
- Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations
- Shared Services including joint procurement between the Hawke's Bay local authorities
- Size of Territory advantages - Napier City is a compact land area and is the fourth most densely populated Territorial Local Authority in New Zealand.

Financial Overview - Council Income 2018/19 continues

Statement of Comprehensive Revenue and Expenses

This section provides an overview of the Council's financial results for the year ended 30 June 2019. For detailed information please refer to the following sections in this Annual Report: Financial Statements and Activity Statements.

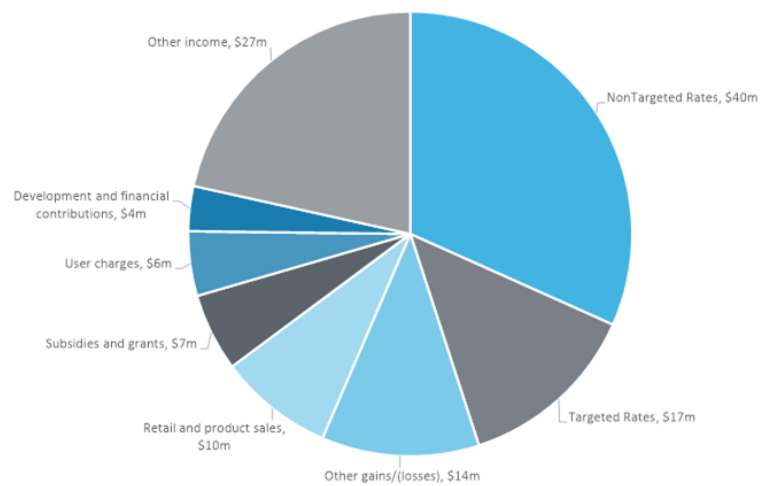
The financial statements contained in pages 14 to 73 of this report comply with PBE IPSAS standards as appropriate for public entities. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000). Full details of Council's accounting policies are contained in the Notes to the Financial Statements of this report (pages 18 to 30).

Council Income 2018/19

The main sources of Council's income are shown in the graph below. The full detail of Councils' income are contained in Notes 2-5 of the Notes to the Financial Statements (page 32-33) of this report.

In addition, explanations of significant variances to budget are outlined in Note 38 of the financial statements.

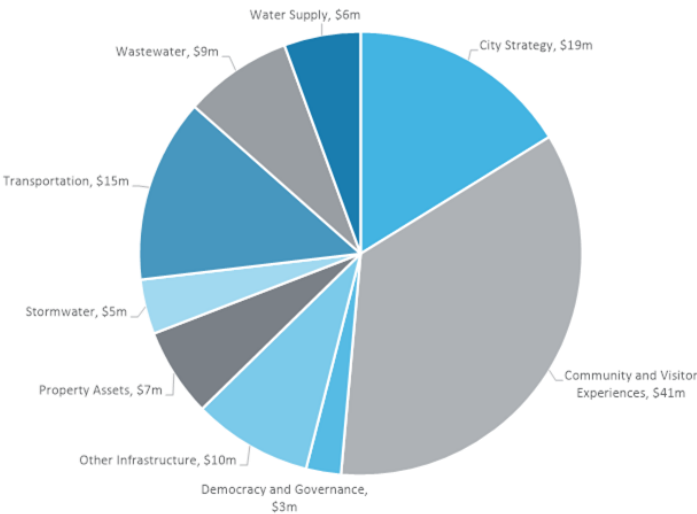
The diagram below depicts the breakdown of the \$125m income received by the Council in 2018/19. Of this funding for Council activities 45% is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils, rates levied are a low proportion of the Council revenue and reflect Napier City funding policies.



Financial Overview - Council Income 2018/19 continues

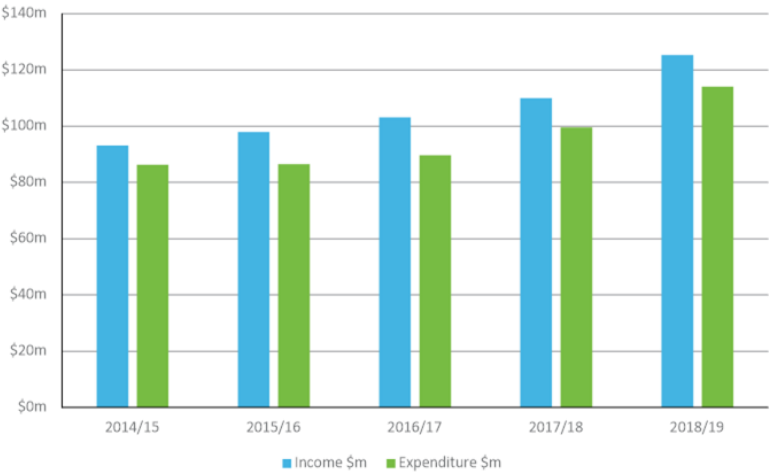
Council Operating Expenditure 2018/19

Details of operating expenditure for each of the activities are described in Activity Groups of this Annual Report. In addition, explanations of significant variances are contained in Note 38 of the financial statements. The diagram below shows the operating expenditure by Activity group for the 2018/19 financial year.

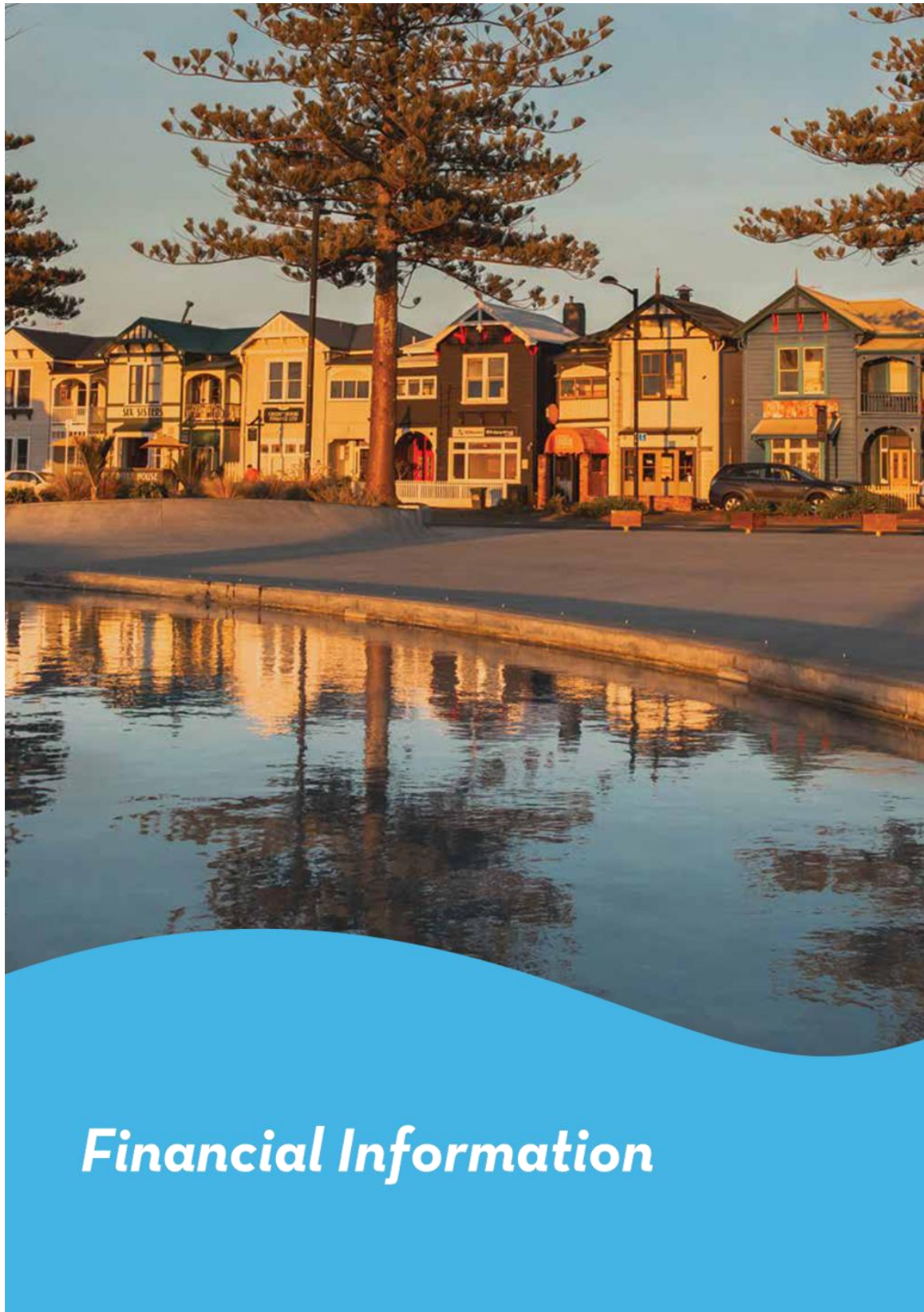


Council Operating Revenue and Expenditure Trend

The following graph shows the trend of revenue and expenditure over the last five years. For variances between the 2018/19 Long Term Plan and the 2018/19 Annual Report actuals, refer to note 38 of the financial statements.



Napier City Council - 2018/19 Annual Report



Statement of Comprehensive Revenue and Expenses

For the Year Ended 30 June 2019

	Note	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Revenue				
Rates revenue	1	56,369	56,104	53,694
Finance revenue	2	1,976	1,925	2,115
Development and financial contributions		4,091	2,851	3,128
Subsidies and grants	3	7,104	8,087	6,965
Other revenue	4	41,363	50,310	38,196
Other gains/(losses)	5	14,376	1,076	5,910
Total revenue		125,279	120,353	110,008
Expenditure				
Employee benefit expenses	6	34,721	35,785	33,002
Depreciation and amortisation	16	25,611	23,791	23,144
Other expenses	7	54,185	45,688	43,478
Total expenditure		114,517	105,264	99,624
Operating surplus/(deficit) before tax		10,762	15,090	10,384
Share of associate surplus/(deficit)	21	491	344	465
Surplus/(deficit) before tax		11,253	15,433	10,849
Income tax expense	8	-	-	-
Surplus/(deficit) after tax		11,253	15,433	10,849
Other comprehensive revenue				
Valuation gains/(losses) taken to equity	25	161,874	5,104	856
Fair value gains/(losses) through comprehensive income on investments		23	-	(4)
Total comprehensive revenue and expenses		173,150	20,538	11,701

The Notes to the Financial Statements on pages 18 to 67 form part of and should be read in conjunction with these financial statements.

Statement of Financial Position				
As at 30 June 2019				
	Note	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Assets				
Current assets				
Cash and cash equivalents*	9	5,195	9,929	4,140
Debtors and other receivables	10	11,715	14,374	11,590
Prepayments		297	171	244
Inventories	11	3,406	3,284	2,056
Biological assets	12	346	288	318
Other financial assets	13	50,000	55,000	57,000
Non-current assets held for sale	19	4,072	-	4,072
Total current assets		75,031	83,046	79,420
Non-current assets				
Property, plant and equipment	14	1,622,623	1,488,580	1,464,300
Intangible assets	17	714	1,749	948
Inventories	11	6,621	8,524	8,172
Investment property	18	54,786	35,595	39,880
Investment in associates	21	8,114	8,231	7,838
Other financial assets*	13	3,452	3,416	3,923
Total non-current assets		1,696,310	1,546,095	1,525,061
Total assets		1,771,341	1,629,141	1,604,481
Liabilities				
Current liabilities				
Trade payables and other accruals	22	9,705	14,476	11,480
Employee benefit liabilities	23	4,768	3,908	4,322
Total current liabilities		14,473	18,384	15,802
Non-current liabilities				
Revenue received in advance		-	269	-
Employee benefit liabilities	23	831	1,069	844
Provisions	24	1,309	5,059	6,257
Total non-current liabilities		2,140	6,397	7,101
Total Liabilities		16,613	24,781	22,903
Total Net Assets		1,754,728	1,604,360	1,581,578
Net Assets / Equity				
Accumulated revenue & expenses	25	802,771	798,830	789,959
Other reserves	25	951,957	805,530	791,619
Total net assets / equity		1,754,728	1,604,360	1,581,578

*2018/19 LTP Cash and Cash Equivalents included Omarunui Landfill (\$2,968). This has been reclassified to Non-currents Other Financial Assets in 2018/19 & 2017/18.

The notes to the Financial Statements on pages 18 to 67 form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Note	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Total Net Equity balance at 1 July		1,581,578	1,583,822	1,569,877
Total comprehensive revenue for the period		173,150	20,538	11,701
Total Net Equity balance at 30 June	25	1,754,728	1,604,360	1,581,578
Total comprehensive revenue and expenses attributable to:				
Napier City Council		173,150	20,538	11,701
Total comprehensive revenue and expenses		173,150	20,538	11,701

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Cash flows from operating activities				
Receipts from rates revenue		56,396	55,266	53,628
Interest received		2,069	1,925	2,115
Dividends received		-	-	1
Receipts from other revenue		48,399	57,999	42,818
Goods and services tax (net)		(1)	-	(326)
Payments to suppliers and employees		(94,520)	(80,429)	(75,053)
Net cash from operating activities	29	12,343	34,761	23,183
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		2,431	250	3,214
Proceeds from withdrawal of investments		98,748	165,138	98,501
Purchase of property, plant & equipment		(22,494)	(38,829)	(28,983)
Purchase of intangible assets		27	-	(619)
Acquisition of investments		(90,000)	(165,000)	(99,000)
Net cash from investing activities		(11,288)	(38,442)	(26,887)
Net cash from financing activities		-	-	-
Net (decrease)/increase in cash, cash equivalents & bank overdrafts		1,055	(3,681)	(3,704)
Cash, cash equivalents & bank overdrafts at 1 July		4,140	16,578	7,844
Cash, cash equivalents & bank overdrafts at 30 June		5,195	12,897	4,140

The Notes to the Financial Statements on pages 18 to 67 form part of and should be read in conjunction with these financial statements.

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Notes to the Financial Statements

Statement of Accounting Policies

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.

The financial statements of the Council are for the year ended 30 June 2019. The financial statements were authorised by the Council for issue on 26 September 2019.

Basis of Preparation

The 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).

Adjustments

Adjustments have been made to the budget figures in the Long Term Plan from those disclosed in this annual report. Changes have arisen due to changes to classifications of items within the funding impact statements. These adjustments have arisen from an increased understanding and classification of items to be in line with the requirements of the regulations.

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.

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.

Statement of Accounting Policies continues

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.

Statement of Accounting Policies continues

Exchange Revenue

Licenses 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.

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.

Statement of Accounting Policies continues

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).

Statement of Accounting Policies continues

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 (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.

Statement of Accounting Policies continues

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 and 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.

Refer to trade receivables for details of impairment testing of loans and receivables.

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.

Statement of Accounting Policies continues

Property, Plant and Equipment continues

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.

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
Transportation	
Base Course	60-130
Surfacings	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80
Drainage	25-100
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
Water	
Reticulation	56-200
Reservoirs	100

Statement of Accounting Policies continues

Property, Plant and Equipment - Depreciation continues

	Years
Pump Stations	15-80
Stormwater	
Reticulation	80-100
Pump Stations	15-80
Wastewater	
Reticulation	80-100
Pump Stations	15-80
Milliscreen	10-80
Outfall	60
Others	
Grandstands, Community & Sports Halls	50
Sportsgrounds, Parks & Reserves Improvements	10-50
Buildings on Reserves	10-50
Pools	10-50
Inner Harbour	20-50

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.

Reclassification to assets held for sale

On 30 June 2019, two items of land and buildings with a net carrying value of \$4,435,000 were classified as held for sale. Please refer to Note 19 for further details.

Valuation of Property, Plant and Equipment

As at 30 June 2019 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 2019.
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 2019 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 2019. 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.

Statement of Accounting Policies continues

Description	Method of Valuation
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 2019 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

Statement of Accounting Policies continues

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.

Statement of Accounting Policies continues

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.

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 see Note 26.

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.

The Council's objectives, policies and processes for managing capital are described in Note 27.

Budget Figures

The budget figures are those approved by the Council and adopted as a part of the Council's Ten Year 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.

Statement of Accounting Policies continues

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 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

Note 24 discloses an analysis of the exposure of the Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

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. See Note 14.

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 ended 30 June 2019.

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.

Statement of Accounting Policies continues

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:

a) 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.

b) 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.

d) 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.

Statement of Financial Performance

For the Year Ended 30 June 2019

	Note	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual* 2017/18 \$000
Total operating revenue (Activity Cost of Service Statements)				
City Strategy		6,162	6,081	5,205
Community and Visitor Experiences		17,503	18,727	16,209
Other Infrastructure		7,524	6,534	7,272
Property Assets		24,303	20,307	15,116
Stormwater		1,013	967	781
Transportation		9,756	9,261	9,320
Wastewater		9,124	9,168	8,846
Water Supply		6,126	6,282	5,719
Total operating revenue		81,511	77,326	68,468
Other revenue (as per Statement of Comprehensive Revenue and Expenses)				
General rates		40,037	40,053	39,043
Rates remissions		(330)	(219)	(264)
Interest revenue		1,976	1,925	2,115
Other revenue		2,085	1,049	646
Total revenue		125,279	120,134	110,008
Total operating expenditure (Activity Cost of Service Statements)				
City Strategy		18,622	9,949	10,102
Community and Visitor Experiences		40,513	39,886	37,856
Democracy and Governance		2,931	3,532	2,837
Other Infrastructure		10,025	8,382	7,386
Property Assets		7,429	11,350	7,244
Stormwater		4,580	4,711	4,299
Transportation		15,403	13,671	15,405
Wastewater		9,077	9,629	9,055
Water Supply		6,854	6,019	6,967
Total operating expenditure **		115,434	107,128	101,151
Other revenue (as per Statement of Comprehensive Revenue and Expenses)				
Internal expenditure		(16,752)	(1,833)	(1,790)
Other expenses		15,835	(251)	263
Total expenditure		114,517	105,044	99,624
Operating surplus/(deficit) before tax (as per Statement of Comprehensive Revenue and Expenses)				
Share of associate surplus/(deficit)	21	10,762	15,090	10,384
		491	344	465
Surplus/(deficit) before tax		11,253	15,433	10,849
Income tax expense	8	-	-	-
Surplus/(deficit) after tax		11,253	15,433	10,849

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 84 for the detail of these changes.

**Total interest expense as per Note 2 Finance Income and costs is included in the cost of services expenditure above and in the Activity Statements

Notes to the Financial Statements for Year Ended 30 June 2019

1. Rates Revenue		
	Actual 2018/19 \$000	Actual 2017/18 \$000
General rates	39,728	38,721
Rates Penalties	309	322
Targeted rates attributable to activities		
Water	5,924	5,176
Sewerage	8,119	7,457
Refuse and sanitation	2,204	1,942
Roading	148	148
Marketing	193	192
Swimming Pool Safety	74	-
Total revenue from rates	56,699	53,958
Rates remissions	(330)	(264)
Rates revenue net of remissions	56,369	53,694

In accordance with the Local Government (Rating) Act 2002, rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

The rates remission policy allows rates to be remitted on condition of a ratepayers extreme financial hardship, land used for sport, and land protected for historical or cultural purposes.

2. Finance Income and Finance Costs		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Finance income		
Interest income		
Term deposits and call accounts	1,976	2,115
Total finance income	1,976	2,115
Finance costs		
Interest expense		
Interest on internal borrowings	1,269	1,539
Total interest expense	1,269	1,539
Internal interest expense	(1,269)	(1,539)
Total finance costs	-	-
Net finance income	1,976	2,115

Notes to the Financial Statements for Year Ended 30 June 2019

3. Subsidies and Grants

	Actual 2018/19 \$000	Actual 2017/18 \$000
Land Transport and other Government grants	6,638	6,798
Other Grants and Donations	465	167
Total grants and donations	7,104	6,965

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised (2018: \$nil).

4. Other Revenue

	Actual 2018/19 \$000	Actual 2017/18 \$000
User charges	5,885	5,488
Regulatory revenue	3,355	3,124
Rental income from investment properties	1,768	1,685
Other rental income	4,590	4,264
Infringements and fines	728	677
Rendering of services	2,286	2,007
Retail and product sales	10,475	9,730
Omarunui Landfill Joint-Venture	3,001	3,206
Sales residential development	5,518	4,683
Other income	1,803	1,301
Petrol tax	417	463
Vested assets - other	1,298	1,567
Dividend income	239	1
Total other revenue	41,363	38,196

5. Gains/(Losses)

	Actual 2018/19 \$000	Actual 2017/18 \$000
Non-financial instruments		
Gain/(loss) on revaluation of Library bookstock	(150)	(228)
Gain/(loss) on revaluation of investment properties	14,906	5,642
Gain/(loss) on sale of assets	199	757
Gain/(loss) on disposal of assets	(584)	(391)
Fair value gain/(loss) on livestock	5	130
Total gains/(losses)	14,376	5,910

Notes to the Financial Statements for Year Ended 30 June 2019

6. Employee Benefit Expenses

	Actual 2018/19 \$000	Actual 2017/18 \$000
Salaries and wages	33,971	32,285
Employer contributions to multi-employer defined benefit plans	845	807
Increase/(decrease) in employee benefit liabilities	(95)	(90)
Total employee benefit expenses	34,721	33,002

7. Other Expenses

	Actual 2018/19 \$000	Actual 2017/18 \$000
Audit fee Audit NZ - financial statements	137	135
Audit fee Audit NZ - LTP audit	-	105
Audit fee Audit NZ - debenture trust deed	4	4
Audit fees Crowe Horwarth - internal audit	38	39
Donations	41	14
Bad and doubtful debts	(10)	129
Plant and Equipment Impairment	608	363
Cost of sales residential development	2,482	2,133
Rental expense on operating leases	1,493	1,180
Other operating expenses	49,392	39,376
Total other expenses	54,185	43,478

8. Tax

	Actual 2018/19 \$000	Actual 2017/18 \$000
Relationship between tax expense and accounting profit		
Surplus/(deficit) before tax	(6,150)	11,042
Tax at 28%	(1,722)	3,092
Non-taxable income	1,722	(3,092)
Tax Expense	-	-

Additional disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$XXXX (2018: \$1,909,911).

Notes to the Financial Statements for Year Ended 30 June 2019

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9. Cash and Cash Equivalents

	Actual 2018/19 \$000	Actual 2017/18 \$000
Cash at bank and in hand	5,195	4,140
Short-term deposits maturing 3 months or less from date of acquisition	-	-
Total cash and cash equivalents	5,195	4,140

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

There are no restrictions on the use of part or all of the cash.

Cash includes the following for the purposes of the cash flow statement:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Cash at bank and in hand	5,195	4,140
Short-term deposits maturing within 3 months	-	-
Total cash and cash equivalents	5,195	4,140

Financial Information

Notes to the Financial Statements for Year Ended 30 June 2019

10. Debtors and Other Receivables

	Actual 2018/19 \$000	Actual 2017/18 \$000
Rates receivables	1,052	722
Parklands - unconditional contracts subdivision sales	5,248	4,199
NZTA subsidy claims	1,273	2,520
GST Receivable	960	959
Other receivables	3,288	3,314
Less: Provision for Doubtful Debts	(106)	(124)
Total debtors and other receivables	11,715	11,590
Debtors and other receivables comprise of:		
Receivables from non-exchange transactions - rates and grants	2,325	3,242
Receivables from exchange transactions - commercial sales	9,390	8,348
Total debtors and other receivables	11,715	11,590

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables outside the Council, as the Council has a large number of customers.

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future repayments. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid after the due date for payment. If payment has not been made after the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

The Council holds no collateral as security or other credit enhancements over receivables that are past due other than that given under lease arrangements for leasehold land. Other receivables have been assessed for impairment at year end by taking into consideration collectability on an individual basis.

The ageing profile status of receivables net of uncollectable debts as at 30 June 2019 and 2018 are detailed below:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Current	9,627	9,760
Past due 31 to 60 days	679	580
Past due 61- 90 days	197	70
Past due 90 + days	1,212	1,180
Total receivables	11,715	11,590

The provision for uncollectability has been calculated based on a review of specific overdue receivables and are all overdue 90 day+.

Movements in the individual provision for uncollectability of receivables are as follows:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Balance at 1 July	124	-
Additional provision made during the year	15	124
Provisions reversed during the year	(27)	-
Receivables written off during the year	(6)	-
Balance as at 30 June	106	124

Notes to the Financial Statements for Year Ended 30 June 2019

11. Inventories		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Current portion		
Inventory held for distribution	203	163
Inventory held for resale	140	156
Parklands - land under development	929	737
Parklands - work in progress	2,134	1,000
Total current portion	3,406	2,056
Non-current portion		
Parklands - land under development	2,511	3,205
Parklands - work in progress	4,110	4,967
Total non-current portion	6,621	8,172

Inventory held for distribution and resale remained unchanged in 2019 (2018: \$0) as a result of stocktake adjustments.

The carrying amount of inventories pledged as security for liabilities is \$nil (2018: \$nil).

The Council is currently developing land for future sale, and of the costs to date (including the value of land transferred to inventory) \$6,620,614 is not expected to be recovered until after 30 June 2019 (2018: \$8,171,879).

12. Biological Assets		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Biological assets changes in value		
Opening value 1 July	318	284
Change in value arising from changes in fair value	5	130
Increase in value due to natural increase/(decrease)	232	164
Increase in value due to purchases	311	278
Change in value due to sales	(520)	(538)
Closing value 30 June	346	318

Biological Assets comprise 2,150 sheep (2018: 1,876) largely held for trading.

Notes to the Financial Statements for Year Ended 30 June 2019

13. Other Financial Assets		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Current portion		
Short-term deposits with maturities of 4-12 months	50,000	57,000
Corporate bonds	-	-
Total current portion	50,000	57,000
Non-current portion		
Term deposits with maturities of over 12 months	-	-
Unlisted shares	467	444
Omarunui Landfill*	2,985	3,479
Corporate bonds	-	-
Total non-current portion	3,452	3,923

There was no impairment provisions for other financial assets. The carrying amount of term deposits approximates their fair value.

Unlisted Shares - Valuation

The fair value of the unlisted shares have been determined as follows:

If an active market is present for unlisted shares, the fair value of such shares is determined by their market value. If an active market is absent for unlisted shares, the fair value of such shares is determined by their redemption value.

*Refer to note 20 for further details.

Notes to the Financial Statements for Year Ended 30 June 2019

Other Financial Assets continues

Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments in the Statement of Financial Position, measured at fair value:

30 June 2019	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
Financial assets				
Derivatives	-	-	-	-
Shares	467	467	-	-
Term deposits	50,000	50,000	-	-
Omarunui Landfill	2,985	-	2,985	-
30 June 2018	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
Financial assets				
Shares	444	444	-	-
Term deposits	57,000	57,000	-	-
Omarunui Landfill	3,479	-	3,479	-

Notes to the Financial Statements for Year Ended 30 June 2019

14. Property Plant and Equipment

	Cost / Valuation 1 July 2018 \$000	Accumulated Depreciation & Impairment 1 July 2018 \$000	Carrying Amount 1 July 2018 \$000	Vested Asset Additions \$000	Other Additions \$000	Disposals \$000	Reclassification to Assets Held for Sale	Reversal of Accumulated Depreciation on Revaluation \$000
2018/19								
Council operation assets								
Land	81,858	-	81,858	-	-	-	-	-
Leasehold land	3,433	-	3,433	-	-	(980)	-	-
Buildings	87,123	(2,258)	84,865	-	733	-	-	4,798
Library books	2,085	-	2,085	-	213	-	-	206
Plant and equipment	42,653	(27,415)	15,238	-	2,645	(197)	-	-
Motor vehicles	5,124	(3,099)	2,025	-	702	(482)	-	-
Landfill post closure	225	(225)	-	-	-	-	-	-
Total operational assets	222,502	(32,997)	189,505	-	4,293	(1,659)	-	5,004
Council infrastructural assets								
Sewerage system treatment plant	35,363	(873)	34,490	-	301	-	-	-
Sewerage system other assets	125,965	(3,454)	122,510	169	828	(107)	-	-
Water system	95,008	(1,988)	93,020	148	2,736	(159)	-	-
Drainage network	130,803	(2,541)	128,262	262	1,439	(68)	-	-
Road network	215,051	(2)	215,049	720	12,486	(33)	-	6,454
Land under roads	421,159	-	421,159	-	-	(48)	-	-
Total infrastructural assets	1,023,348	(8,858)	1,014,490	1,299	17,790	(415)	-	6,454
Council restricted assets								
Sportsgrounds	168,532	(1,299)	167,233	-	9,835	-	-	2,963
Grandstands and halls	9,011	(133)	8,878	-	448	-	-	268
Buildings on reserves	42,766	(1,119)	41,647	-	93	-	-	2,238
Swimming pools	11,031	(369)	10,662	-	20	-	-	740
Inner harbour	15,249	(261)	14,988	-	-	(288)	-	512
Total restricted assets	246,590	(3,181)	243,409	-	10,396	(288)	-	6,721
Capital work in progress (see breakdown below)	16,896	-	16,896	-	-	-	-	-
Total property plant & equipment	1,509,336	(45,036)	1,464,300	1,299	32,479	(2,362)	-	18,179
Capital work in progress	2017/18 \$000	2018/19 \$000						
Buildings	563	1,228						
Plant and equipment	144	481						
Sewerage system other assets	599	959						
Water system	2,864	1,280						
Drainage network	1,116	293						
Road network	4,554	1,121						
Swimming pools	-	15						
Sportsgrounds	7,043	1,712						
Inner harbour	15	39						
Total capital work in progress	16,896	7,128						
The net carrying amount of plant and equipment held under finance leases is \$nil (2018: \$nil). In accordance with Accounting Policies the revaluation loss for Library Books is \$nil (2018: \$nil). Loss on library revaluation included in operating surplus/(deficit) due to \$nil revaluation reserve.								

Notes to the Financial Statements for Year Ended 30 June 2019

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Reversal of Accumulated Depreciation on Disposals \$000	Transfers and Corrections \$000	Transfers and Corrections Depreciation \$000	Impairment \$000	Depreciation \$000	Revaluation Surplus \$000	Cost / Valuation 30 June 2019 \$000	Accumulated Depreciation & Impairment 30 June 2019 \$000	Carrying Amount 30 June 2019 \$000
-	802	-	-	-	48,261	130,921	-	130,921
-	-	-	-	-	922	3,375	-	3,375
-	-	-	-	(2,569)	7,058	94,914	(30)	94,884
-	-	-	-	(213)	(356)	1,943	(6)	1,936
195	-	-	-	(2,908)	-	45,102	(30,128)	14,973
377	-	-	-	(560)	-	5,343	(3,282)	2,061
-	-	-	-	-	-	225	(225)	-
572	802	-	-	(6,250)	55,885	281,823	(33,671)	248,150
-	-	-	-	(883)	-	35,664	(1,756)	33,908
30	-	-	-	(3,660)	-	126,854	(7,084)	119,770
7	-	-	(430)	(1,830)	-	97,733	(4,242)	93,490
2	-	-	-	(2,578)	-	132,437	(5,117)	127,319
-	-	-	-	(6,453)	18,418	246,642	-	246,639
-	-	-	-	-	-	421,111	-	421,111
39	-	-	(430)	(15,404)	18,418	1,060,441	(18,200)	1,042,237
-	(802)	-	-	(1,755)	59,104	236,669	(91)	236,577
-	-	-	-	(135)	1,267	10,726	-	10,726
-	-	-	-	(1,121)	4,754	47,613	(2)	47,612
-	-	-	-	(371)	1,135	12,186	-	12,186
11	-	-	-	(261)	3,047	18,008	-	18,008
11	(802)	-	-	(3,643)	69,307	325,202	(93)	325,109
-	-	-	-	-	-	7,128	-	7,128
622	-	-	(430)	(25,297)	143,610	1,674,594	(51,964)	1,622,623

en taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

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Notes to the Financial Statements for Year Ended 30 June 2019

Property Plant and Equipment continues

2017/18	Cost / Valuation 1 July 2017 \$000	Accumulated Depreciation & Impairment 1 July 2017 \$000	Carrying Amount 1 July 2017 \$000	Vested Asset Additions \$000	Other Additions \$000	Disposals \$000	Reclassification to Assets Held for Sale
Council operation assets							
Land	84,200	-	84,200	-	592	-	(2,935)
Leasehold land	5,202	-	5,202	-	-	(1,769)	-
Buildings	84,769	-	84,769	-	2,382	-	-
Library books	2,245	-	2,245	-	300	(2)	-
Plant and equipment	38,685	(26,042)	12,643	-	4,186	(542)	-
Motor vehicles	5,026	(2,856)	2,170	-	415	(317)	-
Landfill post closure	225	(225)	-	-	-	-	-
Total operational assets	220,352	(29,123)	191,229	-	7,876	(2,630)	(2,935)
Council infrastructural assets							
Sewerage system treatment plant	35,340	-	35,340	-	23	-	-
Sewerage system other assets	124,654	-	124,654	576	775	(21)	-
Water system	93,051	-	93,051	270	1,957	(180)	-
Drainage network	128,279	-	128,279	316	926	(79)	-
Road network	209,499	-	209,499	405	11,954	(19)	-
Land under roads	421,111	-	421,111	-	64	(16)	-
Total infrastructural assets	1,011,936	-	1,011,936	1,567	15,698	(316)	-
Council restricted assets							
Sportsgrounds	162,962	-	162,962	-	6,645	(8)	(1,500)
Grandstands and halls	8,959	-	8,959	-	52	-	-
Buildings on reserves	42,636	-	42,636	-	213	(89)	-
Swimming pools	10,967	-	10,967	-	64	-	-
Inner harbour	15,210	-	15,210	-	54	-	-
Total restricted assets	240,735	-	240,734	-	7,028	(97)	(1,500)
Capital work in progress (see breakdown below)	17,117		17,117				
Total property plant & equipment	1,490,140	(29,125)	1,461,015	1,567	30,602	(3,043)	(4,435)
Capital work in progress							
	2016/17 \$000	2017/18 \$000					
Buildings	535	563					
Plant and equipment	468	144					
Sewerage system other assets	580	599					
Water system	2,774	2,864					
Drainage network	2,477	1,116					
Road network	2,801	4,554					
Sportsgrounds	7,476	7,043					
Inner harbour	7	15					
Total capital work in progress	17,117	16,896					

The net carrying amount of plant and equipment held under finance leases is \$nil (2016/17: \$nil). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

Loss on library revaluation included in Operating surplus/(deficit) due to \$nil revaluation reserve

Notes to the Financial Statements for Year Ended 30 June 2019

Napier City Council - 2018/19 Annual Report

Reversal of Accumulated Depreciation on Revaluation \$000	Reversal of Accumulated Depreciation on Disposals \$000	Transfers and Corrections \$000	Transfers and Corrections Depreciation \$000	Depreciation \$000	Revaluation Surplus \$000	Cost / Valuation 30 June 2018 \$000	Accumulated Depreciation & Impairment 30 June 2018 \$000	Carrying Amount 30 June 2018 \$000
-	-	-	-	-	-	81,858	-	81,858
-	-	-	-	-	-	3,433	-	3,433
-	-	-	-	(2,257)	-	87,123	(2,258)	84,865
230	1	-	-	(231)	(458)	2,085	-	2,085
-	524	-	-	(1,897)	-	42,653	(27,415)	15,238
-	289	-	-	(532)	-	5,124	(3,099)	2,025
-	-	-	-	-	-	225	(225)	-
230	814	-	-	(4,917)	(458)	222,502	(32,997)	189,505
-	-	-	-	(873)	-	35,363	(873)	34,490
-	2	-	-	(3,455)	-	125,965	(3,454)	122,510
-	3	-	-	(1,991)	-	95,008	(1,988)	93,020
-	1	-	-	(2,542)	-	130,802	(2,541)	128,262
5,955	1	-	-	(5,958)	(5,035)	215,051	(2)	215,049
-	-	-	-	-	-	421,159	-	421,159
5,955	6	-	-	(14,819)	(5,035)	1,023,349	(8,858)	1,014,490
-	0	-	-	(1,297)	-	168,532	(1,299)	167,233
-	-	-	-	(133)	-	9,011	(133)	8,878
-	2	-	-	(1,120)	-	42,766	(1,119)	41,647
-	-	-	-	(369)	-	11,031	(369)	10,662
-	-	-	-	(261)	-	15,250	(261)	14,988
-	2	-	-	(3,180)	-	246,589	(3,181)	243,409
						16,896		16,896
6,185	823	-	-	(22,916)	(5,493)	1,509,336	(45,036)	1,464,300

Financial Information

Notes to the Financial Statements for Year Ended 30 June 2019

15. Replacement Cost of Core Infrastructural Assets

	Actual 2018/19 \$000	Actual 2017/18 \$000
Council infrastructural assets		
Sewerage system treatment plant	42,743	42,442
Sewerage system other assets	270,882	269,992
Water system	165,953	163,229
Drainage network	196,690	195,056
Roading network	406,040	361,639
Total infrastructural assets	1,082,308	1,032,358

Council's water supply is drawn from the Heretaunga Plains aquifer, so Council does not own a water treatment plant.

16. Depreciation and Amortisation Expense by Group of Activity

	Actual 2018/19 \$000	Actual* 2017/18 \$000
City Strategy	319	326
Community and Visitor Experiences	6,393	5,798
Other Infrastructure**	795	36
Property Assets	737	414
Stormwater	2,581	2,543
Support Units	1,875	1,677
Transportation	6,496	5,988
Wastewater	4,554	4,340
Water Supply	1,861	2,021
Total directly attributable depreciation and amortisation by group of activity	25,611	23,143

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

**Depreciation for Other Infrastructure was adjusted in 2017/18 year to reflect the net book value of the Omarunui Refuse Landfill Joint Venture share of fixed assets due to Napier City Council depreciating at higher rates. Prior to adjustment depreciation for Other Infrastructure was \$552k.

17. Intangible Assets

The Council's intangible assets are made up of computer software. Computer software includes the cost of licenses to use software. Licences are usually rights of use of software only and may contain restrictions as to resale or transfer of the licences. There are no restrictions over the title to the Council's intangible assets providing these are used within the Council and within the conditions granted in the software licence. No intangible assets have been pledged as security for liabilities.

	Actual 2018/19 \$000	Actual 2017/18 \$000
Computer Software		
Cost / Valuation 1 July	3,043	2,411
Accumulated Depreciation & Impairment 1 July	(2,095)	(1,867)
Carrying Amount 1 July	948	544
Additions	77	632
Disposals	-	-
Reversal of Accumulated Amortisation	-	-
Impairments	-	-
Amortisation	(311)	(228)
Revaluation Surplus	-	-
Cost / Valuation 30 June	3,120	3,043
Accumulated Depreciation & Impairment 30 June	(2,406)	(2,095)
Carrying Amount 30 June	714	948

Notes to the Financial Statements for Year Ended 30 June 2019

18. Investment Property

	Actual 2018/19 \$000	Actual 2017/18 \$000
Balance at 1 July	39,880	34,828
Additions from acquisitions	-	-
Disposals	-	(591)
Reclassification	-	-
Fair value gains/(losses) on valuation	14,906	5,643
Balance at 30 June	54,786	39,880

Council's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The valuation was performed by M. Penrose ANZIV, SNZPI, AAMINZ an independent valuer from Telfer Young (HB) Ltd. Telfer Young are experienced valuers with extensive market knowledge of the types of investment properties owned by the Council.

The fair value of investment property has been determined using the capitalisation of net income and discounted cash flow methods. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

Information about the revenue and expenses in relation to the investment property is included below:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Rental income from investment property	1,768	1,685
Expenses from investment property generating income	71	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

19. Non-current Assets Held for Sale

On 30 June 2019, the following assets were classified as held for sale. Prior to reclassification, these were recognised within the Council's Property Plant and Equipment as part of Council Operation assets and Council Restricted Assets (Sportsgrounds)

The Council Operation Asset is the land and carpark occupied by the Civic Administration Building. This is surplus to requirements as the building does not meet the required building standards. The carrying value of the land, building and carpark as at 30 June 2019 was \$2.57m (2018: \$2.57m). The sale of the Civic Administration Building, Land and Carpark is expected to be completed within one year (30 June 2020).

The Council Restricted Asset is the land at 121 Battery Road, Ahuriri (previously occupied by the Ahuriri Bowling Club). This has been approved to divest this site for residential development. The carrying value of this asset is \$1.5m (2018: \$1.5m) which is lower than the fair value and therefore no impairment loss has been recognised upon the reclassification as held for sale. The sale of the land is expected to be completed within one year (30 June 2020).

Notes to the Financial Statements for Year Ended 30 June 2019

20. Joint Venture

The Council's 36.32% interest in the Omarunui Refuse Landfill joint venture is accounted for as a jointly controlled asset. The remaining 63.68% interest in the joint venture is held by Hastings District Council. The Council's interests in the jointly controlled operation are as follows.

	Actual 2018/19 \$000	Actual 2017/18 \$000
Current assets	-	-
Non-current assets	6,192	6,886
Current Liabilities	-	-
Non-current Liabilities	473	467
Revenue	3,401	3,606
Revenue (NCC sales eliminated)	(400)	(400)
Expenses	1,934	1,498
Depreciation*	567	(160)

Interests that the Council holds in jointly controlled assets and jointly controlled operations are accounted for on a line-by-line basis of the Group's share of assets, liabilities, revenue and expenses.

There were no contingent liabilities relating to interests in joint ventures to which the Council was jointly and/or severally liable (2018: \$nil).

There were no contingent assets relating to interests in joint ventures to which the Council would benefit either jointly and/or severally (2018: \$nil).

There were no commitments relating to the Council's joint venture which the council was jointly and/ or severally liable (2018: nil).

There were no capital or other commitments relating to interests in joint ventures to which the Council was jointly and/or severally liable (2018: \$nil).

*Depreciation was adjusted in 2017/18 year to reflect the net book value of the Omarunui Refuse Landfill Joint Venture share of fixed assets due to Napier City Council depreciating at higher rates. Prior to adjustment depreciation for was \$552k.

21. Investments in Council Controlled Organisations**Investment in Associates**

The Council has a 26.00% interest in Hawke's Bay Airport Limited and its reporting date is 30 June. The remaining interest is held by Hastings District Council (24%) and The Crown (50%).

With effect from 1 July 2009, Hawke's Bay Airport Authority was corporatised. The new entity, Hawke's Bay Airport Limited took over the business, assets and liabilities from that date.

Hawke's Bay Airport Limited is an unlisted entity and, accordingly, there is no published price quotations to determine the fair value of this investment.

Notes to the Financial Statements for Year Ended 30 June 2019

Investments in Council Controlled Organisations continues

Movements in the carrying amount of investments in associates

	Actual 2018/19 \$000	Actual 2017/18 \$000
Balance at 1 July	7,838	7,615
Prior Year equity adjustment	-	-
Revaluation Gains/(Losses)	(65)	(65)
Share of total recognised revenues and expenses	491	465
Share of dividend	(150)	(178)
Balance at 30 June	8,114	7,838

Summarised Financial Information of Associate Entities

	Actual 2018/19 \$000	Actual 2017/18 \$000
Assets	48,717	40,527
Liabilities	17,510	10,832
Revenues	7,686	6,649
Surplus/(deficit)	1,545	1,445
Group's interest	26%	26%

Associated Contingencies

There are no contingent liabilities arising from the Council's involvement in the associate.

Reporting

Council Controlled Organisations are required under the Local Government (Financial Reporting) Regulations 2011 to be separately disclosed.

The Council's investment in the Hawke's Bay Airport Limited as an associate has been disclosed above.

The Council has interests in one further Council Controlled Organisation (refer pages 136-139).

- Hawke's Bay Museum Trust with no investment (associate interest)

Notes to the Financial Statements for Year Ended 30 June 2019

22. Trade payables and other accruals

	Actual 2018/19 \$000	Actual 2017/18 \$000
Trade payables and accrued expenses	6,674	9,180
Deposits and bonds	928	725
Accrued interest	-	-
Rates in advance	1,020	961
Revenue received in advance*	1,083	614
Total trade payables and other accruals	9,705	11,480
Payables and other accruals comprise of:		
Payables from non-exchange transactions - rates	1,020	961
Payables from exchange transactions - commercial payables	8,685	10,519
Total trade payables and other accruals	9,705	11,480

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

*Revenue in advance includes \$67,125 (2018: \$268,500) relating to the current portion of the license to occupy corporate boxes in the Graeme Lowe Stand at McLean Park and naming rights for the same.

23. Employee benefit liabilities

	Actual 2018/19 \$000	Actual 2017/18 \$000
Current portion		
Accrued pay	1,657	1,105
Annual leave	2,782	2,805
Retirement and long service leave	329	412
Total current portion	4,768	4,322
Non-current portion		
Retirement and long service leave	831	844
Total non-current portion	831	844
Total employee entitlement	5,599	5,166

Notes to the Financial Statements for Year Ended 30 June 2019

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24. Provisions		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Financial guarantees		
Balance at 1 July	390	440
Amounts used/Unused amounts reversed	(54)	(50)
Balance at 30 June	336	390
Weathertightness provision		
Balance at 1 July	4,800	3,600
Additional provisions made	8,700	1,200
Amounts used/Unused amounts reversed	(13,500)	
Balance at 30 June	-	4,800
Landfill aftercare provision		
Balance at 1 July	467	420
Additional provisions made	11	47
Amounts used/Unused amounts reversed	(5)	
Balance at 30 June	473	467
Tertiary education grant		
Balance at 1 July	600	700
Additional provisions made		
Amounts used/Unused amounts reversed	(100)	(100)
Balance at 30 June	500	600
Total	1,309	6,257

Financial Information

Notes to the Financial Statements for Year Ended 30 June 2019

Provisions continues

Provision for Financial Guarantees

The Council is listed as sole guarantor to a number of related authorities and locally incorporated societies for bank facilities.

The Council is obligated under the guarantees to make payments in the event the authority or society defaults on a financial arrangement. The exercising of guarantees will be dependent on the financial stability of the authorities and societies, which will vary over time.

FINANCIAL GUARANTEES

		Authorised 2018/19 (\$000)	Outstanding Amount 2018/19 (\$000)	Authorised 2017/18 (\$000)	Outstanding Amount 2017/18 (\$000)
Napier Sailing Club	Westpac	750	207	750	245
Omni Gymnastics Centre	Westpac	275	129	275	145
Total		1,025	336	1,025	390

Provision for weathertightness

During the financial year Council settled a claim relating to building defects/weathertightness of properties in the Napier District.

Provision for Landfill Aftercare

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.

Capacity of the Site

The landfill is divided into four valleys as below:

	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life
Valley A - opened in December 1998, closed 2006	2.6m3	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m3	17 years	6.99 years
Valleys B & C - not yet in operation			

Notes to the Financial Statements for Year Ended 30 June 2019

Provisions continues

Estimates of the life have been made by Hastings District Council's engineers based on historical volume information.

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%.

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 \$93,000
- The provision reported is for the Napier City Council's share only (36.32%).

Provision for Tertiary Education Grant

Council has formed an agreement with Eastern Institute of Technology (EIT) to provide education grants until 2024.

Notes to the Financial Statements for Year Ended 30 June 2019

25. Equity		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Retained earnings		
As at 1 July	789,959	777,745
Transfers to:		
Restricted reserves	(1,814)	(3,285)
Transfers from:		
Asset revaluation reserve	1,414	1,958
Restricted reserves	1,959	2,692
Surplus/(deficit) for the year	11,253	10,849
As at 30 June	802,771	789,959
Restricted reserves		
As at 1 July	3,200	2,607
Transfers to:		
Retained earnings	(1,959)	(2,692)
Transfers from:		
Retained earnings	1,814	3,285
As at 30 June	3,055	3,200
Restricted reserves consist of:		
Loan funds reserves	(120)	(120)
Trusts and bequests	321	316
Other restricted reserves	2,854	3,004
Total restricted reserves *	3,055	3,200
Asset revaluation reserves		
As at 1 July	788,430	789,532
Revaluation gains/(losses) Property, Plant & Equipment	161,939	920
Revaluation gains/(losses) Hawke's Bay Airport Limited	(65)	(64)
Total valuation gains/(losses) as per Other Comprehensive Revenue	161,874	856
Transfer of revaluation reserve to retained earnings on disposal of property plant & equipment	(1,414)	(1,958)
As at 30 June	948,890	788,430

* For full details on the restricted reserves refer to pages 68 - 74.

Notes to the Financial Statements for Year Ended 30 June 2019

Equity continues

	Actual 2018/19 \$000	Actual 2017/18 \$000
Asset revaluation reserves consist of:		
Operational assets		
Land	115,102	66,840
Leasehold land	3,061	2,950
Buildings	66,256	54,400
Plant & equipment	268	268
Infrastructural assets		
Sewerage Treatment Plant	9,902	9,902
Sewerage system	119,196	119,302
Water system	76,547	76,690
Drainage network	85,071	85,119
Roading network	244,794	219,941
Restricted reserves		
Sportsgrounds	176,517	114,452
Grandstands and halls	4,691	3,156
Buildings on reserves	22,066	15,073
Swimming pools	7,499	5,624
Inner Harbour	15,716	12,445
Hawke's Bay Airport Authority	2,204	2,268
Total asset revaluation reserves	948,890	788,430
Fair value through equity reserve		
As at 1 July	(11)	(7)
Valuation gains/(losses) on unlisted shares taken to equity	23	(4)
As at 30 June	12	(11)
Total other reserves	951,957	791,619
Total Equity	1,754,728	1,581,578

Notes to the Financial Statements for Year Ended 30 June 2019

26. Capital Management

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

The Local Government Act 2002 (the Act) 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 Act 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 Act 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.

27. Capital Commitments and Operating Leases

	Actual 2018/19 \$000	Actual 2017/18 \$000
Capital commitments		
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	1,594	5,283
These were relating to:		
Infrastructural Assets		
Roading Network	826	2,809
Sewerage system	-	-
Restricted Assets		
Sportsgrounds	599	2,465
Buildings on reserves	-	9
Operation Assets		
Plant and Equipment	169	-
	1,594	5,283

Notes to the Financial Statements for Year Ended 30 June 2019

Capital Commitments and Operating Leases continues

Operating leases as lessee

Napier City Council leases commercial property in the normal course of business. This includes commercial buildings that are further subleased.

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance sheet date is \$3,090,667 (2018: \$3,707,487). Leases can be renewed at the Council's option, with rents set by reference to current market. There are no restrictions placed on the Council by any of the leasing arrangements.

The Council has commercial leases on leased office space. There are no restrictions placed upon the Council by entering into these leases. The leased office spaces are on a term of 3 years with a right of renewal constrained within the lease but does not extend the term of the lease beyond the final expiry date.

Non-cancellable operating leases as lessee

The future aggregate minimum lease payments to be paid by the Council under non-cancellable operating leases are as follows:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Not later than one year	1,494	1,503
Later than one year and not later than five years	3,135	4,022
Later than five years	51	659
Total non-cancellable operating leases	4,680	6,184

During the year ended 30 June 2019, \$1,493,137 was recognised as an expense in the Statement of Comprehensive Revenue and Expenses in respect of operating leases (2018: \$1,145,333)

Operating leases as lessor

The Council has various sundry properties that are leased under operating leases. These consist of leases to community groups of Council owned buildings, leasing of commercial buildings held for strategic reasons and one commercial lease as part of a community facility. The remainder are commercial leases of land either held by Council for strategic reasons or where Council is a sub lessor. There was no contingent rent recognised in the period (2018: \$nil). The future aggregate minimum lease payments to be collected by the Council under non-cancellable operating leases are as follows:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Not later than one year	808	791
Later than one year and not later than five years	2,863	2,869
Later than five years	2,287	3,032
Total non-cancellable operating leases	5,958	6,692

Notes to the Financial Statements for Year Ended 30 June 2019

28. Contingencies		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Contingent liabilities	25,383	16,450
Financial guarantees	689	635
Total contingent liabilities	26,072	17,085

Financial Guarantees

The value of guarantees disclosed as contingent liabilities reflects the Council's assessment of the undiscounted portion of financial guarantees that are not recognised in the statement of financial position. Refer to note 24 Provisions for information on recognised financial guarantees.

Weathertightness

Council has recognised an exposure to weathertightness claims of \$25m (2018 \$16.4m). There is a significant degree of uncertainty relating to unquantified costs for physical works and a potential insurance recovery hence this is recognised as a contingent liability.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Napier City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 8 of which are located within the Napier City Council area. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

Other contingencies

In the ordinary course of business Council can be subject to claims from clients utilising the services of Council.

A provision for known claims and future claims has been made. Impact and cost of future and unknown claims cannot be measured reliably and therefore the Council has an unquantified contingent liability.

The Council is a participating employer in a Defined Benefit Plan Contributors Scheme ('the scheme') which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employees ceased to participate in the scheme, the Council could be responsible for an increased share of the deficit.

Notes to the Financial Statements for Year Ended 30 June 2019

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Financial Information

29. Reconciliation of Net Surplus after Tax to Net Cash Flow from Operating Activities		
	Actual 2018/19 \$000	Actual 2017/18 \$000
Surplus/(deficit) after tax	11,253	10,849
Add/(less) non-cash items		
Share of associate surplus/(deficit)	(491)	(465)
Share of joint venture	(1,067)	(2,109)
Depreciation and amortisation expense	25,611	23,144
Vested assets	(1,298)	(1,567)
(Gain)/loss on revaluation of Library bookstock	150	228
(Gain)/loss on revaluation of investment properties	(14,906)	(5,643)
Fair value (gain)/loss on livestock	(5)	(130)
Other non-cash items	285	124
Add/(less) items classified as investing or financing activities:		
(Gain)/loss on sale or disposal of assets	385	(365)
Add/(less) movements in working capital items:		
Accounts receivable	37	(1,309)
Prepayments	(53)	(73)
Inventories	241	260
Biological assets	(23)	(34)
Accounts payable	(2,841)	(1,254)
Provisions	(5,367)	1,097
Revenue received in advance	-	133
Employee benefits	432	296
Net cash inflow/(outflow) from operating activities	12,343	23,183

Notes to the Financial Statements for Year Ended 30 June 2019

30. Remuneration**Chief Executive**

The current Chief Executive of the Council, appointed under section 42 of the Local Government Act 2002, received a salary of \$336,489 (2018: \$314,209).

For the Year Ended 30 June 2019, the total annual cost including Fringe Benefit Tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$346,704 (2018: \$350,430)

In terms of his contract, the Chief Executive also received the following additional benefits:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Cost During the Financial Year		
Subscriptions	2	1

Elected Representatives

	Actual 2018/19 \$000	Actual 2017/18 \$000
Total remuneration		
Mayor		
Bill Dalton	121	125
Acting Mayor*		
Faye White **	62	49
Councillors		
Tony Jeffery	49	46
Kirsten Wise	49	46
Keith Price **	50	47
Maxine Boag	42	40
Graeme Taylor	45	43
Annette Brosnan	45	43
Richard McGrath	42	40
Tania Wright	45	43
Claire Hague	45	43
Apiata Tapine	42	40
Larry Dallimore	42	40
Total elected representatives remuneration	678	645

* Faye White assumed the role of Acting Mayor on the 15th of May, 2019

** receive payment for time spent on the hearings committee

As part of the Mayor's remuneration package they have full personal use of the Council provided vehicle. The Mayoral vehicle is a 2016 Hyundai Tucson 2.0 and the taxable value of the vehicle was \$9,834

Notes to the Financial Statements for Year Ended 30 June 2019

Napier City Council - 2018/19 Annual Report

31. Employee Staffing Levels and Remuneration

As at 30 June 2019 the number of employees employed by Napier City Council was 574 (2018: 552)*.

2018/19 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2018/19	Other Staff Full Time Equivalent 2018/19	Total FTE's	Total Number of Employees
Less than \$60,000	201	78	279	349
\$60,000 to \$79,999	117	2	119	119
\$80,000 to \$99,999	56	3	59	59
\$100,000 to \$119,999	20	2	22	22
\$120,000 - \$139,999	12	-	12	12
\$140,000 - \$159,999	6	-	6	6
\$160,000 - \$359,999	7	-	7	7
Total	419	85	504	574

2017/18 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2017/18	Other Staff Full Time Equivalent 2017/18	Total FTE's	Total Number of Employees
Less than \$60,000	202	65	267	351
\$60,000 to \$79,999	107	2	109	110
\$80,000 to \$99,999	52	1	53	54
\$100,000 to \$119,999	13	1	14	14
\$120,000 - \$139,999	8	-	8	8
\$140,000 - \$159,999	8	-	8	8
\$160,000 - \$359,999	7	-	7	7
Total	397	69	466	552

For the purposes of this disclosure, full time staff are based on 40 hours per week. Full time equivalent staff include those personnel receiving salaries, wages and casual staff, and have been calculated on a full time equivalent basis, as at 30 June 2019. The budget 2018/19 full time equivalent staff was 586 (2018: 457).

Napier City Council currently employ a number of regional shared services roles, and costs are recovered on a shared services arrangement.

Napier City Council operates an in-house Design Team, and Works Depot, who are responsible for delivery of infrastructure engineering which are contracted to external consultants in some other Councils. This along with seasonal component of Napier City staff makes benchmarking, based solely on headcount and employee costs problematical when attempting staff level and employee cost comparisons between Councils. Elected members are excluded from this disclosure.

* The number of employees include permanent, fixed term and casual regardless of hours worked.

Financial Information

Notes to the Financial Statements for Year Ended 30 June 2019

32. Severance Payments

For the Year Ended 30 June 2019, the Council made 1 (2018: 2) severance payments to employees at the values of \$5,000 (2018: \$3,480 & \$5,000).

NOTE: severance payments are those outside contractual obligations and do not include redundancy payments.

33. Events After the Balance Sheet Date

The Council's Aquatic Centre project is currently under judicial review. The Court has endorsed an interim relief position which allows Council to continue the resource consent process, preloading earthworks on site and the evaluation of tenders received and acceptance of the preferred tenderer by Council. Any final award of the contract will await final outcome from the High Court hearing that will commence on 30 September 2019.

34. Financial Instrument Risks**Financial instrument categories**

	Actual 2018/19 \$000	Actual 2017/18 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	5,195	4,140
Debtors and other receivables	11,715	11,588
Other financial assets		
Term deposits	50,000	57,000
Omarunui Landfill	2,985	3,479
Total loans and receivables	69,895	76,207
Held to maturity		
Other financial assets		
Local authority stock	-	-
Corporate bonds	-	-
Total held to maturity	-	-
Fair value through equity		
Unlisted shares	467	444
Total fair value through equity	467	444
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	9,705	11,480
Secured loans	-	-
Total financial liabilities at amortised cost	9,705	11,480

Notes to the Financial Statements for Year Ended 30 June 2019

Financial Instrument Risks continues

Financial Instrument Risks

Napier City Council has a series of policies to manage the risks associated with financial instruments. This Council is risk-averse and therefore seeks to minimise risk exposure from its treasury activities through adherence to its approved Investment Management Policy and Liability Management Policy. These policies do not allow transactions of a speculative nature.

Market Risk**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Napier City Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of this Council's investment portfolio in accordance with the limits set out in Napier City Council's Investment Management Policy.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Napier City Council purchases plant and equipment (associated with the construction of certain infrastructural assets) and library stock assets from overseas. These transactions require this Council to enter into transactions denominated in foreign currencies. Exposure to currency risk arises as a result of these activities.

It is this Council's policy to manage foreign currency risks, arising from contractual commitments and liabilities of significant value, by entering into forward foreign exchange contracts to hedge the foreign currency risk exposure. This means Napier City Council is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Napier City Council to fair value interest rate risk. Napier City Council's Liability Management policy is to stay within a minimum and maximum percentage of its borrowings in fixed-rate instruments. Fixed-to-floating interest rate swaps can be entered into to hedge the fair value interest rate risk arising where this Council's fixed rates borrowings are in excess of the target range.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Napier City Council to cash flow interest rate risk. In order to manage the cash flow interest rate risk, under its Liability Management Policy this Council has the ability to raise long-term borrowings at floating rates, then later swap them to fixed rates using interest rate swaps.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Napier City Council, causing this Council to incur a loss. Due to the timing of its cash inflows and outflows, this Council invests surplus cash into term deposits or local authority stock, which gives rise to credit risk. This Council's Investment Management Policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other Local Authorities are generally secured by charges over rates. Other than other local authorities, this Council invests funds only with entities that have a Standard and Poor's credit rating of at least A-1 for short-term investments, and at least A+ for long-term investments.

Napier City Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Notes to the Financial Statements for Year Ended 30 June 2019

Financial Instrument Risks continues

Maximum exposure to credit risk

The Council's maximum credit risk exposure for each class of financial instrument is as follows:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Cash at bank and term deposits	55,195	61,140
Receivables	11,715	11,588
Community and related party loans	-	-
Local authority stock and government bonds	-	-
Derivative financial instrument assets	-	-
Financial guarantees	336	390
Total credit risk	67,246	73,118

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Actual 2018/19 \$000	Actual 2017/18 \$000
Counterparties with credit ratings		
Cash at Bank		
AA- (Others)	5,195	4,140
Total cash at bank	5,195	4,140
Term deposits		
AA- (Others)	49,000	57,000
A (Kiwibank)	1,000	-
Total term deposits	50,000	57,000

Debtors and other receivables mainly arise from Napier City Council's statutory functions. Therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Notes to the Financial Statements for Year Ended 30 June 2019

Financial Instrument Risks continues

Name of registered bank	Name of credit rating agency and rating		
	Standard & Poors	Fitch	Moody's
ANZ Bank New Zealand Limited	AA-	AA-	A1
ASB Bank Limited	AA-	AA-	A1
Australia and New Zealand Banking Group Limited (B)	AA-	AA-	Aa3
Bank of New Zealand	AA-	AA-	A1
Kiwibank Limited	A	AA	A1
Westpac Banking Corporation (B)	AA-	AA-	Aa3
Westpac New Zealand Limited	AA-	AA-	A1

Liquidity Risk

Management of Liquidity Risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management Policy. These policies have been adopted as part of the Council's Long Term Plan (LTP).

The Council has an overdraft facility of \$300,000 (2018: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2019 was \$0 (2018: \$nil). The Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$7,353,400 in funds as at 30 June 2019 (2018: \$4,117,500).

Contractual Maturity Analysis of Financial Liabilities

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt is based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More Than 5 Years \$000
2018/19						
Creditors & Other Payables	9,705	9,705	9,705	-	-	-
Secured Loans	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	336	336	336	-	-	-
Total	10,041	10,041	10,041	-	-	-
2017/18						
Creditors & Other Payables	11,480	11,480	11,480	-	-	-
Secured Loans	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	390	390	390	-	-	-
Total	11,870	11,870	11,870	-	-	-

Notes to the Financial Statements for Year Ended 30 June 2019

Financial Instrument Risks continues

Contractual Maturity Analysis of Financial Assets

The table below analyses the Council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 year \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
2018/19						
Cash & cash equivalents	5,195	5,195	5,195	-	-	-
Debtors & other receivables	11,715	11,715	11,715	-	-	-
Other financial assets						
Term deposits	50,000	50,996	50,996	-	-	-
Total	66,910	67,906	67,906	-	-	-
2017/18						
Cash & cash equivalents	4,140	4,140	4,140	-	-	-
Debtors & other receivables	11,588	11,588	11,588	-	-	-
Other financial assets						
Term deposits	57,000	58,354	58,354	-	-	-
Total	72,728	74,082	74,082	-	-	-

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council's financial instrument exposures at balance date.

Interest rate risk

	2018/19				2017/18			
	-50 bps		100 bps		-50 bps		100 bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets								
Cash and cash equivalents	(26)	-	52	-	(21)	-	41	-
Other financial assets								
Term deposits	(250)	-	500	-	(285)	-	570	-
	(276)	-	552	-	(306)	-	611	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity has been calculated based on a shift in interest rates of -50bps/+100bps (2018: -50bps/+100bps).

Term loans

At 30 June 2019 the Council had \$nil of floating rate debt (2018: \$nil). Therefore a movement in interest rates of plus 100 bps or minus 50 bps has no effect on interest expense.

Notes to the Financial Statements for Year Ended 30 June 2019

35. Derivative Financial Instruments

As at 30 June 2019, the Council's current and non current investments and borrowings have all been negotiated at fixed interest rates for fixed terms.

Council's foreign exchange policy requires that all foreign denominated commitments over NZ\$100,000 equivalent are hedged using forward foreign exchange contracts, once expenditure is approved. At 30 June 2019 Council's forward foreign exchange contracts totalled EUR€nil or NZ\$nil (2018: EUR€nil or NZ\$nil).

36. Related Party Transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Related party transactions with subsidiaries, associates, or joint ventures

The Council has significant influence over Hawke's Bay Museums Trust. The Council also has a 36.32% share in the Omarunui Landfill joint venture and has significant influence over Hawke's Bay Airport Limited due to its 26.00% ownership.

The Hawke's Bay Museums Trust is a council-controlled organisation as three of the five member Board are Napier City Council or Hastings District Council nominees. Hawke's Bay Museums Trust is classified as an associate entity for financial reporting purposes.

	Actual 2018/19 \$000	Actual 2017/18 \$000
Hawke's Bay Museums Trust (HBMT)		
Grants paid to HBMT	583	451
Services provided to HBMT	1,172	908
Hawke's Bay Local Authority Shared Services Ltd (HBLASS)		
Initial Shareholding	1	1
Share of Expenses paid to HBLASS	-	12

HBLASS Ltd was deactivated as a company during the 2017/18 year and replaced with a Forum Group comprising the Chief Executives of Central Hawke's Bay District Council, Hastings District Council, Hawke's Bay Regional Council, Napier City Council and Wairoa District Council, and independent Chairperson.

Notes to the Financial Statements for Year Ended 30 June 2019

Related Party Transactions continues

Transactions with key management personnel

Key management personnel includes the Mayor, Councillors, the Chief Executive and other senior management personnel.

The Council purchased goods and services of \$0 (2018: \$1,035) from Volom Marketing Business, in which the Director of Corporate Services is related to the operator of the business. This expenditure relates to consulting services received for event management and was on normal commercial terms and financial approval.

During the year, Councillors and key management, as part of normal local authority relationships, were involved in transactions of a minor and routine nature with the Council on normal commercial terms (such as payment of rates and transfer station fees).

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2018: \$nil).

Key management personnel compensation

	FTE 2018/19	FTE 2017/18	Actual 2018/19 \$000	Actual 2017/18 \$000
Elected members remuneration	13	13	679	645
Senior management remuneration (includes Chief Executive and direct reports)	8	8	1,641	1,655

Due to the difficulty in determining the full-time equivalent of Councillors, the full-time equivalent figure is taken as the number of Councillors.

Comparisons variance between the two years is attributed to long service leave and leave paid out for staff that departed during the previous year.

Notes to the Financial Statements for Year Ended 30 June 2019

38. Major Budget Variances

Explanations for major variations from Council's 2018/19 Long Term Plan are as follows:

Statement of Financial Performance**Revenue**

Total revenue was \$4.9m less than the Long Term Plan budget for the 2018/19. Significant items of variance are as follows.

- Development and Financial Contributions – These are \$3.1m above budget mainly due an increase relating to Te Awa and King/Guppy Road developments.
- Subsidies and Grants – Subsidies and grants were \$1m less than budget, mainly due to the timing of grants received for the National Aquarium business case, Kiwi House, Doris Tragedy, Rotary and Cycle Strategy, offset by an increase in subsidy claim from New Zealand Transport Agency (NZTA) for work done relating to the Watchman Road improvements not budgeted for.
- Other Revenue – Other revenue was \$8.9m less than budget mainly due to Parklands Residential Development section sales less than budget. The reduced sales was due to a delay in the development of sections.
- Other Gains/(Losses) – Other gains/(losses) were \$13.3m above budget. The increase was due to an increase in the fair value of investment property values of \$14.9m, and gain on sale of assets (leasehold land and investment property of \$0.8m) offset by a loss on disposal of assets. The amount of the loss is the difference between the book value of the asset and the disposal value.

Expenditure

Total expenditure in 2018/19 was \$9.3m over budget. The most significant variances are as follows:

- Employee benefit expenses – employee benefit expenses were \$1m lower than budget. This was mainly due to FTE vacancies throughout the year.
- Other Expenses – Other expenses were \$8m over budget. This was mainly due to increases in other operating expenses related to water quality, roading and recycling, an increase in expenditure relating to weather-tightness claims, offset by a decrease in expenditure relating to reduced number of sections developed for Parklands.
- Depreciation – Depreciation is higher than budget by \$1.8m. This is mainly due to timing of capitalisation of assets during year compared to LTP.

Statement of Financial Position**Current Assets**

Overall, current assets are \$8m lower than budget. The significant variances are:

- Cash and Cash Equivalents and debtors are reduced mainly due to reduced income received during year relating to grants and reduced Parklands sales, as well as increased expenditure during year
- Other financial assets are lower than budget due less funds being available for investment
- Non-current assets held for sale is \$4m relating to two items of land and buildings reclassified from Property, Plant and Equipment as surplus to requirements and sale of these expected to be completed within 12 months.

Non-Current Assets

Total non-current assets for 2018/19 are \$150m higher than budget.

- Property, plant and equipment is \$134m higher than budget. This is mainly due to revaluation in operational and restricted assets to reflect increase in fair value of these assets.
- Non-current inventories is \$1.9m less than budget due to the delay in Parklands Residential Development.
- Investment Property is \$19m higher than budget due to the higher than expected increase in fair value of investment property.

Current Liabilities

Current liabilities are \$3.9m lower than budget. The main variance is in trade payables and other accruals which is \$4.8m lower than budget mainly due to the timing of capital project expenditure. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

Non-current Liabilities

Non-current liabilities are \$4.3m lower than budget. The variance relates to a reduction in both provisions and employee benefit liabilities.

Equity

Equity is \$150m above budget. This is mainly due to an increase in asset revaluation reserves due to revaluation of operational and restricted assets to reflect increase in fair value of the assets.

Reserve Funds

As defined in the Local Government Act 2002 a reserve fund means money set aside by a local authority for a specific purpose. In accordance with clause 31 of Schedule 10 of the Local Government Act 2002 the table below reports on the balance at the beginning and end of the financial year and the amounts deposited and withdrawn from each of Council's reserve funds during the financial year.

Council's Reserve Funds are classified into three categories:

- Council Created Reserves – established by Council for specific purposes
- Restricted Reserves – where there are legal obligations which restrict the use of the funds
- Bequest and Trust Funds – amounts received from Bequests, Donations or Funds held on behalf of a community organisation

Negative numbers in the below indicate an unfavourable balance and positive numbers indicate a favourable balance.

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
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COUNCIL CREATED RESERVES

Aquarium Expansion	Derived from grants and donations for the Aquarium Expansion Project	Aquarium	(15)	-	-	(15)
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)	26	(9)	(106)
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	5,150	4,573	(7,837)	1,886
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	-	193	(193)	-
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/Walkways	Roading	208	(208)	-	-
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	15	-	-	15

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
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	82	678	(762)	(2)
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	395	163	(532)	26
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	(246)	7	(69)	(308)
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	7,404	4,118	(667)	10,855
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	27,418	3,352	(735)	30,035

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$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	3,581	223	1,026	4,830
Keep Napier Beautiful	Originally derived from surplus revenue in Keep Napier Beautiful project. Currently credited with annual grant for garden competition and used for competition expenses and administration costs.	Reserves	1	-	-	1
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	3,179	239	-	3,418
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	7,102	2,371	(1,997)	7,476
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	991	-	71	1,062
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(124)	172	(160)	(112)

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
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	13,271	5,016	(8,749)	9,538
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)	(8)	48	(265)
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	1,809	51	-	1,860
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	148	210	(141)	217
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	15,931	1,577	-	17,508
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	1,023	-	(147)	876

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
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	5,563	3,169	(2,000)	6,732
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	1,909	53	-	1,962
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	169	661	(616)	214
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	-	-	2,587
Total Council Created Reserves			97,480	26,636	(23,468)	100,648

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	1,738	49	-	1,787
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	1,266	1,744	(1,945)	1,065

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
Loan Reserve	Established to manage internal loan requirements.	Corporate	(120)	-	-	(120)
Total Restricted Reserves			2,884	1,793	(1,945)	2,732

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	30	1	(1)	30
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	162	5	-	167
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	24	1	-	25
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	5	-	-	5

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2018 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2019 \$000
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	1	(1)	48
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	15	-	-	15
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	13	(12)	33
Total Bequests Trust Funds			316	21	(14)	323

Borrowing Programme

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
New loans			
- Rate funded	9,948	7,188	4,900
- Growth funded		-	44
- Non rate funded		-	50
	9,948	7,188	4,994
Less repayments (net)	(3,565)	(3,124)	(2,923)
	6,383	4,064	2,071
Opening public debt	45,735	46,403	43,664
Gross Public Debt	52,118	50,467	45,735
Internal funding	(52,118)	(50,467)	(45,735)
Net Public Debt	-	-	-

	Actual 2017/18 \$000	Borrowed 2018/19	Repaid 2018/19	Actual 2018/19 \$000	Interest Paid
Internal Borrowing					
Transportation	7,628	2,252	(586)	9,294	210
Stormwater	7,362	-	(512)	6,849	202
Wastewater	2,993	7	(122)	2,879	92
Water supply	149	189	(7)	330	5
Other Infrastructure	-	-	-	-	-
City Strategy	2,643	-	(92)	2,551	73
Community and Visitor Experiences	16,741	1,396	(808)	17,330	460
Property Assets	2,719	14	(100)	2,633	75
Loan Redemptions	5,500	6,090	(1,338)	10,252	151
Total Internal Borrowing	45,735	9,948	-3,565	52,188	1,268

This schedule is prepared specifically to meet the requirements under Schedule 10, section 27 - Internal Borrowing, Local Government Act 2002.

Interest included in this schedule has been assigned to groups on the basis of capital expenditure related to each loan authority. Interest is allocated across activity groups as a capital charge, based on asset book values, through internal charges. The basis for allocations is disclosed in the Council's Long Term Plan under significant forecasting assumptions.

A credit offset for internal interest income is applied when setting the level of general rates.

Council classifies loans as those where a formal loan raising resolution is required by Council. The loan raising process does not differentiate on the basis of the source of funds raised, i.e. internal or external

Financial Prudence Benchmarks

Annual Report Disclosure Statement for the year ending 30 June 2019

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

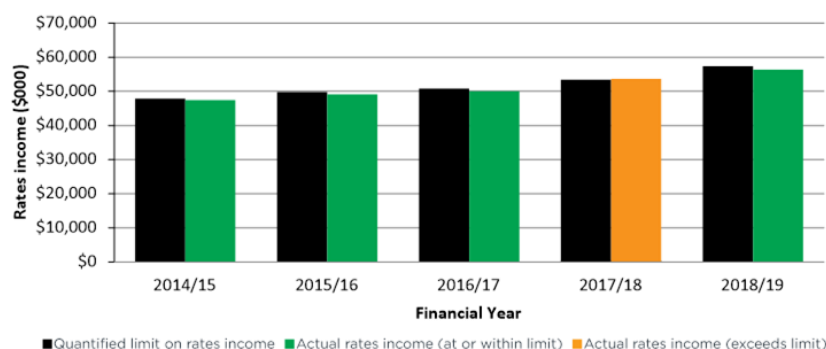
Rates affordability Benchmark

The Council meets the rates affordability benchmark if-

- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

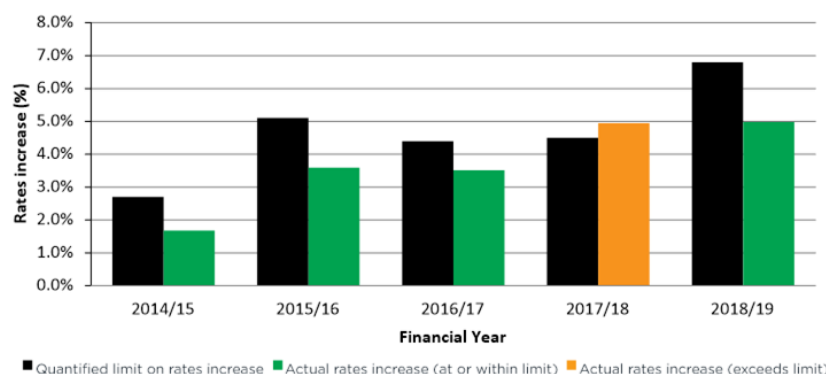
Rates (income) affordability

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit in the 2018-28 LTP was Local Government Cost Index (LGCI) plus 5%. Previously in the financial years 2015/16, 2016/17, 2017/18 based on the 2015-25 LTP it was LGCI plus 3% and in 2014/15 based on the 2012-2022 TYP it was Consumer Price Index (CPI) plus 1.1%.



Rates (increases) affordability

The following graph compares the Council's actual rates increase with a quantifiable limit on rates increases contained in the financial strategy included in the Council's Long Term Plan. The quantified limit in the 2018-28 LTP was Local Government Cost Index (LGCI) plus 5%. Previously in the financial years 2015/16, 2016/17, 2017/18 based on the 2015-25 LTP it was LGCI plus 3% and in 2014/15 based on the 2012-2022 TYP it was Consumer Price Index (CPI) plus 1.1%.



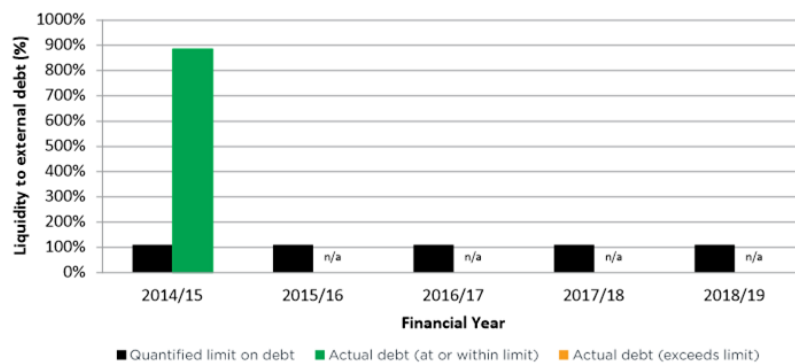
Debt affordability Benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The quantified limits described in the 2018-28 LTP are;

- liquidity to external debt;
- net external interest as a percentage of income; and
- net interest expense to income.

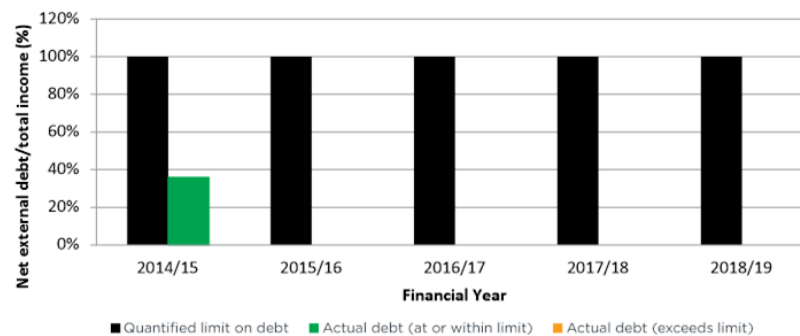
Liquidity to external debt

The following graph compares the Council's debt with a quantified limit on contained in the relevant LTP's financial strategy. The quantified limit is liquidity (term debt plus committed bank facilities and liquid available financial investments) to external debt must be at least 110%.



Net external interest as a percentage of income

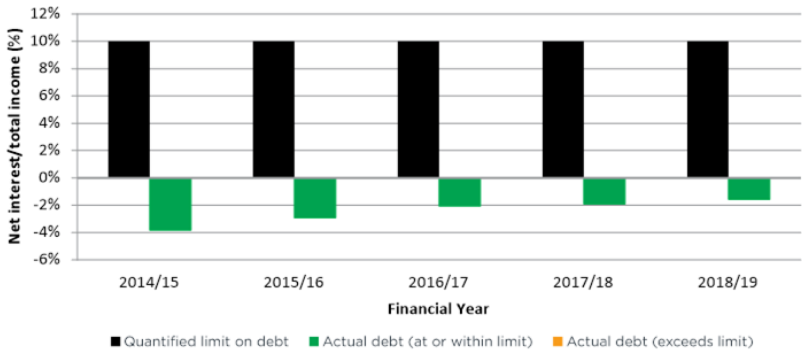
The following graph compares the Council's debt with a quantified limit on borrowing in the relevant LTP's financial strategy. The quantified limit is net external debt as a percentage of total income will not exceed 100%. Note, where the external debt is \$0 in a particular year, net debt is shown as \$0 as well.



Debt Affordability Benchmark continues

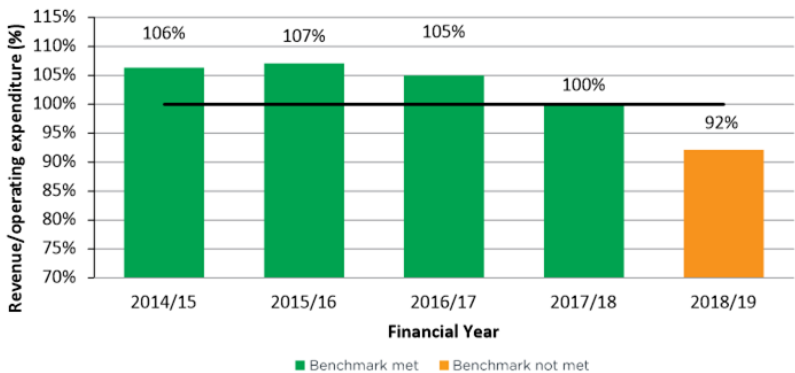
Net interest expense to income

The following graph compares the Council's debt with a quantified limit on borrowing in the relevant LTP's financial strategy. The quantified limit is net interest expense on external debt to total income will not exceed 10%.



Balanced Budget Benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments, and revaluations of property, plant, or equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

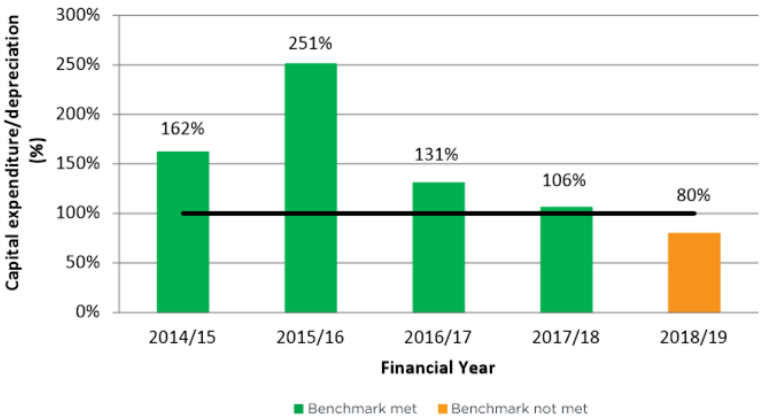


Council did not meet the Balanced Budget Benchmark in 2018/19 due to an increase in expenditure relating to weathertightness claims.

Balanced Budget Benchmark continues

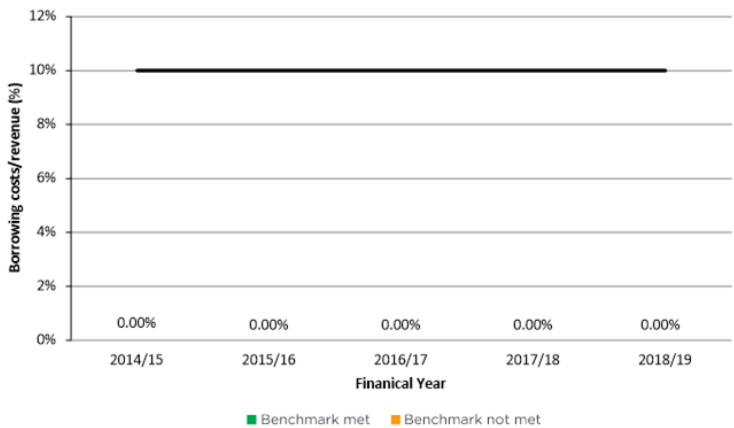
Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of expected depreciation on network services. The council meets the essential services benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt Servicing Benchmark

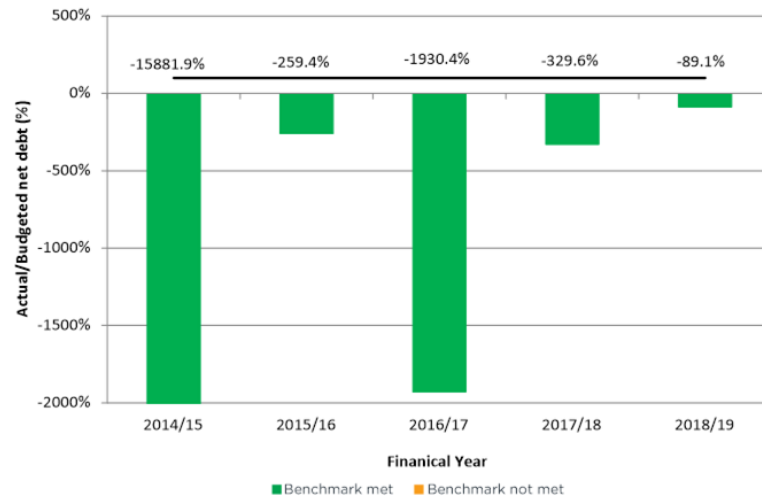
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



Balanced Budget Benchmark continues

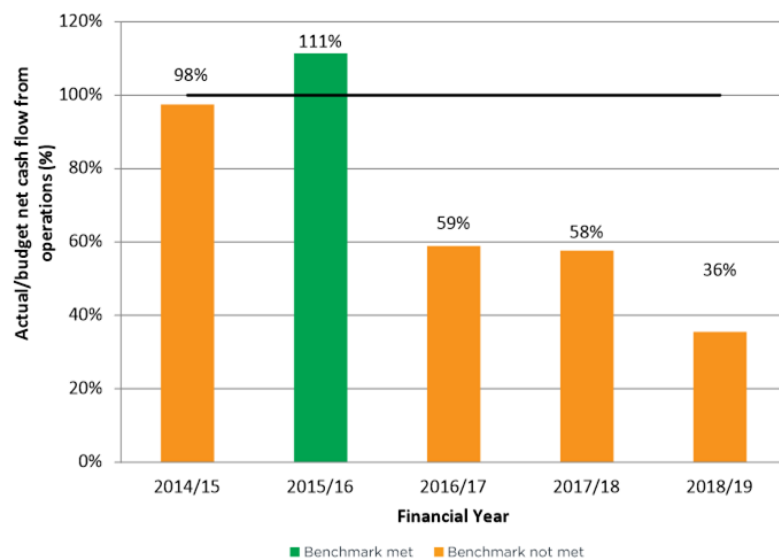
Debt Control Benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Council did not meet the Operations Control Benchmark in 2018/19 due to lower than expected cash generated from section sales at Parklands residential subdivision and increased expenditure relating to weathertightness claims.

Funding Impact Statement (Whole of Council)

	Actual 2018/19 \$000	LTP/AP 2018/19 \$000	Actual 2017/18 \$000	AP 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	40,037	40,053	39,043	38,771
Targeted rates	16,048	16,051	14,367	14,548
Subsidies and grants for operating purposes	3,056	2,936	3,451	2,684
Fees and charges	22,613	21,860	20,899	19,220
Interest and dividends from investments	2,215	1,925	2,115	728
Local authorities fuel tax, fines, infringement fees, and other receipts	17,824	25,880	16,253	27,914
Total operating funding (A)	101,793	108,705	96,128	103,865
Applications of operating funding				
Payments to staff and suppliers	88,519	81,251	76,941	75,007
Finance costs	-	-	-	-
Other operating funding applications	320	222	393	2
Total applications of operating funding (B)	88,839	81,473	77,334	75,009
Surplus/(deficit) of operating funding (A - B)	12,954	27,232	18,794	28,856
Sources of capital funding				
Subsidies and grants for capital expenditure	4,048	5,176	3,541	2,902
Development and financial contributions	4,125	2,851	3,128	3,094
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	1,294	250	3,144	226
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	9,467	8,277	9,813	6,222
Application of capital funding				
Capital expenditure**				
- to meet additional demand	589	1,510	2,327	7,257
- to improve the level of service	6,076	13,784	13,118	21,186
- to replace existing assets	16,166	23,368	15,390	20,641
Increase (decrease) in reserves	(410)	(3,153)	(2,228)	(14,006)
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	22,421	35,509	28,607	35,078
Surplus/(deficit) of capital funding (C - D)	(12,954)	(27,232)	(18,794)	(28,856)
Funding balance ((A-B) + (C-D))	-	-	-	-

Note: Budget and prior year revenue have been adjusted to include water by meter and rates remissions in rates revenue.

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and 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 have been used.

* Water by meter rates are included under targeted rates.

** For capital budget variances refer to activity key issues.



Activity Groups

Change in Activity Group Reporting

In the 2018-28 Long Term Plan the Council changed the Activity Groups that are reported on. These changes have meant that where applicable, the comparative information has been restated to reflect the current Activity Groupings. The table below shows the differences in the Activity Groups between the 2015-25 LTP and the 2018-28 LTP.

Current Activity Group as per the 2018 -28 LTP	Previous Activity Group as per the 2015-25 LTP	Changes in Activity Group
Democracy and Governance	Democracy and Governance	No change
Transportation	Roading	Name change only
Stormwater	Stormwater	No change
Wastewater	Sewerage	Name change only
Water Supply	Water Supply	No change
Other Infrastructure	Solid Waste	Previous Activity Group Solid waste plus added in the business units for Cemeteries and Public Toilets
City Strategy	Planning and Regulatory	Previous Activity Group Planning and Regulatory plus added business unit of City and Business Promotion
Community and Visitor Experiences	Recreation, Social and Cultural and City Activities	Joined the previous Recreation, Social and Cultural and City Activities together and removed Cemeteries, Public Toilets, Inner Harbour and City and Business Promotion
Property Assets	Property Assets	All previous activities for Property Assets and added business unit Inner Harbour

Satisfaction survey results

There has been a change in methodology from previous years which in part has impacted on some of the results of the satisfaction ratings. Methodology changes include:

- Using a satisfaction scale from '1-10' rather than a scale of '1-3' and 'don't know'.
- Only ratings of 6 or higher have been used to show satisfaction, rather than 5 or higher. The new rating scale now allows for direct comparison with other benchmarking survey averages across New Zealand.
- A mixed method approach was undertaken using telephone, social media and online (rather than just telephone).
- The survey will be done quarterly rather than annually.

Democracy and Governance

Scope

Council's Democracy and Governance Activity provides a democratic and consultative system for governance and decision making. The activity encompasses the management of:

- the Council meeting and decision making process
- local elections
- responses to official information requests

Napier City Council elections are held triennially and currently comprises:

Mayor and six Councillors elected by the city as a whole

- Ahuriri Ward - 1 Councillor
- Onekawa-Tamatea Ward - 1 Councillor
- Nelson Park Ward - 2 Councillors
- Taradale Ward - 2 Councillors

The Council has no Māori Wards or Community Boards.

Council's governance function is delivered through a structure of Standing Committees, Joint Committees, Specialist and Sub-Committees and Council Controlled Organisations (CCO). The Local Governance Statement (available on the website) provides information on this structure and the processes through which Napier City Council engages with the residents of Napier, how the Council makes decisions, and how citizens can participate.

The overall aims are to:

- ensure the city develops in a sustainable manner.
- promote economic growth.
- promote tourism.
- foster a safe environment.
- be a guardian of the city's assets and infrastructure.
- engender pride in Napier.

A fundamental role of Council is to represent the community, to receive and understand their views, make good decisions for the benefit of the community, and if appropriate, explain Council reasoning behind a particular decision or policy, to those who might be interested.

Democracy and Governance stakeholders are all residents of Napier City and the wider region. Consultation with stakeholders is carried out in accordance with the Significance and Engagement Policy.

Council's Māori Consultative Committee provides Māori perspective across all Council business, through the review of Council and Standing Committee's open agendas. The Committee makes recommendations to the Council on these items or any other matters relevant to Council as it considers necessary.

The Democracy and Governance group contributes to the following community outcomes:

A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
			1	

Key: 1 = Primary focus 2 = contributes to

Year in review – 2018/19

Following significant public engagement, Council completed its representation review in late 2018, with a final proposal to move to a ward-only arrangement. Following the determination of the Local Government Commission in January 2019, Council's representation structures for the 2019 election will be as follows:

- Mayor
- Ahuriri Ward - 2 Councillors
- Onekawa-Tamatea Ward - 2 Councillors
- Nelson Park Ward - 4 Councillors
- Taradale Ward - 4 Councillors
- No Māori Wards or Community Boards.

Council also retained the first past the post electoral system.

As well as making its own preparations for the election period, Council has facilitated and participated in an exciting multi-pronged campaign encouraging participation in the election process in a variety of ways – standing as candidates, enrolling and voting. Alongside our partner councils and their youth councils, the District Health Board, the Electoral Commission, government departments, and education providers, Council actively encourages Napier's eligible voters to get involved in the upcoming local government election, through standing as candidate and or having their say about who leads the cities, districts and health providers of the region.

Council also continues to partner with the other councils of the region in a variety of other ways. This has included advocating to central government for continued local management of three waters, raising important considerations to LGNZ on social housing, and leading the recently completed collaborative project to redevelop the websites of the five councils. The feedback on the new websites has been really positive and there has been comment from councils further afield complimenting how it looks.

Several of Council's initiatives attracted funding from the central government Provincial Growth Fund allocation, announced in June.

Council recognised several citizens' exemplary contribution to the Napier community through its annual Napier City Civic Awards, including conferral of our highest honour, Freedom of the City, to Mr Alan Dick in September 2018.

We also continue to regularly welcome new citizens to Napier at our citizenship ceremonies; these are always very special events to celebrate the culmination of an extensive process for the candidates.

Council was deeply saddened in early April when Mayor Dalton experienced a stroke. Deputy Mayor White has undertaken the role of Acting Mayor since that time, as per her responsibilities under the Local Government Act while Mayor Dalton takes a leave of absence to recover from the unexpected health event.

Council has considered many matters over the year, including several of significant public interest. As part of the democratic processes available to Council and the community, two of these decisions have been taken to the courts for review of the process undertaken. A decision was reached in relation to the Easter Sunday Trading Policy in 2018; a review of the Aquatic Centre development decision through the Long Term Plan will be heard in late 2019.

A significant increase in the number and size of official information requests has been identified over the last year. Council continues to meet its statutory requirements in relation to requests and the provision of information and to work closely with requesters throughout this process.

Performance Results 2018/19 (Democracy and Governance)

Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Council holds regular Council and Council Committee meetings that are accessible and notified to the local community	Percentage of council meetings for which meeting agenda is made publicly available four calendar days (internally set) before the meeting date	98%	100%	98%	◆	Of the 58 formal meetings of the 2018/19 year, one agenda was one day late in the second quarter of the year due to an unfortunate interaction between the requirements of the system Council uses to produce meeting papers with the timing of the statutory holidays in Hawke's Bay.
Council will comply with legislative requirements	Annual Reports and Long Term Plans receive 'unmodified' audit opinion	100%	100%	100%	◆	
Council will provide governance that is effective and transparent	Percentage of residents satisfied with the 'Sufficiency of Public Information' in the NRB Public Opinion Survey	56%	75%	66%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
Council will respond to information requests in a timely manner	Number of LGOIMA requests responded to within statutory time frames	99%	100%	New Measure	◆	1 LGOIMA of the 175 responded to over the 2018 /2019 year was responded to one day late. This was an extremely large LGOIMA and was also impacted by conflicting priorities. The requester had been engaged with regularly and was comfortable that the request was being actioned as quickly as possible.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Funding Impact Statement (Democracy and Governance)

Napier City Council - 2018/19 Annual Report

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,931	3,532	2,512
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,931	3,532	2,512
Applications of operating funding			
Payments to staff and suppliers	-	-	-
Finance costs	-	-	-
Internal charges and overheads applied	2,931	3,532	2,512
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,931	3,532	2,512
Surplus/(deficit) of operating funding (A - B)	-	-	-
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	-	-	-
Surplus/(deficit) of capital funding (C - D)	-	-	-
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	-	-	-

Activity Groups

Transportation

Scope

We own, maintain and develop the local transportation network. The city's road network provides accessibility to Napier residents and visitors within a safe, clean and aesthetic environment. The activities within this group include the installation and maintenance of the physical components; roads, footpaths, traffic and pedestrian bridges and structures, street lighting, drainage, traffic services and safety (e.g. street furniture, traffic lights, signage), as well as the planning, management and amenity and safety maintenance to ensure the system is clean, safe and able to cope with future needs.

Transportation corridors are a key element of the local environment, supporting the community and economy. It is essential that transportation continues to be delivered to an appropriate standard to achieve national, regional and Council's strategic objectives and desired outcomes.

We provide the following to the City of Napier:

- 301km of urban roads and footpaths
- 56km of rural roads
- 45km of cycle paths
- 480km of kerb and channel
- 8,616 street lights
- 3,400 amenity lights
- 8 vehicle bridges
- 10 pedestrian bridges
- 61 culverts larger than 900mm in diameter
- 5,441 sumps and manholes
- 1,369 culverts less than 900mm in diameter
- 15,822m of traffic islands
- 9,555m safety barriers and railings
- 5,902 street trees
- 6,885 street signs
- 24 bus shelters

The Transportation activity group contributes to the following community outcomes:

A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
2	1	2	2	2

Key: 1 = Primary focus 2 = contributes to

Year in review – 2018/19

CBD development – Hastings Street

The final section of the Hastings Street upgrade project was completed which included traffic calming measures in lower Shakespeare Road and safety improvements at the Hastings St/Cathedral Lane/ Browning St intersection.

Speed limits review

The formal stage of the review of the Speed Limits Bylaw began 28 February. The public consultation on the Draft Bylaw following the informal feedback stage generated 2,630 responses and will inform the draft proposal. The hearing of submissions will now be held after the Council elections.

Traffic calming

Traffic calming schemes have been implemented in Tamatea, Maraenui and Jervoistown, primarily to address high speeds and discourage inappropriate through traffic.

Cycleways

New cycle facilities have been constructed on Kennedy Road and alongside the HB Expressway between Meeanee Road and Burness Road.

Awards

The Kuaka Gateway project at Watchman Road was completed, winning national awards in recognition of the approach taken in developing and delivering the multi-agency project as well as the finished article:

- 'Best Public Works Project greater than \$5 million' at the Institute of Public Works Engineers Australasia (IPWEA) NZ Excellence Awards
- Rodney Davies Project Award from the NZ Planning Institute.

Performance Results 2018/19 (Transportation)

Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Provide roads well maintained with adequate lighting and cleaning programmes to meet resident expectations	Percentage residents satisfied (very satisfied and fairly satisfied) with "roads" in the NRB Public Opinion Survey	71%	90%	87%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
Provide well maintained footpaths and cycleways to meet resident expectations	Percentage residents being satisfied (very satisfied or fairly satisfied) with "footpaths" in the NRB public opinion survey	70%	84%	87%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
Design and construct safety improvements to minimize the number of injury crashes (Mandatory measure 1)	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	+13	-1	-10	◆	2017 - 1 Fatal: 7 Serious. 2018 - 2 Fatal: 19 Serious. 2018 unfortunately saw an increase in crashes resulting in fatal and Serious injuries. As Road Controlling Authority, Napier only has influence on the layout and condition of the roads, neither of which was a factor in the two crashes resulting in a loss of life. Napier continues to work alongside those agencies with wider powers for enforcement and driver training in targeting a long term, sustainable decrease in all crashes.
Provide roads well maintained (Mandatory measure 2)	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	92%	>85%	93%	◆	
Provide adequate renewal of road surfacing (Mandatory measure 3)	The percentage of the sealed local road network that is resurfaced annually	2.90%	7.1%	3.4%	◆	Napier has tensioned the reseal programme to maximise seal life and ensure that only those roads needing intervention receive investment. This measure reflects the out dated routine cyclic method of determining reseal programmes.
Provide well maintained footpaths and cycleways (Mandatory measure 4)	Percentage of footpaths and cycleways rated 4 or 5 (rating 1 best to 5 worst) based on independent survey	1.20%	≤1%	New measure	◆	This is a new measure which required a full review of all Napier's footpaths. The measure provided is of footpath faults prior to the 2018/19 footpath renewal and repair programmes were completed, which addressed Grade 4 & 5 faults as a priority.
The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the timeframe specified in the Ten Year Plan. (Mandatory measure 5)	Percentage responded to within 5 working days	92%	90%	72%	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

* Mandatory measure under the Non-Financial Performance Measures Rules 2013 made pursuant to and in accordance with section 261B of the Local Government Act 2002.

Capital Expenditure (Transportation)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
CBD Development	1,403	1,150	336
Cycle Strategy	-	-	2,147
Embankment Road Bridge	542	187	792
Ground stabilisation and retaining wall	95	250	-
Intersection Improvement Projects	96	1,025	-
Intersection Safety Improvement Projects	177	1,055	-
Local Area Traffic Management Projects	624	550	-
Minor Capital Items	83	340	49
New Cycle and Walking Tracks	667	700	-
Puketitiri Road Upgrade	25	300	-
Roading Capital Projects (Bulk Funded)	868	225	3,863
Roading Infrastructure from Parklands Residential Development	-	-	117
Roading Renewals	4,401	4,912	3,506
Roading Vested Assets	720	1,175	406
Transportation Proposals	-	-	1,440
Urban Corridor Improvement Projects	47	210	-
	9,748	12,079	12,656

Included in Capital Expenditure is vested assets for roading of \$720k (2018: \$406k) and infrastructure from Parklands residential development of \$0 (2018: \$117k)



Funding Impact Statement (Transportation)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	9,308	9,444	11,691
Targeted rates	148	149	149
Subsidies and grants for operating purposes	2,189	1,758	2,076
Fees and charges	137	111	11
Internal charges and overhead recoveries	338	746	628
Local authorities fuel tax, fines, infringement fees, and other receipts	468	414	405
Total operating funding (A)	12,588	12,622	14,960
Applications of operating funding			
Payments to staff and suppliers	8,020	6,868	7,522
Finance costs	-	-	-
Internal charges and overheads applied	1,225	1,452	1,769
Other operating funding applications	-	-	-
Total applications of operating funding (B)	9,245	8,320	9,291
Surplus/(deficit) of operating funding (A - B)	3,343	4,302	5,669
Sources of capital funding			
Subsidies and grants for capital expenditure	3,804	4,106	2,532
Development and financial contributions	2,290	1,548	2,366
Increase (decrease) in debt	2,252	1,887	-
Gross proceeds from sale of assets	48	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	8,394	7,541	4,898
Application of capital funding			
Capital expenditure:			
- to meet additional demand	72	510	4,972
- to improve the level of service	1,059	2,345	3,552
- to replace existing assets	7,897	8,049	5,913
Increase (decrease) in reserves	2,709	939	(3,870)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	11,737	11,843	10,567
Surplus/(deficit) of capital funding (C - D)	(3,343)	(4,302)	(5,669)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	6,496	6,097	6,294

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

Stormwater

Scope

The Council operates a stormwater collection and disposal system that includes both piped and open waterway components within the city to provide stormwater services to the public.

Council has a statutory responsibility to ensure stormwater is managed through ownership and management of its own stormwater drainage network. The Council is the only viable provider of this 'public good' service for the well-being of the community. Stormwater is a mandatory group of activities and must be included in the 30-year Infrastructure Strategy as an infrastructure asset.

Council provides and maintains a stormwater disposal system for Napier with the aim to minimise the effects of flooding. The system, serving approximately 97% of the city's population, consists of open drains, stormwater mains, and pump stations with about 75% of Napier reliant on pumped systems for stormwater drainage.

We provide:

- 222km stormwater mains
- 46.4km open drains
- 10 pump stations
- 2 detention dams
- 4,818 manholes

The Stormwater activity group contributes to the following community outcomes:

A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
2	1	2	2	2

Key: 1 = Primary focus 2 = contributes to

Year in review – 2018/19

Flood Protection

The Council aims to provide flood protection to habitable floors in one in fifty year rainfall events where it is practically achievable. At present, the existing stormwater network is not capable of providing this level of service. There have been historic flooding incidents where houses have been flooded. There were two rainfall incidents this year resulting in flooding of properties. These rainfall events were less than one in ten year rainfall events and no habitable floors were flooded during these incidents.

The Council commenced constructing a hydraulic model to understand the existing system capacity and deficits to meet the desired level of service and to help develop a planned upgrade programme. By the end of the 2018/19 year, 70% of the hydraulic model construction has been completed. The model will be completed in November 2019 and will be ready for use in planning of the stormwater network.

Hastings Street Stormwater Improvements

Upgrading of stormwater pipes along Hastings Street between Browning Street and Tennyson Street has been completed. The upgraded pipes will improve stormwater conveyance in the vicinity. This project is carried out in conjunction with road improvement works along Hastings Street to gain efficiencies and will form part of a wider stormwater improvement strategy.

Stormwater Quality Improvements

Approximately 70% of stormwater from Napier catchment is discharged to Ahuriri Estuary. The Council has given a high priority to improve stormwater quality to reduce contamination of the estuary due to stormwater discharge. The current LTP has included funds to implement projects to achieve this objective. A water quality monitoring programme has been undertaken in 2018/19 to understand the levels and sources of contamination in the stormwater system. The outcome of the water quality monitoring programme will be used to develop solutions to improve stormwater quality.

Performance Results 2018/19 (Stormwater)

Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
The Stormwater network adequately protects the health and safety of Napier residents and protects property by providing protection against flooding	Number of flooding events that occur per year (Mandatory measure 1)	Nil	≤1	None	◆	
	For each flooding event, the number of habitable floors affected per 1,000 properties (Mandatory measure 2)	N/A	≤1	None	◆	
	Median response time to attending a flood event (notification to personnel being on site) (Mandatory measure 3)	N/A	≤2 Hrs	No event	◆	
Stormwater is collected and disposed of in a manner that protects public and environmental health	Compliance with resource consents for discharge from the stormwater system as measured by the number of: (Mandatory measure 4)					
	a) Abatement notices	Nil	Nil	Nil	◆	
	b) Infringement notices	Nil	Nil	Nil	◆	
	c) Enforcement orders	Nil	Nil	Nil	◆	
	d) Convictions received in relation to stormwater resource consents	Nil	Nil	Nil	◆	
Residents are satisfied with Council's Stormwater service	Number of complaints received about performance of stormwater system (per 1,000 properties connected) (Mandatory measure 5)	4.96	≤5	4.87	◆	
	Percentage of residents satisfied with Stormwater in the NRB Public Opinion Survey	61%	89%	88%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

* Mandatory measure under the Non-Financial Performance Measures Rules 2013 made pursuant to and in accordance with section 261B of the Local Government Act 2002.

Capital Expenditure (Stormwater)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
CBD Stormwater Upgrade	70	-	398
Construction of a hydraulic model and upgrades	198	250	-
Minor Capital Items	113	425	132
New pump station in Bay View	-	200	-
Stormwater Infrastructure from Parklands Residential Development	-	-	189
Stormwater Vested Assets	262	448	316
Taradale Stormwater Diversion	-	350	-
Te Awa Stormwater Pond	218	170	31
Tennyson St outfall improvements	-	250	-
Upgrading Stormwater Catchments	224	-	22
	1,085	2,093	1,088

Included in Capital Expenditure is vested assets for stormwater of \$262k (2018: \$316k) and infrastructure from Parklands residential development of \$0 (2018: \$189k)

Funding Impact Statement (Stormwater)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,363	4,071	3,463
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	66	153	132
Local authorities fuel tax, fines, infringement fees, and other receipts	263	49	52
Total operating funding (A)	3,692	4,273	3,647
Applications of operating funding			
Payments to staff and suppliers	1,111	1,166	1,196
Finance costs	-	-	-
Internal charges and overheads applied	954	1,145	882
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,065	2,311	2,078
Surplus/(deficit) of operating funding (A - B)	1,627	1,962	1,569
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	554	470	1,907
Increase (decrease) in debt	70	410	559
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	624	880	2,466
Application of capital funding			
Capital expenditure:			
- to meet additional demand	198	250	3,390
- to improve the level of service	562	1,330	1,824
- to replace existing assets	63	65	569
Increase (decrease) in reserves	1,428	1,197	(1,748)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	2,251	2,842	4,035
Surplus/(deficit) of capital funding (C - D)	(1,627)	(1,962)	(1,569)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	2,581	2,553	2,338

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

Wastewater

Scope

Council provides and maintains a safe, effective and efficient domestic sewage collection, treatment and disposal system to help maintain community health. In addition, we provide for a separate industrial sewage collection and disposal system for selected trade waste customers.

Council provides:

- 44 pump stations
- 380km wastewater mains
- Biological Trickling Filter plant (Awatoto)
- Milliscreen plant (Awatoto)
- 1,500m long marine outfall pipe
- 93% of Napier's population serviced by reticulation system

Under the Local Government Act 2002, the Resource Management Act 1991 and the Building Act 2004, we are obliged to provide a sewerage service, which collects, transports and disposes of household wastewater. Council aims to protect human health and the environment and by being best placed, they can provide this 'public good' service. Wastewater is a mandatory group of activities and must be included in the 30-year Infrastructure Strategy as an infrastructure asset.

The Wastewater activity group contributes to the following community outcomes:

A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
2	1	2	2	2

Key: 1 = Primary focus 2 = contributes to

Year in review – 2018/19

Inflow and Infiltration Investigations

Wastewater overflows during significant rain fall events is a significant issue and is the main reason for wastewater overflows from the system. Infiltration occurs through damages of the pipes and inflow occurs mainly through illegal stormwater connections and non-conformance gully traps from private properties. The Council is implementing an ongoing programme to assess the condition of pipes and investigate stormwater inflow sources by CCTV inspections, smoke testing of pipes and property inspections. During the year, approximately 7km of pipes have been CCTV inspected and smoke tested in two pump catchments. Property inspections were also carried out in these two catchments. The results of these inspections and testing are being evaluated and necessary remedial works will be carried out in 2019/20 year.

Outfall Leak

In August 2018, during a routine inspection and maintenance work, two leaks were discovered in the wastewater outfall pipe at 70m and 700m from the shore. The leak at 70m from the shore was repaired immediately. The leak at 700m from the shore is more complex and difficult to repair as the leak is from a pipe joint that is bespoke in design. Marine experts experienced with similar repairs have been engaged to recommend a repair method for this leak. Meantime, the Council is carrying out rigorous testing and monitoring programme to understand the health and environment risk due to this leak. The monitoring carried out up to now has not identified a significant health or environment risk. The monitoring will be continued until a suitable solution is implemented.

Wastewater Treatment Plant Upgrades

A project was completed to upgrade the control system of Milliscreen Plant. Ageing infrastructure has been replaced with modern infrastructure, increasing the reliability of operation of the plant. More upgrades are planned in future.

Wastewater Pump Station Upgrades and Renewals

Upgrading and renewal of assets in three critical pump stations namely; Latham Street pump station, Taradale pump station and Greenmeadows pump station commenced in the 2018/19 year and will be completed in 2019/20 year. These upgrades and renewals will improve the operational control and reliability of the pump stations.

Construction of a Hydraulic Model

Construction of a wastewater hydraulic model is completed. The model will be calibrated using flow monitoring data and will be available to use for planning purposes towards the end of 2019.

Performance Results 2018/19 (Wastewater)

Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
The collection, reticulation and disposal of household wastewater in a manner that protects the environment and public health	System Adequacy - Dry weather overflows (per 1,000 connections) (Mandatory measure 1)	0.08	≤0.1	0.24	◆	
	Discharge compliance - Compliance with resource consents: (Mandatory measure 2)					
	a) Abatement Notices	Nil	Zero	0	◆	
	b) Infringement Notices	Nil	Zero	2	◆	There were five events that occurred with wastewater with two discharge events impacted by the heavy rain events, a burst sewer main and two minor leaks to the outfall pipe of which one has been repaired and the further is less accessible and is being investigated. Events from the networks were immediately attended too and the mains were isolated to prevent further discharge and repairs effected as soon as possible. Hawke's Bay Regional Council were fully aware of these events and kept up to date and no further action has been taken against Napier City Council as a result of these events.
	c) Enforcement Orders	Nil	Zero	0	◆	
	d) Convictions	Nil	Zero	0	◆	
	Fault response time - Median response times to sewerage overflows: (Mandatory measure 3)					
	a) Attendance time from notification to staff on site	0.98 hours	≤2 hours	1.09 hours	◆	
	b) Resolution time from receipt of notification to resolution	2.1 hour	≤8 hours	2.32 hours	◆	
	Customer satisfaction with Napier's sewerage system. (Mandatory measure 4)					
Customer Satisfaction	a) sewage odour	0.63	N/A	0.55	N/A	
	b) sewerage system faults	0.59	N/A	1.38	N/A	
	c) sewerage system blockages	10.79	N/A	9.37	N/A	
	d) response to issues	0	N/A	0.59	N/A	
	Total number of complaints per 1,000 connections	12.75	≤36	12.3	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

* Mandatory measure under the Non-Financial Performance Measures Rules 2013 made pursuant to and in accordance with section 261B of the Local Government Act 2002.

Capital Expenditure (Wastewater)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Flow metering	-	150	-
Guppy Rd pumping main installation	-	450	-
Milliscreen I.A.R.	130	-	171
Minor Capital Items	103	200	(22)
Pandora Industrial Main	-	150	-
SCADA Upgrade	69	265	-
Wastewater Infrastructure from Parklands Residential Development	-	-	117
Wastewater Outfall Replacement	63	50	107
Wastewater Pipe Renewals	430	250	588
Wastewater Pump Station Renewals	416	545	150
Wastewater Treatment Plant Renewals	51	200	-
Wastewater Vested Assets	169	401	577
	1,431	2,661	1,688

Included in Capital Expenditure is vested assets for wastewater of \$169k (2017: \$577k) and infrastructure from Parklands residential development of \$0 (2017: \$117k)

Funding Impact Statement (Wastewater)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	(2,552)	(1,875)	-
Targeted rates	8,119	8,063	7,977
Subsidies and grants for operating purposes	-	-	-
Fees and charges	628	553	471
Internal charges and overhead recoveries	52	77	66
Local authorities fuel tax, fines, infringement fees, and other receipts	21	-	-
Total operating funding (A)	6,268	6,818	8,514
Applications of operating funding			
Payments to staff and suppliers	3,484	4,082	2,938
Finance costs	-	-	-
Internal charges and overheads applied	1,092	1,300	1,079
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,576	5,382	4,017
Surplus/(deficit) of operating funding (A - B)	1,692	1,436	4,497
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	266	151	404
Increase (decrease) in debt	7	170	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	273	321	404
Application of capital funding			
Capital expenditure:			
- to meet additional demand	14	550	926
- to improve the level of service	88	400	105
- to replace existing assets	1,160	1,310	2,370
Increase (decrease) in reserves	703	(503)	1,500
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,965	1,757	4,901
Surplus/(deficit) of capital funding (C - D)	(1,692)	(1,436)	(4,497)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	4,554	4,324	4,418

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

Water Supply

Scope

The Council provides a water supply system for the supply of safe potable water as well as for fire-fighting purposes. Water is drawn from the Heretaunga Plains aquifer and treated via chlorination prior to being distributed through the network of reservoirs and pipelines. It is reticulated to the Napier urban area and to Bay View. Council has a programme in place to manage the usage of water, a precious natural resource, to minimise wastage and shortages.

We provide the following to the city of Napier:

- 10 ground water and 8 booster pump stations
- 11 service reservoirs situated on 8 sites
- 482km of water mains (47km of critical mains and 435km of distribution mains)
- 93% of Napier's population is serviced by reticulation system

Under the Local Government Act 2002, Council has an obligation to continue to provide water supply services to those communities already serviced within our territorial boundaries. Under the Health (Drinking Water) Amendment Act 2007, Council must protect public health by maintaining the quality of drinking-water provided to communities. Water supply is a mandatory group of activities and must be included in the 30 year Infrastructure Strategy as an infrastructure asset. We are best placed to deliver this 'public good'.

The ongoing renewal, monitoring and maintenance of the water supply network are essential to ensure the Napier public's health and safety.

The Water Supply activity group contributes to the following community outcomes:

A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
	①	②	②	②

Key: ① = Primary focus ② = contributes to

Year in review – 2018/19

3 Waters review

The Council and other Territorial Local Authorities in Hawke's Bay have engaged outside parties to complete a review of the Hawke's Bay region's Three Infrastructure Waters (Drinking water, stormwater and wastewater). The outcomes for the review have been defined as:

- safe and reliable drinking water
- better environmental performance
- efficient and sustainable water services
- achieving these aims in ways that our communities can afford their water bills.

A long-list of options was initially developed and was then cut back to a short-list on which we are currently undertaking deeper, detailed analysis. Consultation with Māori has been carried out and this has been a valuable process in which Māori have shared their view that water is 'one water' not three and it is more than a physical thing, water holds deep cultural and spiritual significance to Māori.

Bore Security Status

In July 2017, the Drinking Water Assessor of Ministry of Health revoked the bore security status of Council's water bores following an assessment carried out after Havelock North water contamination incident. As a result, Napier's water supply was not meeting the virus compliance criteria of current Drinking Water Standards in 2017/18 and was non-compliant with the standards.

Since then, the Council has carried out an extensive bore improvement programme to ensure the existing operative bores are complying with current drinking water standards. Four bore headwork were raised above ground and the remaining underground bore heads were upgraded. After this, an independent bore expert has confirmed that all operative bores can be classified as secure bores. In July 2018, the Drinking Water Assessor reinstated bore security status for all operative bores.

Compliance with Drinking Water Standards

In 2018/19, the Napier water supply is fully compliant with the virus compliance criteria, bacteriological compliance criteria and water quality monitoring requirements for the year in accordance with the current Drinking Water Standards.

Source Protection Zones

The Council abstract water from the Heretaunga Plains aquifer system. It is important to understand the contamination risk to the aquifer due to contaminants entering into the aquifer. Therefore, a study was undertaken and the boundary of the groundwater catchment area which can influence water quality in Napier's water supply was identified. This area of influence is called a Source Protection Zone (SPZ). The next step is to monitor activities of the SPZ, carry out a risk assessment of the activities within SPZ and take appropriate risk mitigation actions.

As part of our commitment to providing safe drinking water to the community and to achieve a range of strategic objectives such as optimising the supply, network resilience and future proofing, Council is planning to consolidate the existing network of bores into two bore fields, located in Taradale South and Awatoto areas. SPZs have been developed for these proposed bore fields and the Council is in the process of preparing a resource consent application for a water take permit for the proposed fields.

Water Safety Plan

The Water Safety Plan (WSP) of the Napier water supply has been reviewed and updated during the year. The updated WSP was approved by the Drinking Water Assessor in November 2018. The new version of the WSP has been prepared in consultation with all the stakeholders and identified risks associated with the supply. The WSP has identified contamination of water through the current network as a risk to the supply and recommended water treatment to mitigate the risk. A range of the short term and long term improvements to the supply have also been identified in the WSP and most of the short term improvements have been already completed. Some of the improvements already completed are; water bore improvements, reservoir improvements, existing treatment system improvements, an initial seismic assessment of reservoir structures, development of SPZs, condition assessment of existing bores and development of Standard Operating Procedures for water treatment.

Water Clarity

Since the introduction of chlorine to the supply, the number of water clarity related complaints have increased significantly. The main reasons for this are; the reaction of chlorine with biofilm built up within the pipes, and changes to the flow and pressure of water in the pipes. A new operational project for extensive planned cleaning of pipes in problematic areas has begun to improve the water clarity issue.

New Taradale Reservoir

A second reservoir at the existing Taradale reservoir site is now available for service. With addition of this new reservoir, the total storage capacity of our reservoirs has increased from 29,500 cubic meters to 39,500 cubic meters. The new storage capacity is sufficient for a two day average winter demand, and one day average peak summer demand.



Performance Results 2018/19 (Water Supply)

Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Safeguard Public Health	Compliance with Part 4 criteria of the Drinking Water Standards (bacteria compliance criteria) (Mandatory measure 1)	Achieved	Achieved	Not Achieved	◆	
	Compliance with Part 5 criteria of the Drinking Water Standards (protozoa compliance criteria) (Mandatory measure 1)	Achieved	Achieved	Not Achieved	◆	
Management of Environmental Impacts	The percentage of real water losses from Council's networked reticulation system as determined through an annual water balance (Mandatory measure 2)	19.80%	≤22%	18.8%	◆	
	Average annual consumption of drinking water per day per resident (Mandatory measure 5)	496L	<490L	560L	◆	Water conservation campaign was carried out and level 2 water restrictions were imposed during the summer, leading to lower consumption from the previous year. Further improvements to reduce the water usage, such as preparing a water conservation strategy for Council's Parks and Reserves, are underway.
	Median response times from time notification received (Mandatory measure 3):					
	a) attendance time for urgent call outs	32 minutes	≤90 minutes	23 minutes	◆	
	b) resolution time for urgent call outs	1.52 hours	≤6 hours	1 hr 23 minutes	◆	
	c) attendance for non urgent call outs	1.28 hours	≤8 hours	75 minutes	◆	
	d) resolution time of non urgent call outs	2.27 hours	≤72 hours	1 hr 48 minutes	◆	
Customer Satisfaction	Number of complaints relating to: (Mandatory measure 4)					
	a) drinking water clarity	40.89		30.42	◆	Not achieved due to high number of water clarity complaints. Maintenance and capital works programme will be implemented in the next 2 years to address this issue.
	b) drinking water taste	0.19		0.15	◆	
	c) drinking water odour	0.39		1.04	◆	
	d) drinking water pressure or flow	0.73		1.5	◆	
	e) continuity of supply	0		1.73	◆	
	Total number of complaints per 1,000 connections	104.21	≤2	62.60	◆	Not achieved due to high number of water clarity complaints. Maintenance and capital works programme will be implemented in the next 2 years to address this issue.
	Percentage of residents satisfied with Water Supply in the NRB Public Opinion Survey	20%	89%	45%	◆	In 2019, drinking water was the main issue highlighted by Napier residents. Only 20% of residents provided ratings 6 and above. Half provided open-ended comments referring to chlorine in some way or another. 'Bad taste/smell' (29%) and 'Discolouration' (17%) were also important issues.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

* Mandatory measure under the Non-Financial Performance Measures Rules 2013 made pursuant to and in accordance with section 261B of the Local Government Act 2002.

Capital Expenditure (Water Supply)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Awatoto Trunk Main	14	-	728
Capital Upgrade Associated with new Water Projects	-	-	547
De-Chlorination Stations	126	66	-
District Modelling Projects	127	150	-
District Monitoring Project	38	500	-
IAR Pump Stations	45	110	27
Improve Bores	14	250	-
Minor Capital Items	219	335	81
New bores in Awatoto	214	200	-
New Water Treatment Plant	-	200	-
Optimise Church Rd booster pump station	-	400	-
Safe Drinking Water Initiatives	230	-	282
Thompson Reservoir Upgrade	104	220	-
Upgrade Water Supply Control System	49	200	45
Water Pipes Renewals	145	255	346
Water Supply Vested Assets	148	221	320
	1,473	3,107	2,376

Included in Capital Expenditure is vested assets for water supply of \$148k (2018: \$320k).

Napier City Council - 2018/19 Annual Report

Activity Groups

Funding Impact Statement (Water Supply)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	(52)	(130)	-
Targeted rates	5,193	5,279	4,429
Subsidies and grants for operating purposes	-	-	-
Fees and charges	616	553	514
Internal charges and overhead recoveries	48	106	91
Local authorities fuel tax, fines, infringement fees, and other receipts	32	11	12
Total operating funding (A)	5,837	5,819	5,046
Applications of operating funding			
Payments to staff and suppliers	3,573	2,935	2,300
Finance costs	-	-	-
Internal charges and overheads applied	1,039	1,175	732
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,612	4,110	3,032
Surplus/(deficit) of operating funding (A - B)	1,225	1,709	2,014
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	290	219	305
Increase (decrease) in debt	189	1,000	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	479	1,219	305
Application of capital funding			
Capital expenditure:			
- to meet additional demand	279	200	200
- to improve the level of service	701	2,041	263
- to replace existing assets	345	645	1,244
Increase (decrease) in reserves	379	42	612
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,704	2,928	2,319
Surplus/(deficit) of capital funding (C - D)	(1,225)	(1,709)	(2,014)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	1,861	2,016	1,922

Other infrastructure

Scope

Activities in Other Infrastructure are:

- Waste Minimisation
- Cemeteries
- Public Toilets.

Waste Minimisation

Council provides a domestic refuse collection service for both residential and commercial properties within Napier as follows:

- Residential Properties – once per week
- Commercial (Suburban Shops) – twice per week
- Commercial (Central Business District) – three times per week.

Litter bins and drums are located throughout the city and serviced on a daily basis. Our Refuse Transfer Station at Redclyffe accepts most domestic, garden and building waste, and recyclables.

Council provides a kerbside recycling service for residential properties on a fortnightly schedule.

Currently Napier disposes of approximately 17,000 tonnes of refuse annually to the Omarunui Landfill from the domestic collection, litter collection and the Transfer Station. The landfill is the final disposal point for waste generated by the combined populations of Hastings District and Napier City. The Hastings District and Napier City Councils jointly own the facility, (63.68% and 36.32% ownership respectively) and Hastings District Council manages the day-to-day operations.

The Waste Minimisation Act 2008 requires councils to adopt a Waste Management and Minimisation Plan (WMMP), which must be reviewed every six years. A WMMP are the council's waste management and minimisation planning document. The legislation enables councils to use various tools to influence, promote and implement measures to manage and minimise waste.

The Local Government Act 2002 requires Council to provide 'effective and efficient' waste management services. The Waste Minimisation Act 2008 requires us to reduce the environmental impact of waste in New Zealand by encouraging waste reduction. The continued provision of this service is essential to the health of Napier's community and maintaining high environmental standards. Council delivers this 'public good' service.

The main goals for Waste Minimisation are:

To provide effective and efficient systems for the collection and disposal of refuse and collection of recyclable materials.

To minimise the quantity and toxicity of waste being generated and disposed of in order to minimise adverse environmental, cultural, social and economic effects of refuse disposal.

Over the 10-year life of the LTP, we will continue to deliver waste minimisation services.

The provision of additional rubbish bins in tourist areas and the increasing number of recreational facilities are driving an increased level of service in this activity. We are also facing a number of long-term issues to address, such as the reducing capacity of the landfill and challenging recycling commodities markets.

The landfill currently in use will be full by 2025 based on estimations. The Waste Futures study project by Napier and Hastings councils investigated alternative waste disposal technologies. The result from this study is a decision to develop the landfill further, focussing on diversion of recyclables and organic material. In summary, the alternative waste disposal technologies can have very high diversion rates but come at a higher cost and level of risk.

Cemeteries

Napier City Council operates and maintains six cemeteries within the territorial boundary of the city. Several of the existing cemeteries within the city have significant historical value.

Hastings District Council owns and operates the crematorium for the Hawke's Bay region. There is also one private crematorium facility in the Onekawa industrial area.

There are no private cemeteries in the Napier City Council area.

Apart from catering to the legal needs and requirements relating to burials and interment of ashes, cemeteries also provide a tangible link to a region's past. Many of the old Napier cemeteries are now popular with visitors wishing to learn more about the history of a region's early residents and to those people undertaking genealogy research.

Council also provides an online cemetery database allowing access to burial details.

Public Toilets

Council provides and maintains public toilet facilities to meet the needs and demands of the community and visitors to the city. Currently Napier has 45 operational public toilet facilities.

Public toilets are provided in key areas generally related to tourism (e.g. i-SITE Visitor Centre), recreational (both at sportsgrounds and passive recreation areas) and shopping activities (e.g. Dickens Street and Maraenui Shopping Centre). Council cleans and inspects facilities at least daily with the emphasis on hygiene, safety, discouragement of and removal of graffiti.

The Other Infrastructure activity group contributes to the following community outcomes:

	A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
Waste Minimisation			①		②
Cemeteries			①		
Public Toilets		①			

Key: ①= Primary focus ②= contributes to

Year in review – 2018/19**Waste minimisation**

The new joint Waste Management and Minimisation Plan for 2018-2024 has been adopted. It aims to reduce the amount of waste going to landfill and encourages waste minimisation.

China has recently stopped taking recycling from New Zealand and Malaysia is no longer receiving non-recyclable plastics. This has had an impact on what we do with our waste and has been considered as part of the upcoming contract for waste collection. Council is committed to recycling and will be providing a weekly service with Council supplied receptacles from November 2019.

Cemeteries

Stage 1 of the extension to Western Hills Cemetery has now been completed. Planning work associated with the cemeteries has been initiated but is not yet complete and will continue in the 2019/20. This includes work necessary to fully understand the historical value of the cemeteries, the state of the Cemetery Record Project and a strategic overview of cemetery provision going forward.

Public Toilets

After much consideration a caregiver and child facility is almost established in the centre of the Napier CBD. Toilet renewal for the Le Quesne Road toilet is underway and this will be completed prior to December 2019. A renovation of the Tram Station toilet is underway. In addition, an audit of all public toilets has been completed and this will provide the basis of renewals going forward.

Performance Results 2018/19 (Other Infrastructure)

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Waste Minimisation	Council provides a kerbside refuse collection service weekly to city residents to ensure city household waste is removed from the kerbside. This activity also provides a user-pay facility at the Transfer Station for disposal of non-household refuse	A weekly kerbside refuse collection service is provided 52 weeks per year to City residents	100%	100%	100%	◆	
		Transfer Station open for 362 days per year	100%	100%	100%	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Other Infrastructure Performance Results 2018/19 continues

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Waste Minimisation	Council provides a fortnightly kerbside recycling collection service to reduce the quantity of waste to landfill. Council promotes waste minimisation activities and responsible solid waste management through education initiatives and a hazardous waste collection programme. Council provides green waste and recycling facilities at the Redclyffe Transfer Station	Waste to Landfill per capita.	267Kg/ Capita/ annum	280kg	274.18 kg/ capita	◆	Less waste is better therefore this target has been exceeded.
		Compliance with Resource Consent conditions	100%	100%	100%	◆	
		Education and waste reduction promotion programmes in place.	973 students	750 students per annum	2,572 students	◆	
		Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey	86%	93%	90%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
		Percentage of residents satisfied with Control of Litter, Graffiti and Vandalism in the NRB Public Opinion Survey	75%	91%	89%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
Cemeteries	Council provides cemetery records that are well maintained and accessible	An online cemeteries records system is available 90% of the time.	98%	98%	98%	◆	
Public Toilets	Council provides adequate toilets that are accessible, available and appropriately located for use by the public to safeguard the health of the community through the appropriate disposal of human waste in high use community areas	Percentage of residents satisfied with Public Toilets in the NRB Public Opinion Survey.	69%	75%	68%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Capital Expenditure (Other Infrastructure)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Minor Capital Items	103	577	114
Omarunui Development - Valley D	265	774	247
Omarunui Development - Valleys B & C	99	161	71
Western Hills Extension	398	315	52
	865	1,827	484

Funding Impact Statement (Other Infrastructure)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,836	2,298	2,169
Targeted rates	2,207	2,294	1,846
Subsidies and grants for operating purposes	239	215	173
Fees and charges	2,076	1,947	1,524
Internal charges and overhead recoveries	20	20	21
Local authorities fuel tax, fines, infringement fees, and other receipts	3,002	2,079	2,223
Total operating funding (A)	10,380	8,852	7,956
Applications of operating funding			
Payments to staff and suppliers	8,422	6,782	6,389
Finance costs	-	-	-
Internal charges and overheads applied	827	901	546
Other operating funding applications	1	1	2
Total applications of operating funding (B)	9,250	7,683	6,937
Surplus/(deficit) of operating funding (A - B)	1,130	1,169	1,019
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	214
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	214
Application of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	426	385	39
- to replace existing assets	439	1,442	903
Increase (decrease) in reserves	265	(658)	291
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,130	1,169	1,233
Surplus/(deficit) of capital funding (C - D)	(1,130)	(1,169)	(1,019)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from above			
Group depreciation and amortisation	795	719	1,133

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

City Strategy

Scope

Activities in City Strategy are:

- City Development
- Resource Consents
- Regulatory Solutions
- Building Consents
- Animal Control
- Parking

City Development

Council plans and delivers urban and economic growth strategically and sustainably through City Development. This Council activity assesses and decides how to protect and develop our constructed and natural environments, and how best to manage that process. City Development takes into consideration Napier's historic heritage and incorporate design, functionality and aesthetics into all our city projects. We guide our investment in infrastructure so it is efficiently located and caters for the planned growth of the city.

City Development also delivers planning and policy functions by meeting the statutory requirements under the Resource Management Act 1991 (RMA) and other relevant legislation. We provide professional, strategic, clear and frank advice to the Council so they can make informed decisions to benefit our City and community now and in the future.

City Development is an ongoing activity to help citizens and elected officials design and deliver the Vision for Napier City. The City Vision identifies the principles that will achieve the city's vision "A vibrant and sustainable Napier for all". Collaboration and engagement with other government agencies, local businesses, stakeholders and resident groups is also a core function of City Development.

Resource Consents

Resource Consents carries out activities required by legislation and is responsible for the administration and management of the Resource Management Act 1991 by providing the following functions:

- Processing of non-notified Resource Consents
- Preparation of reports for hearings relating to notified Resource Consents
- Management and resolution of subsequent Environment Court appeal processes
- Processing of the planning component of Building Consent applications
- Processing of Resource Consents for the subdivision of land
- Processing of Land Information Memorandums
- Implementation of an annual monitoring programme to gauge the effectiveness of the Council's environmental management policies
- Provision of planning advice and information in relation to resource consents, the administration of the District Plan, general development advice, heritage planning and conservation
- Enforcement work to ensure compliance with Resource Consent approvals and the operative District Plans
- Encouraging on-going sustainable development and enabling the community to provide for their economic well-being by the use of enabling regulations.

Regulatory Solutions

Regulatory Solutions are responsible for licensing, monitoring and inspecting a range of services that are provided largely by local businesses, which have the potential to cause harm to the public as governed by various legislations. These businesses include; food premises, camping grounds, hairdressers, mortuaries, wine makers, (environmentally) offensive trades and liquor licensing services.

In addition, Council is responsible for investigating notifiable diseases, investigating and monitoring nuisance to the community, providing a noise control service and monitoring and enforcing freedom camping.

Regulatory Solutions provides advice, education and assistance to individuals and businesses for those starting out and those well established.

Building Consents

The core function of Building Consents is carrying out the requirements of the Building Act 2004: the processing of building consent applications, inspecting building work on site and issuing code compliance certificates at the completion of building work. The Building Consents team also inspect swimming pool barriers, audit building warrants of fitness, investigate complaints, carry out enforcement action when required and provide advice and information to the public on building related issues.

Animal Control

Animal Control is responsible for the implementation and enforcement of the Dog Control Act 1996 and Council Bylaws relating to the Dog Control Act.

Animal Control manages the registration and control of dogs, promoting responsible dog ownership, reducing nuisance created by dogs, ensuring and reducing risk to public safety from dogs and providing animal education initiatives. Emphasis is placed on responsible dog ownership, education and classification of dogs and owners in line with the provisions of the Dog Control Act 1996.

Animal Control operates an animal shelter caring for any impounded dogs, which cares for on average 500 dogs per year and responds to roaming stock requests.

Parking

Parking ensures that safe and adequate parking facilities are available to the residents and visitors to Napier City. This is achieved through the provision of sufficient car parking to meet demand for:

- On street parking
- Off street parking
- Leased parking
- Mobility Parking Alternative
- Transport parking, e.g. motorcycles, electric vehicles.

All parking areas under the Council's control are patrolled either regularly or on request by warranted Parking Enforcement Officers. This is to ensure compliance with national legislation and local regulation. This ensures parking circulation occurs and remains available to all members of the public. Parking ensures that vehicles are parked in a safe and compliant manner.

City Strategy contributes to the following community outcomes:

	A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
City Development	①		②		
Resource Consents			②		①
Regulatory Solutions	②				①
Building Consents					①
Animal Control					①
Parking	②	①			

Key: ① = Primary focus ② = contributes to

Year in review – 2018/19

City Development

District Plan

The District Plan Review is progressing well with Council endorsing the policy direction in July 2019. The Draft District Plan is scheduled for notification in March 2020. The direction is aimed at facilitating the six outcomes set for the city. These include a Resilient Napier, by enabling new urban growth in the hills, and Smart Growth, by developing a Regional Industrial Land Strategy which can future proof the supply of industrial land for our region. The strategy also aims to locate the right industry in the right place. The other four outcomes are:

- Premier Regional Park
- City Living Supporting a Vibrant CBD
- Leveraging our Heritage
- Great Urban Areas.

Inner Harbour

A Master plan for the Inner Harbour is currently under way. This plan aims to transform the area, building on the opportunity created by the asset renewal work that is needed, and the over-arching vision developed in the Ahuriri Estuary and Coastal Edge Masterplan. The new vision for the Inner Harbour includes optimising the use of the water space and providing for the present and future needs of users, as well as transforming those connecting spaces between the water's edge and the commercial spaces with improved amenities. The Inner Harbour Masterplan will

also make recommendations for improved environmental outcomes, and will secure the future of Te Matau-a-Maui as an asset and attraction for the region. It will cement the harbour as a tourist and local destination.

Lagoon Farm Land Use Strategy

Council is currently looking at the future land use for Lagoon Farm and how this will integrate with the vision of achieving a Regional Park for the City. The Lagoon Farm project will meet many criteria under the Ecological Excellence Principle of the Napier City Vision and is one of the projects which stems from the Ahuriri Estuary and Coastal Edge Masterplan. One of the main objectives for this project is to improve the city's stormwater so the health of the estuary can be restored. It also aims to improve biodiversity and provide recreational pathways for visitors to the Park.

New Lights for the Art Deco Buildings in Hastings Street

New LED lights have been installed in Hastings Street between Tennyson and Browning Streets. They were switched on for the first time on 11 February. This completes the current stage of the Hastings Street upgrade which seeks to:

- Revitalise this area
- Bring economic benefits to the CBD
- Reinforce the Art Deco quarter special features
- Promote Napier as a tourist destination
- Attract more visitors to the CBD after hours
- Attract more entertainment activities to the area.

Student City Studio

The Student City Studio will be opening again in the Napier CBD later this year. A collaboration between EIT, and the Council and the University of Waikato provides students with space to work on projects that are either part of their degree requirements or summer research scholarship assignments. The Studio contributes to a vibrant CBD, as well as providing employment pathways for students who participate in private projects helping businesses in the CBD.

Placemaking Activation Projects

A series of placemaking projects have been delivered this year with a few more in the pipeline before the end of the year. These include projects such as the flower bombing as well as the Symons Lane road mural. The aim of these projects is to work together with the community to revive some public areas, making our city more attractive while connecting the community. The placemaking projects are a big contributor to achieving the principle Vision of a "Vibrant Napier". A new parklet outside the Masonic and a new lighting structure in Market Street are two examples of the future placemaking plans for this year.

Mission Plan Change

Council adopted the Private Mission Plan Change in December 2018, and it became operative in January 2019. This Plan Change meets many strategic outcomes for the city, such as greenfield growth in the hills, which aims to improve resilience in our city. The Plan Change also enables future population growth, providing for over 500 new residential lots in the next 10 years. This is a design led development which is sympathetic with the topography of the site. It meets environmental outcomes by treating the stormwater on site and provides a range of planting and public pathways which will enhance biodiversity and recreation opportunities in the area.

Regulatory Solutions

Liquor Licensing

The Joint Napier City Council and Hastings District Council Local Alcohol Policy (LAP) has been approved by the Alcohol Regulatory and Licensing Authority. The two councils are now required by resolution to adopt and publicly notify the LAP. All District Licensing Committee (DLC) contracts were renewed for a further term up to the end of November 2019. This period will bring the DLC contract period in line with local government elections.

Environmental Health and Food Control

All food businesses are now operating under the new Food Act 2014, however there are still uncertainties for Council responsibilities regarding food template plans, which are yet to be determined by government.

Freedom Camping

Freedom camping areas continue to be enjoyed by local and international visitors with over 10,000 estimated overnight stays. Council have undertaken improvements to signage and monitoring and there has been a significant improvement in freedom camping behaviours since freedom camping started in 2015.

Building Consents

The Building Consents Team had our two yearly BCA (Building Consent Authority) Accreditation assessment in November 2018. This was our first accreditation assessment under new guidelines issued by the Ministry of Business, Innovation and Employment and resulted in only four general non-compliances being outstanding at the end of the

assessment with the auditor from IANZ being very complimentary about our performance. The four general non-compliances were subsequently cleared prior to our end of March deadline enabling us to maintain our accreditation.

Animal Control

Our Animal Control Team are delivering a public safety programme to Napier schools educating kids on keeping safe around dogs. Over 1148 primary school children have been through the programme so far. We are also undertaking similar training for district nurses to help keep them safe when they visit properties containing dogs. Further upgrades to our pound have been undertaken with improvements to insulation, roofing and drainage.

Parking

There is increased demand for parking in Napier's CBD. Both commuter parking and inner-city retail parking are in equal short supply. To address these shortages and to ensure on-going management of parking in the CBD and Taradale, Council adopted a parking strategy which sets out 11 clear parking goals for achieving the objective of the strategy. This is to balance the demand for parking convenience with the need to create a compact, intimate city that cultivates business, social and cultural interaction. A number of initiatives set out in the strategy have been implemented across the CBD, and Council are continuing to monitor the effects of these changes and make adjustments where needed.

City Strategy Performance Results 2018/19

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
City Development	Provide the Policy Planning and Strategic functions for Napier City	District Plan reviewed to align with the Napier City Vision document and the Coastal Hazards Strategy.	Achieved	Issues document completed Stakeholders and Iwi engagement process commenced	New measure	◆	
	Provide the Policy Planning and Strategic functions for Napier City	Delivery of the final Ahuriri Estuary and Coastal Edge Strategic document.	Achieved	Ahuriri Estuary Masterplan Three of the Master Plan projects confirmed by Council and initiated	New measure	◆	1) Lagoon Farm Regional Park 2) Stormwater Monitoring Programme 3) Inner Harbour Masterplan
	Provide for growth areas for the city industrial, commercial and residential development	Reviewed HPUDS Strategy and commence HPUDS Implementation	Not achieved	Project Plan for review and implementation completed	New measure	◆	HPUDS was put on hold due to the NPS-UDC requiring Council to undertake a three yearly Housing and Business Capacity assessment detailing how Napier will provide for growth in the city in the short, medium and long term. This has now been completed.
	Provide the strategic economic development function for Napier City	Delivery of the Napier Economic Development Strategy (NEDS)	Not achieved	Stakeholder engagement completed	New measure	◆	Delayed due to Provincial Growth Fund projects taking priority
Resource Consents	Council monitors and enforces legislative compliance to protect its citizens and their safety	Process non-notified resource consents (excluding Controlled Activities) and all subdivision consents to approval stage, within the statutory time frames of 20-working days	100% (259 out of 259)	100%	New measure	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

City Strategy Performance Results 2018/19 continues

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Activity Groups

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Resource Consents	Council monitors and enforces legislative compliance to protect its citizens and their safety	Process Controlled Activity Resource Consents (excluding subdivision) within 10-working days	100% (13 out of 13)	100%	New measure	◆	
		Process notified Resource Consents within the statutory time frames of 130-working days	100% (2 out of 2)	100%	New measure	◆	
		Process limited notified Resource Consents within 100-working days	100% (4 out of 4)	100%	New measure	◆	
		Land information Memorandums to be processed within the statutory limit of 10-working days	100% (336 out of 336)	100%	100% (361 out of 361)	◆	
		All formal complaints are investigated and responded within 3 days of receipt by Council	100% (39 out of 39)	100%	100% (53 out of 53)	◆	
Regulatory Solutions	Council monitors and enforces legislative compliance to protect its citizens and their safety	Percentage of residents satisfied with Council management and enforcement activity of Noise Control in the NRB Public Opinion Survey.	68%	80%	85%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
		Percentage of Food Act verification audits completed in accordance with the scheduled times in the Food Act 2014.	100%	100%	New measure	◆	
Regulatory Solutions	Council monitors and enforces legislative compliance to protect its citizens and their safety	Percentage of liquor licensed premises are inspected annually for compliance with their licensed conditions	85%	50% of licensed premises per annum	New measure	◆	
		Percentage of very high and high risk liquor licensed premises inspected at least annually	93%	100%	New measure	◆	High risk premises are inspected twice a year. However there are a small number of premises that cannot be inspected by Council due to their hours of operation. Police carry out these inspections.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

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City Strategy Performance Results 2018/19 continues

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Regulatory Solutions	Council monitors and enforces legislative compliance to protect its citizens and their safety	Percentage of Noise control complaints are responded to within 25 minutes	70%	95%	New measure	◆	The geographical spread and volume of complaints during peak times has made it difficult to achieve this target. The target will be reviewed as part of the 20/21 LTP.
Building Consents	Council monitors and enforces legislative compliance to protect its citizens and their safety	Process of building consent applications within the statutory time frame of 20 working days	99% (1194 out of 1202)	100%	99% (1,091 out of 1,101)	◆	6 consents were issued on day 21 and 2 consents issued on day 22
		Percentage of processed code compliance certificates within the statutory time frame of 20 working days	100% (1110 out of 1112)	100%	100% processed (949 out of 950)	◆	
		Percentage of audits for all buildings requiring building warrants of fitness annually	22%	20%	25.51%	◆	
		Inspect a third of registered swimming pools annually	116%	1/3 of pools	New measure	◆	(Note: this performance measure is expressed as a percentage of the number of pools to be inspected in a year rather than as a percentage of total pools)
		Maintain Building Consent Authority (BCA) accreditation	Maintained	Maintained	Maintained	◆	
Animal Control	Implement and enforce the requirements of the Dog Control Act 1996	Percentage of residents satisfied with council management and enforcement activity of Animal Control in the NRB Public Opinion Survey	64%	78%	78%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page XX.
	Implement and enforce the requirements of the Dog Control Act 1996	All requests for services are investigated and responded to within 21 days	100%	100%	New measure	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

City Strategy Performance Results 2018/19 continues

Napier City Council - 2018/19 Annual Report

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Parking	Provide and manage parking facilities for the city	Percentage of residents satisfied with Parking in the Inner city in the NRB Public Opinion Survey	44%	60%	54%	◆	After a period of stable results between 2013 -2017, there has been a slight decline in satisfaction in the past two years. The most cited issues related to carparking availability (51%). Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
		Percentage of residents satisfied with Parking in the Suburbs in the NRB Public Opinion Survey	58%	65%	69%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.
Parking	Provide and manage parking facilities for the city	Percentage of CBD parking occupancy rate	74%	50 - 85%	74%	◆	
		Percentage of Taradale parking occupancy rate	64%	50 - 85%	57%	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Activity Groups

Capital Expenditure (City Strategy)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
CBD Parking Projects	125	500	1078
Minor Capital Items	65	147	74
Property Information EDM	-	-	264
	190	647	1,416

Funding Impact Statement (City Strategy)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,735	4,095	3,809
Targeted rates	266	266	-
Subsidies and grants for operating purposes	200	-	-
Fees and charges	4,655	4,761	4,306
Internal charges and overhead recoveries	214	214	262
Local authorities fuel tax, fines, infringement fees, and other receipts	1,040	1,054	1,159
Total operating funding (A)	10,110	10,390	9,536
Applications of operating funding			
Payments to staff and suppliers	15,316	6,403	5,327
Finance costs	-	-	-
Internal charges and overheads applied	3,190	3,431	3,057
Other operating funding applications	11	-	-
Total applications of operating funding (B)	18,517	9,834	8,384
Surplus/(deficit) of operating funding (A - B)	(8,407)	556	1,152
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	153	577	2,342
- to replace existing assets	37	70	130
Increase (decrease) in reserves	(8,597)	(91)	(1,320)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	(8,407)	556	1,152
Surplus/(deficit) of capital funding (C - D)	8,407	(556)	(1,152)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from Above			
Group depreciation & amortisation	319	329	696

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

Community and Visitor Experiences

Scope

Housing

There are 72 units in Council's low cost rental portfolio spread across three villages. Council's retirement portfolio comprises 304 units clustered in nine villages. The smaller villages comprise 4 to 20 units with 28 to 50 units in the larger villages, and one larger village with 80 units.

Libraries

Library services are provided to the community from two locations, Napier City and Taradale, with a variety of collections in multi-media formats and online services. The libraries support a total membership of approximately 34,000, of which some 4,500 members are resident in Hastings District. Membership is free and the majority of lending items are free to borrow.

MTG Hawke's Bay

MTG Hawke's Bay is the region's arts and culture facility providing exhibitions of the collection and loans from other museums, galleries and individuals. The region's collection is housed under a management agreement with the Hawke's Bay Museums Trust. Active participation of the community is encouraged with public programmes, events and learning experiences. The venue includes the 330-seat Century Theatre, and two foyer spaces, which are also available to hire, and a small retail shop. The MTG Hawke's Bay building is iconic, representing three distinct eras, 1930's, 1970's and 2010's.

Napier Municipal Theatre

The Napier Municipal Theatre is a leading theatre in Hawke's Bay for performances, shows, concerts, functions and events. Centrally located, the theatre combines an elegant Art Deco style with modern theatre facilities. The large auditorium facilities and circular Pan Pac Foyer make it a flexible performance and event facility.

Napier i-SITE Visitor Centre

The Napier i-SITE Visitor Centre provides visitor information for the people of Napier, Hawke's Bay and for visitors to the area, both domestic and international. It plays a vital role in the promotion of Napier and surrounding areas. The i-SITE is located within the key Marine Parade tourism precinct of the city, and plays a key role in the support of tourism and the local economy.

Par2 MiniGolf

Par2 MiniGolf on Napier's Marine Parade next to Napier i-SITE has two 18 hole courses, one slightly more challenging than the other. It attracts locals and visitors and is a fun family friendly activity for all ages.

National Aquarium of NZ

The National Aquarium of New Zealand is a marine zoo/aquarium/kiwi breeding facility which attracts locals and visitors. This visitor experience is an integral part of Marine Parade's tourist attractions, contributing favourably to the economic well-being of the city. The National Aquarium is also a quality provider of educational experiences and provides an affordable after-hours functions venue for Napier citizens and visitors to the region.

Napier Conference Centre

The Napier Conference Centre located on the northern end of Napier's Marine Parade with views from Mahia Peninsula to Cape Kidnappers, is Hawke's Bay's premier, high quality full service conference and event venue. It is suitable for a wide range of events and attracts local, national and international conferences.

Kennedy Park Resort

Kennedy Park Resort is located on Storkey Street in Marewa and offers a wide range of affordable accommodation types, including units, tents and non-powered sites. The accommodation and associated facilities also cater for conferences and attract both national and international visitors. Kennedy Park is one of the busiest and most well revisited holiday parks in New Zealand and contributes favourably to the local economy.

Sportsgrounds

Council provides and maintains 16 sports grounds throughout Napier. This equates to an area of 213 hectares of land set aside for sports purposes across the city. Napier's sports grounds range from facilities of regional and national significance to grounds principally serving local club demand.

Reserves

Council provides, manages and maintains a range of parks, reserves and public gardens of various sizes, designations and purposes, to cater to a wide range of community uses. Council reserves support a large number of events for tourists and locals, delivering highly maintained grounds and gardens ranging in location from coastal foreshore

to formal botanical gardens. These areas enjoy a high profile within the city, resulting in high expectations and standards. The Reserves activity also manages the day-to-day maintenance and operation of play equipment located throughout the city.

Community and Visitor Experiences contribute to the following community outcomes:

	A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
Community Strategies				2	1
Community Facilities					1
Napier Aquatic Centre					1
Marine Parade Pools					1
Bay Skate					1
McLean Park	2				1
Events and Marketing	1				
Housing		1			
Libraries	2		1		
MTG Hawke's Bay	2		1		2
Napier Municipal Theatre	1		2		
Napier i-SITE Visitor Centre	1				
Par2 MiniGolf	1				
National Aquarium of NZ	1		2		
Napier Conference Centre	1				
Kennedy Park Resort	1				
Sportsgrounds	2	2	2		1
Reserves	2	2	1		2

Key: 1 = Primary focus 2 = contributes to

Year in review – 2018/19

Community Strategies

Several policies and strategies were reviewed and updated including the Joint Alcohol Strategy and the Youth Strategy. The Napier Disability Strategy was developed with consultation being completed, and will be finalised by October 2019. Napier hosted the International Day for the Disabled with an event at Anderson Park alongside the new, accessible Destination Playground. A cross agency group and reference group developed a Positive Ageing Strategy for Napier, which will be released for feedback in 2019/20.

The 'Love your Neighbourhood' competition was launched this year and three community led projects were awarded prizes. With increased promotion, it is anticipated more entries will be received for the next competition.

Council increased the base allocation for the Community Services Grants. The Grants scheme will be reviewed in 2019/20 to determine effectiveness and explore alternative models for funding delivery.

The Safer Napier programme is well supported by the community and government sectors with its Coalition actively involved in direction setting and delivery of the programme. Safer Napier has picked up its third award in as many years, this time recognising a Napier City Council staff member. Natasha Mackie, Manager Community Strategies, she received the Safer Communities Foundation of New Zealand Safe Community Award for demonstrating outstanding support for Safe Communities at the local level through displaying best practice through delivery and leadership.

Community Facilities

The refurbishment of the Taradale Community Rooms was completed and the building re-opened as the Co-Lab (Community Collaborative Space). In addition to the four community organisations now co-located in the building, the old Council Chambers is now available for hire to host meetings.

Taradale Plunket Rooms remain closed until structural strengthening work can be completed. The Memorial Square Community Rooms continue to be utilised by the Napier Libraries, with the future use of the building on hold until a new central Library is constructed.

The remaining community facilities continue to operate either through a community based organisation or directly through Council.

The facilities provide a place for community to connect, recreate, socialise and provide services from in an accessible and affordable way.

Napier Aquatic Centre

Total visitation over the year exceeded the targeted 185,000. The new SuperSwim initiative providing \$1 entry for gold card holders (thanks to the generous support of American couple Phil Krueger and Judy Newman) has been a huge success and contributed to more seniors enjoying the health and well-being benefits that aquatic exercise can provide.

Aquatic Centre project

The Aquatic Centre consultation process is currently under judicial review.

Bay Skate

Bay Skate successfully hosted the NZ Scooter Nationals for the first time, with event attendance the highest ever at any venue and positive feedback from the Australasian Scooter Association, riders and spectators.

We completed Stage 3 of the new ramp area, providing an area to extend riders of all disciplines.

Continued strong attendance at Learn to Skate sessions, in partnership with Skate Hawke's Bay on Sundays, designed to get more people rolling and enjoying the benefits that rollersports can provide.

McLean Park

New brand and wayfinding signage was applied to the park, bringing a fresh, modern and professional identity to the park and making customer wayfinding and navigation much easier.

We successfully delivered of 13 major events, including a hugely successful Nitro Circus event in March 2019.

Events and Marketing

Nitro Circus

We were pleased to host Nitro Circus in March. Out of the 100 shows in the current Nitro Circus tour of Australia and New Zealand, Napier sold the highest number of pre-sales tickets. Napier also sold more tickets per capita than any other New Zealand Nitro Circus show on this current tour. This was the first time McLean Park was used for a non-sporting event on the new turf. Council has worked hard to bring Nitro Circus to Hawke's Bay for the first time.

Emerson Street Bollard Signs

The Council and Napier City Business Inc have worked together to design and install four 'What's On Napier' bollard signs. The signs promote events being held in the city, and also provide our visitors with wayfinding maps. They will be updated regularly. The signs are administered by Napier City Business Inc.

Housing

While the maintenance of the buildings is ongoing, several significant capital projects were either completed or initiated last year as the housing stock ages and will continue year on year. In addition, new legislative standards for ventilation, insulation and heating require upgrades to all stock for heating, with significant upgrades for ventilation and potential improvements required for insulation in some stock.

Council has continued its review of its housing, investigating models that could support the sustainability of ongoing provision. Further detailed analysis continues.

Library Strategy

On 12 December 2018 the Library Strategy was adopted by the Council. Over the last few months we have refined the thoughts, ideas and initiatives that have come together through much public and internal consultation into a document that sets out our key objectives. We now move from planning into action, by setting goals for the team that enable us to achieve the strategy's aspirations.

Library Project

We are currently undertaking a site selection process for the location of Napier Library. A long list of 16 sites in the CBD were identified, with each site put through a site selection matrix to assess their benefits. After input from Councillors we will short list three to five sites and undertake further due diligence on these. The preferred option will go to the community for consultation.

Napier Municipal Theatre

The Napier Municipal Theatre has had another successful year with a wide variety of performance and events held.

As usual we are dependent on promoters touring shows through New Zealand and availability of dates to slot Napier into their tour. To ensure the ongoing success of these touring shows and our relationship with them is our ability to support Promoters with cost effective sales and marketing opportunities to increase ticket sales. It is a win for both the promoter, the venue and our community so we are able to continue and grow the variety of shows on offer.

Of our ticketing sales, 53% are completed across the counter at the theatre, one of the highest percentages nationally. This shows our demographic currently prefer to have a customer interaction experience and the ability to select their seat at the best possible price. The location of the ticketing office conveniently located close to the CBD and ample parking also contributes to this percentage.

The New Zealand Planning Institute held their plenary session for over 700 delegates attending their annual conference at the theatre. With the combination of the Napier Conference Centre and Rodney Green Centennial Events Centre it highlighted the capacity of Napier City to offer similar styled larger conferences.

Napier i-Site Visitor Centre

The Napier i-SITE had an extremely busy cruise ship season; 70 ships booked over 175,00 passengers visited arriving on cruise ships. There was increased activity around accommodation availability and bookings leading up to big events, such as the Art Deco Festival, the Mission Concert and the Hawke's Bay Marathon. The new website was launched and is looking amazing, with staff spending the winter months updating information and images. New visitor counter software and hardware was installed. This gives accurate information about how many people are visiting the i-SITE and at what times of the day. Very good reviews on TripAdvisor and Facebook platforms have been received.

Par2 MiniGolf

Par2 MiniGolf has experienced a great year with an increase in player numbers throughout most months of the year. There have been a good number of group bookings - both social and school - this year.

National Aquarium of NZ

Parliamentary Under-Secretary for Regional Economic Growth Development, Fletcher Tabuteau, announced during a visit to the National Aquarium that the Provincial Growth Fund will invest \$350,000 towards the cost of developing the Detailed Business Case for the expansion of this much loved Hawke's Bay facility.

Napier Conference Centre

We have had an extremely successful year with a total of 362 International, National & Community Hires. We have had a percentage increase of 35% with conferences in external hires, and a 50% increase in community hires over this financial period. An overall rating of 93% for Customer Service and have maintained our 4+ Qualmark rating.

The venue has proven very successful for larger conferences - the new spaces creating great flow for delegates between meeting spaces. Significant conferences/events include - Tourism Export Council, NZ Planning Institute (over 700 delegates across Municipal & Century Theatres and the Conference Centre), HB Marathon (over 6000 people registering for the event).

War Memorial

More than 340 Napier servicemen and women are to be added to the previous lists as revised Rolls of Honour for the First and Second World Wars. The draft rolls have been released for families to check the names of their loved ones so unidentified errors can be corrected.

Public feedback has been sought on designs for the War Memorial located at the Napier War Memorial Centre site on the Marine Parade, where the name plaques and perpetual flame will be reinstated.

Kennedy Park Resort

We have had an extremely successful year, with an increase in room nights (14.98%) and guest nights (36.08%) ahead of our budget. Revenue - 17.04% increase compared to last year.

Have maintained our Qualmark rating - 5 Stars Holiday Park, Gold and 4+ Stars Motel, Gold.

Sportsgrounds

The McLean Park turf upgrade has been completed and has been operational for the last 12 months. It has been well received by the users. In addition a branding and wayfinding project has been completed at McLean Park along with stage 1 of a security upgrade. Council has worked with the HB Rugby Union to facilitate their move from McLean Park to Park Island. The physical works are now largely complete and in the upcoming year work is programmed on the number 1 rugby field adjacent to the new HBRFU facility which is being developed in accordance with the Park Island Masterplan. A new pedestrian bridge has been installed from Westminster Avenue to Park Island. This new link will provide improved opportunities to car parking along Westminster Avenue when the park is at full capacity. It will also provide for opportunity for alternative transport modes to be used. New shade sails have been installed at Taradale Park in the playground area.

Reserves

Significant consultation has been undertaken on the provision of a new playground at Te Awa. A final decision has yet to be made but the physical works will be undertaken in the 2019/20 year. The Orotu Drive playground is also underway, due for completion prior to the upcoming summer. A playground renewal for Marewa Park is

about to be constructed. Anderson Park Destination Playground has been operational for approximately 12 months. This playground has been very well received by the community. The signage at Anderson Park has been fully upgraded to ensure it is consistent with the Council's new branding. A Playground Strategy has been completed and this has reviewed all playgrounds in the district and provided recommendations which will be considered in the upcoming round of Asset Management Plans. The upgrade of the Centennial Gardens pond is underway and due for completion prior to summer 2019/20. This project's main focus has been on stopping the leaks. The physical works associated with the replacement of the Bluff Hill fence are about to begin. This project is a key safety project and will be completed prior to the cruise ship season which begins in early October. In addition our reserves planting programme has continued and a number of planting projects have been completed, several of which have been in conjunction with the community. The Whakarire Ave Rock Revetment has been delayed pending further consultation. Hardinge Road erosion works are also programmed but awaiting timing consistent with the recommendations in the Penguin Management Plan.

Anderson Park

Anderson Park Playground was opened ahead of schedule, with the official opening held on 22 July. The destination playground is a huge hit with young Napierites enjoying the mix of equipment including a wheelchair accessible mini tower, a mega tower with two slides, and a range of sensory equipment.

Anderson Park Playground was named as the winner of the 2018 New Zealand Recreation Association (NZRA) Outstanding Park Award. The award is a reflection of all the hard work by a dedicated group of people that went into its design and construction.

MTG Hawke's Bay

MTG provides a safe space for the community to engage with arts and culture. It contributes to the well-being of the community through helping people have a sense of themselves and to know the history of their place. Access to arts and culture is well documented as supporting emotional and mental well-being, as well as supporting the Positive Ageing focus of the Council. The museum works hard to provide a genuine sense of ownership for and with the regional community – examples include our partnership with Iwi Toi Kahungunu, the One Heart project, and George Nuku's collaborative exhibition, *George Nuku: Bottled Ocean 2118*.

Highlights/achievements

- Eleven new exhibitions this year, with two named as finalists in the 2019 Museums Aotearoa Awards. This recognition at a national level reinforces the level of quality the museum continue to deliver year on year.
- Annual visitor numbers have exceeded 300,000, online visitors have increased to over 43,000 and engagement with our social media platforms continues to climb.
- The MTG Foundation have added some significant works to the collection, including two sculptures on permanent display, *Ivy* by Tony Cragg, positioned at the main entrance, and *The Garden* by Paul Dibble, displayed in Havelock North village beside the i-Site.
- Student numbers through the museum continue to increase annually. Both our education programmes (LEOTC and Raranga Matihiko – Weaving Digital Futures) exceeded targets for the year. The new digital programme has positioned MTG as a national leader in the delivery of digital education utilising the collection.
- New public programmes introduced this year are *Behind the Scenes* tours, school holiday programmes and the MTG Movie Club (which developed from a review of the Friends of MTG offering). A recruitment drive is under way to re-engage old Friends and encourage new ones.
- Revenue through the museum's gift shop has significantly increased. Turnover increased 92% on the previous financial year, with corresponding increased takings of 193%. Many return shoppers and tourists now come in to the museum to purchase gifts, cards and regional mementos.
- New sponsorship contracts have been finalised, providing additional revenue and/or products and services as well as mutually beneficial partnerships. These include Masonic Art Deco Hotel, Esk Valley Wine, The Arts Society Hawke's Bay, and the New Zealand Institute of Architects sponsorship of the Louis Hay exhibition.
- Other significant milestones include the launch of MTG's new responsive website and the installation of the Bellwether visitor tracking system to provide enhanced data on visitor numbers to the museum.
- A Joint Working Group has been set up between Napier City Council, Hastings District Council, The Hawke's Bay Museums Trust and Iwi to resolve the long term storage of the collection. This group is also reviewing governance arrangements for the museum.

Community and Visitor Experiences Performance Results 2018/19

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Community Strategies	Develop effective strategies, policies and initiatives that support community well-being	Number of local community events per year	51	50	50	◆	
	Provide affordable indoor facilities that meet the social, leisure and cultural needs of the community	Number of community training and network meetings facilitated each year	27	20	21	◆	
		Percentage of attendees satisfied with community training and network meetings	98%	96%	98%	◆	
	Promote safety in response to issues and priorities in the community	Percentage of residents who perceive they are safe or very safe in Napier (source: biannual social monitor survey)	N/A	95%	94%	N/A	This survey was last undertaken in 2017/18 and the next survey is due 2019/20.
	Support Napier communities to be prepared for and to recover from a civil defence emergency (delivered regionally)	Percentage of residents satisfied with Civil Defence delivery (source: NRB survey) excluding "don't know" responses	N/A	85%	N/A	N/A	This is now a function of HBRC and is not measured by Napier City Council.
		Number of new community resilience plans developed	N/A	2	N/A	N/A	This is a responsibility of HBRC.
	Support community and other stakeholders to come together to address issues and improve outcomes	Satisfaction score for coalition partners on council's coordination role for Safer Napier (source: annual coalition survey report)	4.5	>4	4.5	◆	
Community Facilities (Halls)	Council provides four halls, four community centres and one sports centre to satisfy community needs	Percentage community hireage for halls directly managed by Council	89%	90%	91%	◆	There were a higher proportion of 'internal hires' (used for community engagement / projects) during this year. For 2019/20 the community facilities are being promoted to the community sector
		Percentage of customers satisfied with hireage of halls directly managed by Council	100%	95%	100%	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Community and Visitor Experiences Performance Results 2018/19 continues

Napier City Council - 2018/19 Annual Report

Activity Groups

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Napier Aquatic Centre	Provide aquatic facilities that focus on accessibility and safety	Number of users using the centre each year	192,221	185,000	New measure	◆	
Napier Aquatic Centre	Provide aquatic facilities that focus on accessibility and safety	Water quality adherence rate to NZ Water Treatment Standards	94%	100%	98%	◆	Problems controlling PH levels have brought the adherence rate down to 94%.
		Maintain nationally accredited QSS (Quality Swim School) standard	Accreditation maintained	Maintain accreditation	New measure	◆	
Bay Skate	Provide a facility to cater for a range of roller sports activities.	Number of visitors	23,190	26,000	New measure	◆	Variation attributed to a prolonged period when the ramp area was not in operation, and inclement weather conditions during school holiday periods
McLean Park	Provides a sport and recreation facility catering for a range of activity	Number of major events hosted	13	11	New measure	◆	Major events boosted by cricket games and Nitro Circus
Housing	Provide affordable and safe housing that meets the needs of tenants	Percentage of tenants satisfied with service	99%	85%	New measure	◆	
		Percentage of unit inspections (each unit inspected once per year)	100%	100%	100%	◆	
	Maximise the occupancy and use of housing and village halls	Occupancy rate - Retirement	99%	97%	99.6%	◆	
		Occupancy rate - Rental	99%	98%	99.8%	◆	
Library	Council provides library services, literacy support and other programmes for all ages to meet the communities' recreational, social and educational needs	Percentage of library members who are active borrowers (in 24 month period - card use only)	56%	35%	30%	◆	
		Percentage of collection that is actively used	67%	75%	New measure	◆	Consistent improvement has been seen but with the continued issues of reduced space in our temporary location we have not achieved this target.
		Number of programme sessions delivered for all ages per year (excludes "borrow a librarian")	578	330	762	◆	

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Community and Visitor Experiences Performance Results 2018/19 continues

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
MTG Hawke's Bay	Council provides a quality museum, theatre and art gallery experience for local and visitor use	Visitor numbers per year	305,052	165,000	207,854	◆	The number of visitors has increased with the inclusion of library services in the building.
		Minimum number of new exhibitions per annum	11	3	8	◆	
		Percentage of residents satisfied with MTG Hawke's Bay (NRB Public Opinion Survey)	63%	55%	52%	◆	
Napier Municipal Theatre	Council provides a quality performing arts venue experience for visitor & local use	Maintain Qualmark rating	Achieved	Achieved	Achieved	◆	
Napier i-SITE Visitor Centre	Council provides an i-SITE facility for visitors to Napier and Hawke's Bay to deliver tourism information and tour and accommodation services to encourage visitors to stay longer and to re-visit	Maintain Qualmark rating	Achieved	Qualmark Enviro Silver	Achieved	◆	
		Visitor numbers per annum	198,368	240,000	236,471	◆	The reason for the lower number of visitors during the year is that a new visitor counter has been installed which is now giving more accurate numbers of visitors.
Par2 MiniGolf	Council provides a Mini Golf facility as a visitor attraction and for local community use	Maintain Qualmark endorsed criteria Bronze Enviro	Maintained	Maintained	Qualmark silver	◆	
		Visitor Admissions per annum	52,182	43,000	46,359	◆	
		Return on Assets	23%	25%	25%	◆	Indirect costs, which are outside of the control of Par 2, have led to a lower return on assets.
National Aquarium of NZ	Provide an aquarium for visitors and local citizens for recreation and education	Maintain Qualmark endorsement	Maintained	Maintained	Maintained	◆	
		Number of visitors	147,934	140,000	149,321	◆	
Napier Conference Centre	Council provides a quality conference and events facility which enables events & services to be hosted contributing to the economic well-being of the city	Maintain Qualmark rating.	Achieved	Achieved	Achieved	◆	
		Number of national and international hires	362	290	353	◆	

Community and Visitor Experiences Performance Results 2018/19 continues

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Kennedy Park	Council provides Kennedy Park facility with a range of high quality accommodation and related visitor experiences	Maintain Qualmark 5 star Gold Holiday Park rating	Maintained	Maintained	Achieved	◆	
		Maintain Qualmark 4 plus star Gold Motel rating	Maintained	Maintained	Achieved	◆	
	Kennedy Park is managed as a sustainable business and provides services that are value for money	Occupancy rates – visitor nights booked per year	86,072	63,000	New measure	◆	
		Occupancy rates – room nights booked per year	28,744	25,000	New measure	◆	
		Return on Assets	5%	7%	5%	◆	Indirect costs, which are outside of the control of Kennedy Park, have led to a lower return on assets.
Sports-grounds	Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community	Sport and recreation parks per 1,000 residents district wide (NZRA guidelines at least 3ha per 1,000)	3.4ha	>3ha	New measure	◆	
		Percentage of residents satisfied with sports fields in the NRB Public Opinion Survey	89%	89%	87%	◆	
		Number of events held each year on sport and recreation	65	>50	New measure	◆	
Reserves	Provide a sufficient number and range of parks and reserves to satisfy the needs of the Community	All playgrounds inspected fortnightly (safety and condition)	100%	100%	New measure	◆	
		Percentage of residents satisfied with Public Gardens, Street Beds and Trees in the NRB Opinion Survey	89%	95%	96%	◆	In 2019 rating scales have been updated from the historical 1-4 scale to a 1-10 scale, which provides more robust options for residents to express their views. Also, 2019 survey methodology varied, which explains greater variation in results compared to historical data. For more detail refer to page 83.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Capital Expenditure (Community and Visitor Experiences)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Ahuriri Water Sports Facility	-	-	541
Anderson Park Upgrade	-	-	772
Aquarium Expansion Project	-	2,392	15
Aquarium Renewals	249	247	15
Bay Skate Development	-	-	238
Bay Skate Ramps - Stage 3 Development	50	50	150
CC Renewals	121	94	-
Coastal Erosion	-	200	-
Destination Playground	235	-	2,117
Hardinge Road Erosion	13	320	-
Kennedy Park I.A.R.	68	120	121
Kennedy Park Minor Capital	130	95	90
Kent Terrace to Tironui Pathway	300	213	49
Kiwi Facility Upgrade	-	200	-
Library Stock	213	360	299
Main Ablution Block	40	200	-
Marine Parade renewals	25	115	-
McLean Park Returf	1851	1,100	851
Minor Capital Items	850	1,263	442
MTG Building Project	-	-	401
NAC I.A.R.	20	140	141
Napier Aquatic Centre expansion	735	2,300	22
Napier Conference Centre Building Renewals	30	133	-
Napier Library Rebuild	21	155	-
NMT Minor Capital	39	120	30
NMT Renewals	47	139	25
Ocean Spa Upgrade	-	200	-
Park Island - Footbridge	154	150	-
Park Island Northern Development	809	100	-
Passive Recreation Reserves	51	125	-
Playground Renewals	28	350	-
Rental Housing Renewals	-	231	-
Reserves I.A.R.	274	700	515
Retirement Housing Minor Capital	103	89	141
Retirement Housing Renewals	159	668	-
Skate ramps	160	150	-
Sportsgrounds I.A.R.	294	320	508
Sportsgrounds Infrastructure	11	-	1,454
Taradale Community Rooms - Refurb	430	269	14
Te Roera Trail Pathway	-	647	3
Vested Assets	-	300	115
	7,510	14,255	9,067

Included in Capital Expenditure is vested assets for reserves of \$0 (2018: \$115)

Funding Impact Statement (Community and Visitor Experiences)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	17,734	19,103	17,919
Targeted rates	-	-	199
Subsidies and grants for operating purposes	427	963	421
Fees and charges	12,967	12,769	11,236
Internal charges and overhead recoveries	1,256	1,282	2,590
Local authorities fuel tax, fines, infringement fees, and other receipts	3,290	3,282	3,370
Total operating funding (A)	35,674	37,399	35,735
Applications of operating funding			
Payments to staff and suppliers	27,254	27,042	24,136
Finance costs	-	-	-
Internal charges and overheads applied	8,122	8,443	8,830
Other operating funding applications	1	-	-
Total applications of operating funding (B)	35,377	35,486	32,966
Surplus/(deficit) of operating funding (A - B)	297	1,913	2,769
Sources of capital funding			
Subsidies and grants for capital expenditure	243	890	-
Development and financial contributions	726	464	465
Increase (decrease) in debt	884	2,356	3,746
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,853	3,710	4,211
Application of capital funding			
Capital expenditure:			
- to meet additional demand	24	-	2,015
- to improve the level of service	3,011	5,383	8,349
- to replace existing assets	4,475	8,572	4,336
Increase (decrease) in reserves	(5,360)	(8,332)	(7,720)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	2,150	5,623	6,980
Surplus/(deficit) of capital funding (C - D)	(297)	(1,913)	(2,769)
Funding balance ((A-B) + (C-D))	-	-	-
Note: Excluded from Above			
Group depreciation & amortisation	6,393	5,683	6,142

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

Property Assets

Scope

Activities in Property Assets are:

- Property Holdings
- Inner Harbour
- Lagoon Farm
- Parklands Residential Development

Property Holdings

Leasehold Land Portfolio:

- Investment Property Portfolio = 74
- Residential = 14

This activity is responsible for the management of leases and licences that have been established for parks, reserves, sportsgrounds, and roads, commercial, industrial, and residential properties. The majority of leases within the Leasehold Land Portfolio are perpetually renewable.

It is also responsible for asset management, including maintenance and renewal, of all Council buildings not specifically allocated to other activities.

Inner Harbour

Napier Inner Harbour facilities are located in Ahuriri. The Inner Harbour provides Council owned berthage facilities and the Nelson Quay Boat Ramp, for both commercial fishing vessels and recreational vessels and craft including the Sailing Waka Te Matau Maui. The Inner Harbour also provides the location for the Napier Sailing Club and the Hawke's Bay Sports Fishing Club, which occupy Council-owned land on a lease basis.

The Inner Harbour provides a channel to the open sea that Council is required to dredge to ensure it remains navigable. The waters within the Inner Harbour are also used by a variety of other water-based users from the wider community, while some of the Council wharves and jetties are used by the public for recreational fishing.

Responsibility for managing the Inner Harbour transferred to the Council as an integral part of local government reorganisation in 1989. Service delivery has been provided in-house by the Council and includes general enquiries, berth allocation, maintenance, and the operation of the pay to use Nelson Quay Boat Ramp.

Lagoon Farm

The Lagoon Farm activity is a commercial farm operated on the former Ahuriri lagoon bed landholding south of the current estuary channel. This activity covers the costs of land retention and wherever possible provides a supplementary revenue stream to Council while providing a number of other ancillary amenities to the general public and community of Hawke's Bay.

The farm currently operates as a sheep farm, with some paddocks leased out for hay cropping on a seasonal basis. The area is zoned Rural and as such it can only be used for farming activities.

Parklands Residential Development

The Parklands Residential Development on 120 hectares of former Lagoon Farm land will provide over 350 residential sections for sale during the period 2018-27. The rate of residential development will be driven by market demand.

Property Assets contribute to the following community outcomes:

	A vibrant innovative city for everyone	Excellence in infrastructure and public services for now and in the future	A sustainable city	Council works with and for the community	A safe and healthy city that supports community well-being
Property Holdings		①			
Inner Harbour		①			
Lagoon Farm		①	②		
Parklands Residential Development		①			

Key: ① = Primary focus ② = contributes to

Year in review – 2018/19

Property Holdings

After public consultation as part of Council's Long Term Plan 2018-2028 Council has resolved to allow the freeholding of non-strategic leasehold land on a case by case basis. Council has adopted policies and a methodology template and framework for the assessment of freeholding requests. Council is now in a position to consider and process requests. The overriding principle of the change in policy is that Council's ability to sell non-strategic land represents a discretion to be executed by Council on a case by case basis.

Inner Harbour

Dredging of the Inner Harbour Channel was completed in May 2019.

Council is currently preparing a Masterplan for the Inner Harbour, which will set out a framework regarding future use, activity locations, developments and renewal of aging infrastructure.



Property Assets Performance Results 2018/19 (Property Assets)

Activity	Level of Service	Service Performance Measure	Actual 2018/19	LTP 2018/19	Actual 2017/18	Indicator	Performance Measure Comment - what's behind the results
Property Holdings	Council manages a portfolio of commercial and leasehold land in accordance with legislation, Council policies and individual lease agreements	Review of Council's Investment Property Portfolio completed regularly	Achieved	Review every 3 to 5 years	Review carried out as per Council resolution 29.6.18	◆	The Investment Property Portfolio Policy was adopted by Council 18.9.2018. This policy allows for the freeholding of leasehold land held in the portfolio after consideration on a case by case basis.
	Council maintains and renews all Council buildings to ensure buildings remain safe, in good condition and fit for purpose	Buildings comply with Building Act and Health and Safety and hold current warrant of fitness certificates, where required	Achieved	Achieved	Achieved	◆	
Inner Harbour	To provide and maintain Inner Harbour facilities to enable the safe berthing of commercial and recreational vessels	Number of permanent berths	98	98	New measure	◆	
		Dredging is carried out as required so the channel is maintained to a minimum depth of 2.4m at lowest tide (source: depth sound checks)	Achieved	Achieved	New measure	◆	
Parklands Residential Development	Council develops residential sections for sale and provide an income stream for Council	Number of sections sold and developed	20 sold, 26 developed	50	24 sold, 24 developed	◆	Stage 5 development of Parklands. Original target not achieved due to delays completing Stage 4 and delays letting Stage 5 construction contract. It is anticipated that the final sites of Stage 5 will be sold in first quarter 2019/20.

Performance Indicators: ◆ - Achieved ◆ - Within 10% ◆ - Not achieved, greater than 10%

Capital Expenditure (Property Assets)

	Actual 2018/19 \$000	LTP 2018/19 \$000	Actual 2017/18 \$000
Ahuriri Masterplan - Iron Pot Public Access	12	1000	-
Assessment & Compliance Projects	-	305	-
Civic Building	-	-	240
Civic Buildings Upgrade	-	-	2,000
Inner Harbour Facilities I.A.R.	26	500	54
Minor Capital Items	21	-	71
Seismic Strengthening Council Buildings	14	300	41
	73	2,105	2,406

Funding Impact Statement (Property Assets)

	Actual 2018/19 \$000	LTP 2018/19 \$000	LTP* 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	(997)	(1,171)	653
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	544	547	553
Internal charges and overhead recoveries	4,440	4,352	1,755
Local authorities fuel tax, fines, infringement fees, and other receipts	9,002	18,664	11,632
Total operating funding (A)	12,989	22,393	14,593
Applications of operating funding			
Payments to staff and suppliers	9,078	12,598	7,125
Finance costs	-	-	-
Internal charges and overheads applied	2,077	2,737	2,286
Other operating funding applications	(22)	2	2
Total applications of operating funding (B)	11,133	15,337	9,413
Surplus/(deficit) of operating funding (A - B)	1,856	7,055	5,180
Sources of capital funding			
Subsidies and grants for capital expenditure	-	180	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	14	300	3,165
Gross proceeds from sale of assets	1,075	150	126
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,089	630	3,291
Application of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	12	1,000	1,155
- to replace existing assets	61	1,105	3,165
Increase (decrease) in reserves	2,872	5,580	4,151
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	2,945	7,685	8,471
Surplus/(deficit) of capital funding (C - D)	(1,856)	(7,055)	(5,180)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	737	365	746

*The Comparative information in the above has been restated to reflect a change in the Activity Groupings reported. Refer page 85 for the detail of these changes.

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Activity Groups

Audit New Zealand Report

Audit New Zealand Report continues

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Audit New Zealand Report continues

Audit New Zealand Report continues

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Appendices

Council Controlled Organisations
Glossary of Terms

Council Controlled Organisations

This part of the Annual Report reports the performance of the Council Controlled Organisations as required in Clause 28 of Schedule 10 of the Local Government Act 2002.

Hawke's Bay Airport Limited

Policies and Objectives Regarding Ownership and Control

Hawke's Bay Airport Limited (HBAL) is incorporated under the Companies Act and is owned by the Crown 50%, Hastings District Council 24% and Napier City Council 26%. The Company produces separate annual accounts. No payments were made by the Council to the Company during the financial year and there was no financial provision included in Council budgets. The Council share of the Company is included in its annual financial statements as an investment, valued using the equity method of accounting.

Council's policies and objectives have been met in full.

Nature and Scope of Activities

The HBAL's core business is to be an airport operator providing appropriate facilities for all airport users and the travelling public.

HBAL will pursue the following strategy:

- Redevelop and construct an efficient and fit for purpose terminal building and Airport Rescue Fire Service Building.
- Maintain operational capability with minimal disruption throughout the terminal development project.
- Rezone and freehold the Business Park land and minimise the land development costs.
- Continue to strengthen our relationships with all operators of air services and with all tenants and prospects.
- Improve the security culture and consciousness at the Airport.
- Improve the customer experience at the Airport for all travellers, meters and greeters.
- Maintain active membership and contribution to New Zealand Airports Association.
- Maintain effective engagement and relationships with key stakeholders and the wider stakeholder community.
- Form strategic alliances and collaborate with other airports.
- Investigate potential for JV partnerships to develop the airport land.

Performance Targets

The following is a Statement of Service Performance relating to the key objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2019 (as reflected in the Company's Annual Report for 2018/19).

(\$)	2018/19 Target \$000	2018/19 Actual \$000
Total revenue	6,633	7,686
Profit after tax	1,323	1,545

Activity	Measure	Status
Optimise Shareholder Value and Returns	Achieve performance targets: <ul style="list-style-type: none"> • Passenger numbers • Revenue • EBITDA • NPAT • Return on Equity - Annualised • Gearing • Dividend 	      
Appropriate Infrastructure	Progress planning for: <ul style="list-style-type: none"> • Terminal - complete Stage 1 Northern Extension • Terminal - Stage 2 in progress and on track for completion Oct 2019 • Complete Watchman Road entranceway project • Progress completion of apron layout and extension design • Planning complete for car park new technology and redevelopment works late 2019 	    
Improve Impact on the Environment	<ul style="list-style-type: none"> • Benchmark established by completed Waste Audit • Terminal recycling trial conducted and fully implemented • Carbon footprint measurement completed • Sustainability framework initiated 	   
Diversify the Revenue Base	<ul style="list-style-type: none"> • Increased share of revenue from non-regulated commercial activities 	
Risk Management	<ul style="list-style-type: none"> • SMS implementation plan and gap analysis • NZ Civil Aviation approved safety management implementation plan on track for Nov 19 • Wildlife management programme and training developed • Independent board evaluation • Twice yearly risk reviews • Quarterly internal QA audits • Renewal of Aerodrome Operating Certification 	      
Positive Customer Experience	<ul style="list-style-type: none"> • Conduct annual customer survey • Monthly apron user meetings • Established sponsorship arrangements with Biodiversity Hawke's Bay; Air Ambulance; Yarni-Army • Airport service quality surveys commenced 	   
People Development/Employer Brand	<ul style="list-style-type: none"> • New team consolidated with new CEO • Good working relationships across management team and Board • Engaged over 30 Community Airport Ambassadors • Business park rezone • 20 year masterplan in progress (technical studies completed) 	     

Performance Indicators:  - Achieved  - Within 10%  - Not achieved, greater than 10%

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

The Hawke's Bay Museum Trust is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

The objectives of the Trust are:

- To hold and protect the regional collection for the people of Hawke's Bay.
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay.
- To advance and promote cultural heritage and arts through the use of the collection.
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council.
- To oversee collection development through the regulation of the acquisition and disposal of collection items.
- To manage the bequests vested in the Trust in a way which maximises benefit to the collection .
- There has been no change between the intended and actual nature and scope of activities delivered.

Nature and Scope of Activities

Protection

- Storage - appropriate storage to accepted museum industry standards.
 - Pest Control
 - Storage Media
 - Shelving
 - Air Quality
- Security - appropriate security to accepted museum industry standards..
 - Alarm Systems (burglary, fire)
 - Alarm Monitoring
 - Access Systems
 - Insurance (loan Items, owed Items)
- Records Management - appropriate records management to accepted museum industry standards.
 - Vernon Database
 - Other Records

Quality

- Conservation - appropriate conservation to accepted MIS and consistent with HBMT collection policies.
- Accessioning - appropriate accessioning to accepted MIS and consistent with HBMT collection policies.
- De-accessioning - appropriate de-accessioning to accepted MIS and consistent with HBMT collection policies.

Access

- Exhibitions - collection available to Hastings City Art Gallery (HCAG) and MTG Hawke's Bay and other institutions as appropriate within accepted MIS.
- Research - collection made available through MTG Hawke's Bay as appropriate within accepted MIS.
- Archives - archives made available through MTG Hawke's Bay as appropriate within accepted MIS.

Development

- Fundraising - to work with the Hawke's Bay Museums Trust Foundation to provide funding.
- Reserves - to appropriately manage accession reserves.
- Relationships - to appropriately manage relationships to allow the collection to develop appropriately.
 - Funding Councils
 - Te Rōpū Kaiawhina Taonga
 - Friends of MTG Hawke's Bay

There has been no change between the intended and actual nature and scope of activities delivered.

Performance Targets

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2018/19) are:

Key Result Area	Performance Indicator	Target 2018/19	Actual 2018/19
Protection	Full insurance cover is provided for the collections	Yes	Yes
	Collections are stored in an acceptable environment	No items reported to have suffered deterioration due to the environment	No damage
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries	13,374 online catalogue sessions 576 enquires
	Collections are made available to the public through quality exhibitions	Minimum of five collection based exhibitions	3 Louis Hay exhibition Silver exhibition Five Pākehā Painters
Development	Bequests fund income is used in the manner determined by the donor	Yes	Yes
	Conservation funds income is used solely for collection care	Yes	Yes
	Joint HBMT/Te Rōpū Kaiawhina Taonga meeting held	1 per annum	0

Other Organisations with Council's Significant Interest**Omarunui Landfill Operation**

The Omarunui Landfill site is the disposal point of refuse from Napier City and Hastings District. The site is a 180 hectare farm located off Omarunui Road in the Hastings District.

The facility is jointly owned and operated by the two Councils under a Joint Committee Agreement, the ratio being Hastings District Council 63.68% and Napier City Council 36.32%.

The facility is operated as a part of this Council's solid waste infrastructure with the charges set at a level to cover all operating and capital costs.

Glossary of Terms

Activity Groups

This section explains the activity groups in which the Council engages, and reports on achievements and progress in delivering these services to the community over the last year. It details the costs and resources applied to these activities together with non-financial performance targets and results, and key issues. Comparisons to budgets and last year's actuals are provided.

Allocation of Overheads

The Council's support units provide 'internal' or 'support' services to the service delivery business units. The costs of these internal services are allocated across the Council Activities either as 'overheads' based on the support each output receives, or recharged directly on a usage basis. This ensures that the true cost of providing specific services to the public is reflected in the Activities.

Appendices

The appendices provide some additional information that may be of interest to the reader in relation to Council Controlled Organisations and a glossary of terms.

Carrying Amount

The net amount at which an asset or liability is recognised in the balance sheet.

Community Outcomes

These are goals determined by the community that it believes are important for its present and future economic, social, cultural and environmental well-being.

Derecognition

When an asset value is no longer recorded in the balance sheet it has been derecognised, e.g. when an asset is sold it is no longer recorded on the balance sheet as from the date of the sale.

Derivative

A financial instrument that has the effect of transferring between two or more parties to the instrument one or more risks inherent in an underlying asset. The value of the derivative is determined by fluctuations in the underlying asset. The most common underlying assets include currencies, interest rates, shares, bonds, commodities and market indexes.

Financial and Development Contributions

The share of the cost of new developments and subdivisions met by developers.

Financial Statements

This shows in detail the financial reports and accounting policies for the Council. The financial statements provide information about the Council's assets, liabilities, income and expenditure. The auditor's report for 2016/17 is placed at the end of the financial statements.

Impairment

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructural Asset Renewal - I.A.R.

A statutory requirement to provide for maintenance of infrastructural assets in serviceable condition in perpetuity. The amount required is calculated from asset management plans, and 'smoothed' to provide a relatively even flow of funds from year to year.

Infrastructural Assets

Stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely at a particular level of service potential by the continuing replacement and refurbishment of its components. The network may include normally recognised ordinary assets as components. Infrastructural assets include roads, water, sewerage and stormwater systems.

Levels of Service

Measures of the quality and quantity of services delivered. They are determined by customer expectations, legislative requirements and affordability.

Napier Conference Centre

Formerly known as the War Memorial Conference Centre.

Non-targeted Rates

Rates other than targeted rates. These are General Rates and Uniform Annual General Charges, and fund a wide range of activities considered to be of general benefit to the community.

NRB Customer Satisfaction Survey (Communitrak™)

A wide-ranging customer satisfaction survey prepared for the Napier City Council by the National Research Bureau Limited. The survey is of public perceptions and interpretations of Council services and representation, with comparisons to National and Peer Group averages.

Restricted Assets

Those assets which cannot be disposed of because of legal or other restrictions, and which provide a benefit or service to the community. These include reserves vested under the Reserves Act, and endowments or other property held in trust for specific purposes.

Prospective Financial Statements

Refers to future-orientated financial statements.

Targeted Rate

A rate, set under Sections 16 or 19 of the Local Government (Rating) Act 2002, to fund a specific function or service provided. It may be charged as a fixed dollar amount per rating unit, a fixed charge per factor (such as property value), or a differential charge per factor.