



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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EXTRAORDINARY MEETING OF COUNCIL

Open Attachments Under Separate Cover

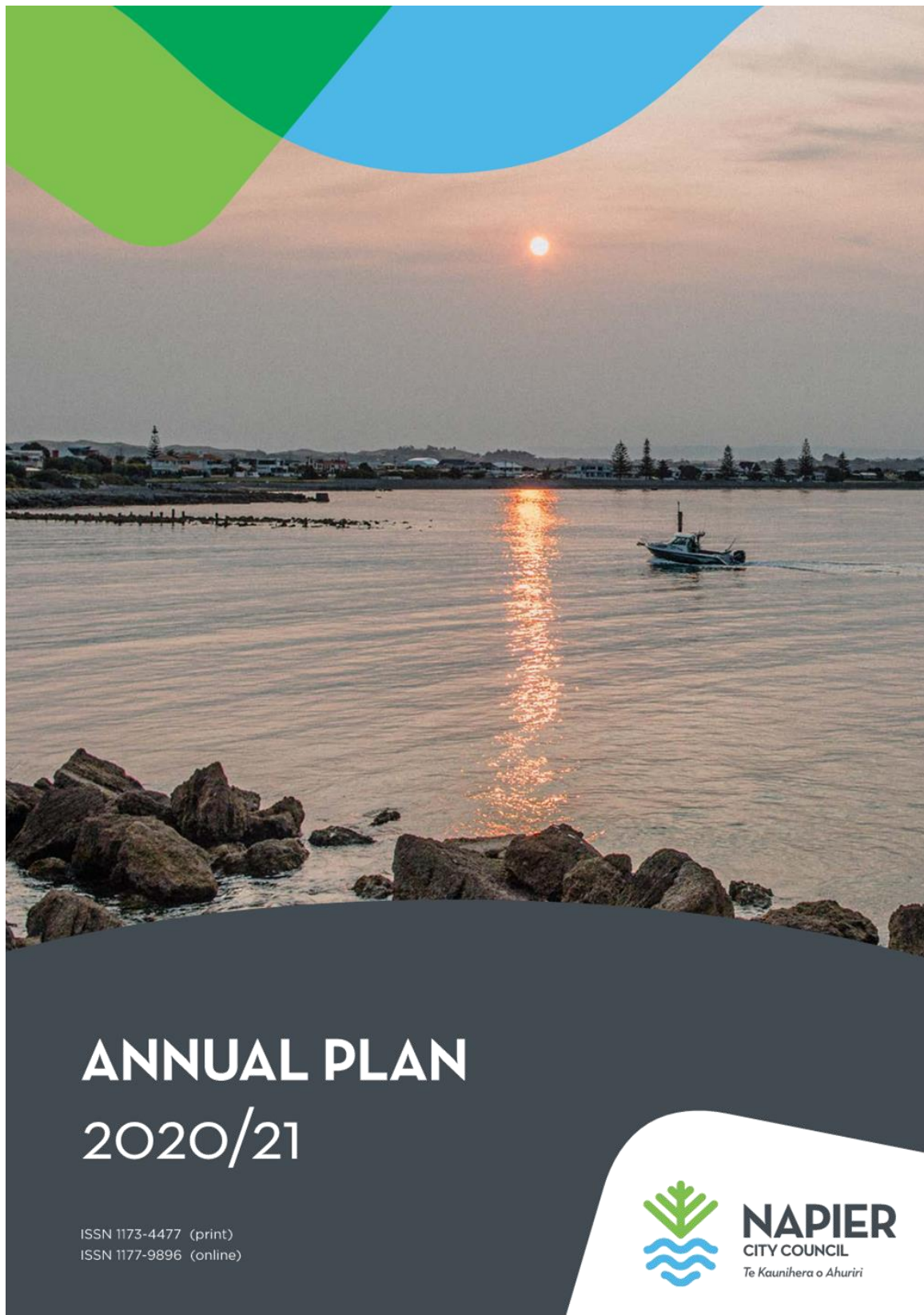
Meeting Date: Thursday 27 August 2020

Time: following ordinary meeting of Council

Venue: Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

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

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FROM THE MAYOR'S OFFICE

Kia ora koutou.

This has to be one of the most challenging years we have faced as a Council, and as a community.

After some delay, I am pleased to be able to bring you the Annual Plan for 2020/21.

Thank you to all the individuals, groups and organisations who submitted to our Annual Plan, including the people who spoke to their submissions, and those of you who watched our livestreamed hearing.

I can reassure you that with our re-confirmation of Three Waters (drinking water, stormwater and wastewater) as our number one priority, we are committed to our water projects.

A wide variety of projects are covered – from our Safe Chlorine-Free Drinking Water Review, to a new borefield, to finding a suitable site for a replacement reservoir on Napier Hill. There are also the wastewater storage and outfall projects, and developing the appropriate solutions for stormwater discharge.

Each year just under half of Council income comes from tourist operations, investments, and fees and charges. The rest comes from rates. The financial impact of COVID-19 is expected to significantly reduce Council's non-rate income, resulting in an unbalanced budget for 2020/21. Council will closely monitor the ongoing impacts of the pandemic, and the 2021-31 Long Term Plan (LTP) will be developed with those impacts in mind.

Through a combination of prioritising projects, moving projects to future years, and leaving some in the capital works programme to be completed depending on capacity, we have been able to reduce the cost of planned works by \$12.7 million, to \$59.5 million. As proposed, and as preferred by the majority of submitters, we have also decided to use the Parking Reserve and Subdivision and

Urban Growth Fund to cover the expected operating shortfall this financial year of \$6.74 million. This is in response to COVID-19 and is a prudent use of Council funds.

This has gone some way towards allowing us to keep this year's rates rise to 4.8%, while helping those facing financial hardship through targeted relief packages.

We also have some key goals in the Recovery Plan, and have had plenty of interest in our Recovery Projects Fund. This fund aims to assist with building resilience and encouraging innovation among Napier businesses, iwi/hapu, community organisations, social enterprises, and Council. It has a particular focus on collective benefit.

It is pleasing to see the strong community interest in, and agreement that the Napier Library should return to the Civic Precinct in some form. Funding has been allocated for master planning for the area, which will inform any funding requirements for the LTP.

We have also allocated funding to carry out further investigations at the current Napier Aquatic Centre site. If those investigations show the site is practicable, consultation will be undertaken with the community.

And finally, we have decided to use \$1 million of funding currently allocated to the National Aquarium of NZ upgrade project on maintenance, until a decision is made on its future.

The pandemic will continue to affect us for some time, however we will be doing our very best to maintain and adapt our plans to lessen the impact on you, the community.

Kirsten Wise
MAYOR OF NAPIER

COVID-19 IMPACT

Council has developed a recovery plan with packages to help businesses, community groups and residents. The targeted relief packages will help support those in our community who may be struggling financially due to COVID-19.

COVID-19 relief budgets included in the Annual Plan 20/21 are:

- Recovery Support Programme of \$1m including:
 - A Recovery Projects fund of \$500k to support great ideas that help accelerate recovery for our community and/or economy
 - Continued support for the We Are Team Napier campaign
 - Funding to support emerging ideas and longer term strategies
- Rate relief package of \$350k available to both residential and commercial ratepayers who meet financial hardship criteria
- Rental relief package of \$193k available for organisations who rent, lease or hold a licence to occupy Council land or premises who meet financial hardship criteria
- Reducing the rates penalty interest charge from 10% to 3.5% through to December 2020

ANNUAL PLAN RATES INCREASE

The 2020/21 Annual Plan includes a rates increase of 4.8% (excluding growth in the rating base). The rates increase has been buffered through the use of reserves and is 0.3% lower than the increase indicated in the Long Term Plan adopted by Napier City Council in 2018 at 5.1%

The implementation of the kerbside recycling and waste collection service (adopted as part of the Waste Management and Minimisation Plan) have resulted in increased costs and this has added to the overall rates increase by 1.8% for 2020/21. Other key increases relate to increased insurance costs of 0.7% and loan servicing costs of 1%.



ANNUAL PLAN 2020/21

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STRATEGIC DIRECTION

OUR MISSION

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

COUNCIL VISION

A vibrant and sustainable city for all

COUNCIL 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 VISION PRINCIPLES

Putting people first

Open for business

A port and coastal city

Our people, our stories

Ecological excellence

Pedal power

FINANCIAL CONDITION INDICATORS

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Rates revenue *	63,854	61,969	60,326
Net surplus/(deficit)	(238)	45,808	13,825
Working capital	5,064	25,182	8,984
External borrowing	22,000	30,000	-
Internal borrowing	69,284	107,699	77,866
Total assets	1,833,473	1,782,750	1,642,133
% rates revenue to total revenue	53 %	42 %	48 %
Rates increase to existing ratepayers year on year **	4.8 %	5.1 %	6.4 %

* Excluding GST

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

WHERE YOUR RATES DOLLAR GOES

	COMMUNITY SERVICES Community services - library, pools, grants, MTG, sportsgrounds and reserves, safe community, youth etc.	31¢
	3 WATERS 10¢ WASTEWATER Safe domestic and commercial sewerage collection, treatment and disposal 8¢ WATER SUPPLY Supply of safe potable water and water for firefighting 7¢ STORMWATER Sustainable stormwater management to minimise flooding	25¢
	TRANSPORTATION Roads, footpaths, bridges, lighting, traffic planning, management and safety, street cleaning	15¢
	OTHER INFRASTRUCTURE Waste minimisation, cemeteries, public toilets	12¢
	CITY STRATEGY Sustainable management of our resources (city planning, consents, licencing, parking, animal control)	8¢
	DEMOCRACY AND GOVERNANCE Council and elections	7¢
	VISITOR EXPERIENCES National Aquarium of New Zealand, i-Site, Napier Conferences & Events, Municipal Theatre Note: Kennedy Park and Par2 Minigolf make a profit	2¢

OUR PRIORITY AREAS

TRANSPORTATION



COMMUNITY OUTCOMES

Excellence in infrastructure and public services for now and in the future.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Marewa/Nelson Park

- Construct upgrade to Kennedy Road at Marewa Shops to improve safety for all users, including pedestrians and cyclists.
- Construct cycling connections along Kennedy Road between George's Drive and the central business district.

Poraiti/Taradale/Te Awa

- Detailed design and preparation of funding business case for the upgrade of Puketitiri Road between Fryer Road and Quarry Ridge, which will include road widening, curve easing and edge protection.
- Construct transport infrastructure to support residential and commercial development in Te Awa.

Ahuriri

- Construct improvements including traffic calming and reallocation of road space on West Quay to create a pedestrian, cycle and business friendly environment and reduce potential conflicts between the public and industrial activity in the Inner Harbour.

Safety improvements

- A number of safety improvement projects to reduce vehicle speeds, particularly in residential areas, including Pirimai and Marewa.

City Centre

- Construct pedestrian crossing facilities on Marine Parade to improve connections between the CBD and the shore; and develop a masterplan for the City Centre to encourage investment, improve pedestrian and cycle accessibility, increase vibrancy and enable central city living.

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STORMWATER



COMMUNITY OUTCOMES

Excellence in infrastructure and public services for now and in the future.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Stormwater studies and planning/design

- Undertake a comprehensive stormwater study before any further exploration or implementation of other stormwater-related projects in Ahuriri Estuary and Coastal areas. This will help us to understand the feasibility of projects and consider options for better managing the quality of our stormwater. This will include investigation of artificial wetlands on lagoon farm as part of the Regional Park initiative.
- Complete modelling and masterplanning of Napier's stormwater system.
- Undertake investigations to determine design to improve the pipes and drainage in the area of the Thames and Tyne waterways.

Stormwater improvements

- Make improvements to the stormwater quality entering the estuary from Bay View, the Lagoon Farm and Hawke's Bay Airport, as well as run off from rural residential areas of the western hills.

Te Awa

- Design and construct stormwater infrastructure to enable development in Te Awa.

Bylaw

- Implement Stormwater Bylaw.

ANNUAL PLAN 2020/21

OUR PRIORITY AREAS CONTINUED

WASTEWATER



COMMUNITY OUTCOMES

Excellence in infrastructure and public services for now and in the future.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Outfall leak

- Undertake investigations and design to address the outfall leak issue.
- Repair Wastewater outfall pipe and create storage for wastewater at our treatment plant to allow for shutdowns for maintenance and repairs.

Pandora Industrial Main

- Finalise options to address the issues with the Pandora Industrial Main.

Improvements to Wastewater system

- Develop a prioritised 30 year wastewater improvement programme to reduce the incidents of wastewater overflows and improve the system efficiencies. Urgent improvement works will begin during this annual plan period.

Te Awa

- Design and construct wastewater infrastructure to enable development in Te Awa.

WATER SUPPLY



COMMUNITY OUTCOMES

Excellence in infrastructure and public services for now and in the future.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Water Supply Masterplan

- Implement masterplan to provide clear and clean water for Napier including projects:
 - Test and establish two new bores, to supply low manganese water.
 - Find suitable site for replacement reservoir on Napier Hill.
 - Manage dirty water and leakage in Tamatea and Parklands.
 - Design new water treatment plants.
 - Design mains pipes to connect bore fields to reservoirs and back to the network.
 - Improve access to the network for the Fire Service.
 - Build in more access points to the network for cleaning.

Chlorine-free drinking water review

- Commission independent review to look at the cost of, and options for, moving to a safe chlorine-free drinking water network.

Te Awa

- Design and Construct water supply infrastructure to enable development in Te Awa.

OUR PRIORITY AREAS CONTINUED

OTHER INFRASTRUCTURE



COMMUNITY OUTCOMES

A sustainable city.

Excellence in infrastructure and public services for now and in the future.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Rubbish collection service

- Commence new rubbish collection service on 1 October with provision of a 120 litre Council-owned wheelie bin and weekly collection.
- Review of potential rates discount for following year if wheelie bin is put out once a fortnight or less.

Omarunui landfill

- Provide funding for Omarunui Development Valley D and B & C for the long term planning needs and development of the jointly owned landfill between Napier and Hastings.

Cemetery

- Implement the Cemetery Strategy including develop cemetery management plans for our six cemeteries. This will include improvements for the Napier Cemetery with a focus on heritage protection and tree management.

CITY STRATEGY



COMMUNITY OUTCOMES

A vibrant innovative city for everyone.

Excellence in infrastructure and public services for now and in the future.

A safe and healthy city that supports community well-being.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

District Plan

- Notification of new Draft Napier District Plan for community consultation.

Recovery Plan

- Lead Covid19 recovery plan.

Civic Precinct and Library

- Develop masterplan for Napier city civic precinct including library.

Regional Park

- In line with the Ahuriri Estuary and Coastal Edge Masterplan, develop masterplan in conjunction with the Regional Council to facilitate a regional park around the Ahuriri Estuary. Develop a detailed concept for artificial wetlands that have an ecological and recreation value but also contribute to the polishing of stormwater before it reaches the estuary.

CBD Parking

- Design and build a new car park for central business district (CBD).
- Upgrade parking meters with new equipment.

Humber Street

- Advance the Ahuriri Estuary and Coastal Edge Masterplan, to further masterplan the Humber St estuary edge.

OUR PRIORITY AREAS CONTINUED

COMMUNITY AND VISITOR EXPERIENCES



COMMUNITY OUTCOMES

A vibrant innovative city for everyone.

Excellence in infrastructure and public services for now and in the future.

A sustainable city.

A safe and healthy city that supports community well-being.

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Reinstatement of War Memorial

- Construct Napier War Memorial at the Napier War Memorial Centre once concept design is agreed by Council. Then, develop management policy to protect the site's heritage, and commemorative elements.

Reserves

- Construct Whakarire Ave revetment. The revetment will protect the reserve and properties on Whakarire Ave and will restore the public's access to the reserve.
- Implement the Open Space Strategy including develop Reserve Management Plans. The District Wide Reserves Management Plan will be the first priority and this will be followed by Maraenui Park and Taradale Park Management Plans to align with the priorities of the Community Development team.
- The playground renewals will be prioritised based on the findings of the recently drafted Playground Strategy, in particular, there will be a focus on upgrading neighbourhood playgrounds such as Essex Street and Norfolk Street.

Engagement/partnerships

- Review Significance and Engagement policy.
- Develop Te Reo and cultural strategy.
- Develop strategy to support Māori welfare and growth.

Recreation facilities

- Further consider and engage community on the future of Napier's aquatic facilities.
- Investigate provision of more indoor court space in Napier.

Aquarium

- Further consider and engage community on National Aquarium of NZ expansion project and other options, pending on result of central government funding support.

Business and Tourism

- Complete construction of Kennedy Park upgrade of the ablution block to ensure the main toilets, showers and communal kitchen facility are of a good standard.
- Complete an i-SITE Strategy (including Par2 Minigolf) and conduct an S17A review to give strategic direction on the asset and business activity.
- Commence development of a Business and Tourism Strategy.

Te Pihinga

- Finalise a concept design for a community facility in Maraenui that will support employment, training and entrepreneurship, with a focus on rangatahi development.
- Work with other agencies to repurpose land for housing development and community facilities in Maraenui.

Housing

- Commence implementation to meet the government's new healthy home standards across Council's community housing portfolio. This includes heating, ventilation and insulation in units.
- Complete Strategic Housing Review – options analysis because current income from rents is not covering the cost of maintaining the housing. Should a significant change in provision be recommended, consultation with community, including current tenants will be undertaken.

Community

- Implement Disability, Positive Ageing and Youth Strategies.
- Develop Community Plan Framework.

Safety

- Replace and expand the CCTV network which is at the end of its life.*
- Investigate ambassadorial model for CBD patrols.

Museums

- Develop an activity management plan for the Faraday Centre including building/infrastructure requirements and service delivery for Council consideration.
- Investigation into regional museum research and archive centre with Joint Working Group (Hastings District Council, and the Hawke's Bay Museums Trust) and explore options.

*Capex funding of 500K comes under technology equipment minor capital (loan funded under Support Units in the capital programme).

OUR PRIORITY AREAS CONTINUED

PROPERTY ASSETS



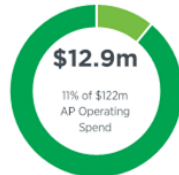
COMMUNITY OUTCOMES

Excellence in infrastructure and public services for now and in the future

CAPITAL SPEND



OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Inner Harbour

- Finalise Inner Harbour Masterplan which will inform what works and funding is required to renew the Inner Harbour and improve the Iron Pot public access. The masterplan will be brought to Council and the community for consideration before detailed design occurs.
- Replace pontoons at the Nelson Quay ramp.

Property purchases

- Undertake some property purchases (commercially sensitive).

Parklands

- Continued development and selling of sections in Parklands to create revenue for Council.

Leasehold Land

- Consider any applications to move leasehold land to freehold.

Building Renewals and Maintenance

- Ongoing investigation into the requirements for the Council wide building maintenance and renewals program.

DEMOCRACY AND GOVERNANCE



COMMUNITY OUTCOMES

Council works with and for the community.

OPERATING SPEND



SIGNIFICANT INITIATIVES FOR 2020/21

Long term planning

- Review Revenue and Financing Policy and consult with community on proposed changes.
- Review Development and Financial Contributions policy.
- Develop Long Term Plan 2021-31 with a focus on improving community well-being (incorporating relevant initiatives from the Covid-19 recovery programme) and consult with community.



ANNUAL PLAN DISCLOSURE STATEMENT

FINANCIAL PRUDENCE

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

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

RATES AFFORDABILITY BENCHMARKS

Under Section 17 of the Regulations 2014, Council must disclose planned rates revenue compared to quantified limit on rates revenue, and planned rates revenue increases compared to the quantified limit on rates revenue increases; a local authority meets the rates affordability benchmarks if planned rates revenue and percentage increases are equal or less than the Council's quantified limit on rates revenue and percentage increases.

As per the table below, Council plans to meet its rates affordability benchmarks in 2020/21.

	AP 2020/21	LTP 2020/21	Policy Limit	Met
Rates Revenue (\$'000)	\$63,854	\$61,969	\$65,562 maximum	Yes
Percentage Rates Increase	4.8%	5.1%	LGCI plus 5%	Yes

DEBT AFFORDABILITY BENCHMARKS

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

The Council plans to meet each of these debt affordability benchmarks in 2020/21. Council plans to have no external debt, and interest income is expected

to exceed interest expense, resulting in a negative net interest to total income percentage.

	AP 2020/21	LTP 2020/21	Policy Limit	Met
Liquidity to External Debt	132%	185%	110% minimum	Yes
Net External Debt as a percentage of Total Revenue	18.1%	16.0%	100% maximum	Yes

BALANCED BUDGET BENCHMARK

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

The Council will not meet the balanced budget benchmark in 2020/21 due to the impact of COVID-19 on revenue particularly in the tourism facilities.

	AP 2020/21	LTP 2020/21	Policy Limit	Met
Operating Revenue to Operating Expenses	95%	137%	100% minimum	No

ESSENTIAL SERVICES BENCHMARK

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

The Council plans to meet the essential services benchmark in 2020/21.

	AP 2020/21	LTP 2020/21	Policy Limit	Met
Capital Expenditure to Depreciation	212%	188%	100% minimum	Yes

DEBT SERVICING BENCHMARK

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

The Council plans to meet this benchmark in 2020/21.

	AP 2020/21	LTP 2020/21	Policy Limit	Met
Borrowing costs to operating revenue	0.2%	0.5%	10% maximum	Yes

**KEY PLANNING
ASSUMPTIONS IN THE
ANNUAL PLAN**

	AP 2020/21 \$000	LTP 2020/21 \$000
Inflation*		
LGCI Operating	2.2%	2.2%
LGCI CAPEX	2.2%	2.2%
Growth in Rate Base		
Assumed Growth	1.2%	0.3%
Interest Rates on Loans		
Interest Rate	2.5 %	4.5 %

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





FINANCIAL INFORMATION

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PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FORECAST FOR THE YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Revenue			
Rates revenue	63,854	61,969	60,326
Finance revenue	216	525	753
Development and financial contributions	3,391	3,621	3,349
Subsidies and grants	4,911	37,139	8,822
Other revenue	47,631	44,680	51,204
Other gains/(losses)	1,564	1,116	1,196
Total revenue	121,567	149,050	125,650
Expenditure			
Employee Benefit Expense	40,727	37,428	39,013
Depreciation and Amortisation	28,392	27,226	24,938
Finance Costs	275	675	-
Other Operating Expenses	52,721	38,161	48,122
Total expenditure	122,115	103,490	112,073
Operating surplus/(deficit) before tax	(548)	45,560	13,577
Share of associate surplus/(deficit)	310	249	248
Surplus/(deficit) before tax	(238)	45,808	13,825
Income tax expense	-	-	-
Surplus/(deficit) after tax	(238)	45,808	13,825
Other comprehensive revenue			
Valuation gains/(losses) taken to equity	5,640	5,603	22,749
Fair value gains/(losses) through comprehensive revenue on investments	-	-	-
Total comprehensive revenue and expenses	5,402	51,411	36,574

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

FORECAST FOR YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Assets			
Current assets			
Cash and cash equivalents*	6,758	12,197	2,334
Debtors and other receivables	15,789	18,178	17,046
Prepayments	297	171	245
Inventories	5,821	3,667	5,063
Biological assets	354	296	322
Other financial assets	-	10,000	4,500
Total current assets	29,019	44,509	29,510
Non-current assets			
Property, plant and equipment	1,712,724	1,681,768	1,546,554
Intangible assets	550	1,496	1,030
Inventories	19,570	5,854	12,520
Investment property	58,791	37,178	40,757
Investment in associates	9,367	8,530	7,838
Other financial assets	3,452	3,416	3,924
Total non-current assets	1,804,454	1,738,242	1,612,623
Total assets	1,833,473	1,782,751	1,642,133
Liabilities			
Current liabilities			
Trade payables and other accruals	19,079	15,311	15,838
Employee benefit liabilities	4,876	4,016	4,688
Total current liabilities	23,955	19,327	20,526
Non-current liabilities			
Revenue received in advance	-	269	-
Employee benefit liabilities	723	961	790
Borrowings	22,000	30,000	-
Provisions	1,109	4,859	2,457
Total non-current liabilities	23,832	36,089	3,247
Total liabilities	47,787	55,416	23,773
Total net assets	1,785,686	1,727,335	1,618,360
Net assets / equity			
Accumulated revenue & expenses	816,587	880,055	804,539
Other reserves	969,099	847,280	813,821
Total net assets / equity	1,785,686	1,727,335	1,618,360

* In the LTP Cash and Cash equivalents included Omarunui Landfill (\$2,968). This has been reclassified to Non-current Other Financial Assets in the AP 2020/21.

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS / EQUITY

FORECAST FOR THE YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Total net equity balance at 1 July	1,780,284	1,675,924	1,581,786
Total comprehensive revenue for the period	5,402	51,411	36,574
Total net equity balance at 30 June	1,785,686	1,727,335	1,618,360
Total comprehensive revenue and expenses attributable to:			
Napier City Council	5,402	51,411	36,574
Total comprehensive revenue and expenses	5,402	51,411	36,574



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DRAFT ANNUAL PLAN 2020/21

PROSPECTIVE STATEMENT OF CASH FLOWS

FORECAST FOR THE YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Cash flows from operating activities			
Receipts from rates revenue	60,661	61,879	59,930
Interest received	216	525	753
Dividends received	-	-	-
Receipts from other revenue	59,606	81,532	56,013
Goods and services tax (net)	-	-	(959)
Payments to suppliers and employees	(95,956)	(75,844)	(84,509)
Interest paid	(275)	(675)	-
Net cash from operating activities	24,252	67,416	31,228
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	250	250	263
Proceeds from withdrawal of investments	27,000	40,100	97,354
Purchase of property, plant and equipment	(57,001)	(109,171)	(66,858)
Purchase of intangible assets	(127)	-	68
Acquisition of investments	(14,682)	(30,000)	(63,000)
Net cash from investing activities	(44,560)	(98,821)	(32,173)
Cash flows from financing activities			
Proceeds from borrowings	22,000	30,000	-
Net cash from financing activities	22,000	30,000	-
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	1,692	(1,405)	(946)
Cash, cash equivalents and bank overdrafts at 1 July*	5,066	13,602	3,280
Cash, cash equivalents and bank overdrafts at 30 June*	6,758	12,197	2,334

* In the LTP Cash and Cash equivalents included Omarunui Landfill (\$2,968). This has been reclassified to Non-current Other Financial Assets in the AP 2020/21.



PROSPECTIVE STATEMENT OF FINANCIAL PERFORMANCE

FORECAST FOR THE YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Operating revenue (Activity Cost of Service Statements)			
City Strategy	6,907	6,378	6,543
Community and Visitor Experiences	12,026	49,126	21,291
Other Infrastructure	9,992	7,098	7,739
Property Assets	22,730	12,969	20,566
Stormwater	805	1,087	805
Transportation	6,928	9,252	8,108
Wastewater	10,202	9,857	9,273
Water Supply	7,209	6,705	6,873
Total operating revenue	76,799	102,472	81,198
Other revenue (as per Prospective Statement of Comprehensive Revenue and Expenses)			
General rates	43,373	44,837	42,263
Rates Remissions*	(339)	(219)	(219)
Interest revenue	216	525	753
Other revenue	1,518	1,216	1,656
Total revenue	121,567	148,831	125,650
Operating expenditure (Activity Cost of Service Statements)			
City Strategy	13,126	10,468	10,860
Community and Visitor Experiences	42,789	41,886	44,199
Democracy and Governance	4,685	3,603	3,883
Other Infrastructure	13,380	8,488	9,930
Property Assets	12,893	6,359	12,704
Stormwater	4,912	5,151	4,521
Transportation	15,011	14,875	13,109
Wastewater	9,535	9,185	8,601
Water Supply	7,580	6,135	6,837
Total operating expenditure	123,911	106,150	114,643
Other expenditure (as per Prospective Statement of Comprehensive Revenue and Expenses)			
Internal expenditure	(2,474)	(3,370)	(2,068)
Interest Expense	275	675	-
Other Expenses	403	(183)	(502)
Total expenditure	122,115	103,272	112,073
Operating surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses)	(548)	45,560	13,577
Share of associate surplus/(deficit)	310	249	248
Surplus/(deficit) before tax (as per Prospective Statement of Comprehensive Revenue and Expenses)	(238)	45,808	13,825
Income tax expense	-	-	-
Surplus/(deficit) after tax	(238)	45,808	13,825

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

KEY CHANGES FROM THE 2020/21 YEAR OF THE LONG TERM PLAN

BY THE NUMBERS

 0.3%	RATES REVENUE to 4.8%, down from 5.1% forecast for 2020/21	MAIN REASONS FOR CHANGE Reduced rates due to impact of COVID-19 shortfall on tourism and other Council related activities being funded by Council Reserves.
 12%	OTHER REVENUE to \$48m, up from \$45m	MAIN REASONS FOR CHANGE Increase in Parklands residential sales due to timing delay from the previous year, partially offset by decreased revenue from lower than expected levels of tourism activity due to impact of COVID-19.
 86%	SUBSIDIES AND GRANTS to \$5m, down from \$37m	MAIN REASONS FOR CHANGE Timing of expected external grant funding for the proposed Aquarium.
 18%	OPERATING EXPENDITURE to \$122m, up from \$104m	MAIN REASONS FOR CHANGE Increased costs for waste and kerbside recycling. Increase in Parklands Residential development costs. Increased operating expenditure relating to water quality. Changes to staff costs.
 47%	CAPITAL EXPENDITURE to \$60m, down from \$112m	MAIN REASONS FOR CHANGE The capital works programme outlined in the LTP includes a substantial investment in a variety of projects. For the Annual Plan 2020/21, there have been several changes where projects have been re-phased to later years. There have also been new requirements that have been identified since the LTP and some projects which are no longer required. The tables below outline key changes made to 2020/21.

CAPITAL EXPENDITURE BY ACTIVITY GROUP

	AP 2020/21 \$000	LTP 2020/21 \$000	Variance
City Strategy	1,067	592	475
Community and Visitor Experiences	13,928	72,754	(58,826)
Other Infrastructure	2,070	2,164	(94)
Property Assets	4,533	3,889	644
Stormwater	3,161	6,675	(3,514)
Transportation	9,690	15,048	(5,358)
Wastewater	8,536	3,795	4,741
Water Supply	13,994	4,955	9,039
Support Units	2,537	2,493	44
Total	59,516	112,365	(52,849)

STATEMENT OF ACCOUNTING POLICIES

In accordance with the Local Government Act 2002 Section 95a, Napier City Council (the Council) will adopt the 2020/21 Annual Plan on 26 June 2020. As the authorising body, the Council is responsible for the Annual Plan presented along with the underlying assumptions and all other required disclosures.

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

REPORTING ENTITY

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

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

- Hawke's Bay Museum Trust classified as an investment;
- Hawke's Bay Airport Limited (26% share of voting rights) equity accounted.

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

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

Functional and Presentation Currency

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

Prospective Financial Information

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

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

The Annual Plan is based on the forecast for the year ended 30 June 2021 included in the Long Term Plan 2018 – 2028. The prospective financial statements have been prepared by using the best information available at the time for the Annual Plan.

CHANGES IN ACCOUNTING STANDARDS

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

INVESTMENTS

INVESTMENT IN ASSOCIATES

The Council's associate investment is accounted for in the financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the financial statements is

STATEMENT OF ACCOUNTING POLICIES CONTINUED

increased or decreased to recognise the Council's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

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

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

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

SUBSIDIARIES

The Council has no subsidiaries.

JOINT ARRANGEMENTS

JOINTLY CONTROLLED ASSETS

A joint operation **is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.**

The Council has an interest in a joint operation that is a 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 joint operation.

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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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

Parking and Traffic Infringement

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

EXCHANGE REVENUE**Licences and Permits**

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

Residential Developments

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

Development and Financial Contributions

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

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

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

Interest Revenue

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

Dividend Revenue

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

Building and Resource Consent Revenue

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

INCOME TAX

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

Goods and Services Tax (GST)

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

LEASES**THE COUNCIL IS THE LESSEE**

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

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

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

The Council is the Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Rental revenue (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

CASH AND CASH EQUIVALENTS

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

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

TRADE RECEIVABLES

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

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

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

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

INVENTORIES

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

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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.

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On de-recognition, 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.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consist of:

OPERATIONAL ASSETS – These include land, buildings, library books, plant and equipment and motor vehicles.

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

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

ADDITIONS

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

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

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

DISPOSALS

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

REVALUATIONS

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

Increases in the carrying amounts arising on a revalued class of assets are credited to a revaluation reserve in public equity. To the extent that the

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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
ROADING	
Base Course	60-130
Surfacings	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80

	Years
Drainage	25-100
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
WATER	
Reticulation	56-200
Reservoirs	100
Pump Stations	15-80
STORMWATER	
Reticulation	80-100
Pump Stations	15-80
Sewerage	
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.

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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 Pearlless, Director, Paragon Matter Art Services and performed on an annual basis. The last valuation was performed as at 30 June 2020.
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 Council Engineers at depreciated replacement cost using the RAMM valuation system and reviewed by Opus International Consultants Ltd. Road assets were revalued as at 30 June 2020.
Water, Wastewater and Stormwater Above and Below Ground Assets	Carried at fair value less depreciation. Water, Wastewater and Stormwater below ground assets are valued at depreciated replacement cost by Council's engineers and independently reviewed by WSP NZ as at 30 June 2020. Above ground assets have been valued by M Wyatt of AECOM Ltd and M. Penrose of Telfer Young (HB) Ltd as at 30 June 2020.
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.

Description	Method of Valuation
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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding three years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer

settlement of the liability for at least 12 months after the Statement of Financial Position date.

BORROWING COSTS

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

PROVISIONS

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

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

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

FINANCIAL GUARANTEE

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

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is

STATEMENT OF ACCOUNTING POLICIES CONTINUED

- probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

GRANT EXPENDITURE

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

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

EMPLOYEE BENEFITS**WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE**

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

LONG SERVICE LEAVE AND GRATUITIES

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

RETIREMENT BENEFIT OBLIGATIONS

Current and former employees of the Council are entitled to benefits on retirement, disability or death from the Council's multi-employer benefit scheme. The scheme manager, National Provident Fund, has advised Council there is no consistent and reliable basis for allocating the obligation scheme assets and cost of the multi-employer defined benefit scheme

to individual participating employers. As a result, the scheme is accounted for as a defined contribution plan and contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

DEFINED CONTRIBUTION SCHEMES

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

BONUS PLANS

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

BIOLOGICAL ASSETS**Livestock**

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

NET ASSETS / EQUITY

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

These are:

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

RESTRICTED AND COUNCIL CREATED RESERVES

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

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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

CAPITAL MANAGEMENT

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

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

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

Napier City Council has the following Council created reserves:

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

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

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

Trust and bequest reserves are set up where the Council is donated funds that are restricted for particular purposes. Interest is added to trust and

bequest reserves where applicable, and deductions are made where funds have been used for the purposes for which they were donated.

BUDGET FIGURES

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

COST ALLOCATION

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

LANDFILL AFTERCARE PROVISION

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for monitoring and recovery of gas

Post-closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation

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

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

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

- Aftercare will be required for 30 years after the closure of each stage.
- The annual cost of aftercare for Valley A and D is \$94,000; and
- The provision reported for the Council's share only (36.32%).

INFRASTRUCTURAL ASSETS

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

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are underground such as stormwater, wastewater and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and

- Estimating the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.

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

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

Critical Judgements in applying Napier City Council's Accounting Policies

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

Classification of Property

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

STANDARDS ISSUED AND NOT YET EFFECTIVE, AND NOT EARLY ADOPTED**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.

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.

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.



RESERVE FUNDS

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
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	(92)	22	(8)	(78)
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	1,333	52	(1,235)	150
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	(3)	194	(197)	(6)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	-	2,735	(2,582)	153
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice.	Libraries	14	-	(1)	13
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	(173)	822	(1,019)	(370)
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	(39)	204	-	165
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	4,862	3,186	(7,643)	405

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
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	24,985	2,559	(11,279)	16,265
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	6,983	12,227	(11,198)	8,012
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	3,664	282	-	3,946
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	5,680	2,623	(7,331)	972
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	1,118	57	-	1,175
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(118)	197	(221)	(142)
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	(529)	15,925	(12,807)	2,589
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements.	Roothing	(265)	-	(10)	(275)

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
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	1,909	67	-	1,976
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	246	163	(141)	268
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 freehold after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	18,729	1,656	-	20,385
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	876	-	-	876
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	5,131	3,167	(4,345)	3,953
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	168	618	(619)	167
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	8,938	-	(3,543)	5,395
Total Council Created Reserves			83,757	46,756	(64,179)	66,334

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
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	1,837	33	(1,800)	70
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	(580)	1,715	(4,500)	(3,365)
Total Restricted Reserves			1,257	1,748	(6,300)	(3,295)
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	(2)	29
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	171	6	-	177
Eskdale Cemetery Trust	This Trust fund, comprising a number of bequests totalling \$1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery.	Cemeteries	25	1	-	26
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	6	-	-	6
John Close Bequest	Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy. ii) Coal Trust - provided wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.	Community Planning	50	2	(1)	51

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
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	34	13	(12)	35
Total Bequests Trust Funds			331	23	(15)	339

CAPITAL PLAN

PROJECT NAME	AP 2020/21 \$000
TRANSPORTATION	
Ahuriri Masterplan - Thames Severn Stormwater Management	250
Ahuriri Masterplan - West Quay Upgrade	750
Associated improvements	100
Ground stabilisation and retaining wall	350
Intersection Improvement Projects	50
Intersection Safety Improvement Projects	1,106
KiwiRail - Level Crossing	90
New Cycle and Walking Tracks	750
Public transport infrastructure	50
Puketitiri Road Upgrade	500
Roading Renewals	2,484
Severn St roundabout	500
Te Awa Structure Plan	1,400
Urban Corridor Improvement Projects	135
Total Transportation	8,515
WATER SUPPLY	
Awatoto Industrial & Phillips Road Bore	800
Borefield No.1 Rising Main	5,000
Borefield No.2 Land Purchase	1,500
District Monitoring Project	808
FW2 Fireflow Network Upgrades	100
Hospital Hill Falling Trunk Main	250
Network access points	100
New bores in Awatoto	1,500
New Taradale Bore Field	200
New Water Treatment Plant	2,000
Replacement of Enfield reservoir	500
Taradale Falling Trunk Main	150
Te Awa Structure Plan	500
Upgrade Water Supply control system	90
Water Control System minor works	5
Water Meter Renewals	5
Water Pipes Renewals	265
Total Water Supply	13,773

CAPITAL PLAN CONTINUED

PROJECT NAME	AP 2020/21 \$000
STORMWATER	
Ahuriri Master Plan stormwater study	100
Ahuriri Master Plan Project 11 - Pandora catchment improvements	200
Ahuriri Master Plan Project 3 - improve direct outfalls	200
CBD Stormwater Upgrade	150
Minor drain Improvements	30
New pump station and pumping main for Marewa Catchment	100
New pump station in Bay View	200
Outfalls Marine Parade S852	75
Pump station minor replacements (mechanical)	20
SCADA minor replacements	25
Stormwater pump replacements	75
Stormwater pump station electrical replacements	20
Te Awa Structure Plan	1,000
Tennyson St outfall improvements	50
Thames/Tynes pipe and drain upgrades	100
Upgrade existing Onehunga Pump Station S846	68
Upgrading Dalton St pump station	300
Total Stormwater	2,713
WASTEWATER	
Flow metering	150
Harold Holt wastewater upgrades	100
Odour control at Petane pump station	40
Pandora Industrial Main	950
SCADA Upgrade	250
Taradale Wastewater Diversion	500
Te Awa Structure Plan - Wastewater	1,000
Wastewater Outfall Replacement	2,000
Wastewater Pipe Renewals	800
Wastewater Pump Station Renewals	145
Wastewater Treatment Plant Renewals	200
Wastewater Treatment Plant Upgrade	2,000
Total Wastewater	8,135

CAPITAL PLAN CONTINUED

PROJECT NAME	AP 2020/21 \$000
OTHER INFRASTRUCTURE	
Cemeteries	
Cemetery Concept Plan Implementation	60
Cemetery Planting	25
Cemeteries Renewals	110
Napier Cemetery Development	125
Wharerangi Building Refurbishment	10
Total Cemeteries	330
Waste Minimisation	
Omarunui Development - Valley D	550
Omarunui Development - Plant	16
Omarunui Development - Forestry	5
Omarunui Development - Valleys B & C	1,076
Solid Waste Renewals.	93
Total Waste Minimisation	1,740
Total Other Infrastructure	2,070
CITY STRATEGY	
Animal Control	
Stock Control Equipment	2
Total Animal Control	2
Parking	
CBD Parking Projects	1,000
Alternative Transport Parking	10
Parking Minor Capital	5
Parking Equipment Replacement	50
Total Parking	1,065
Total City Strategy	1,067
COMMUNITY AND VISITOR EXPERIENCES	
Bay Skate	
Park equipment	13
Skate ramps	60
Napier Skate Park Renewals	46
Total Bay Skate	119
Community Facilities	
Maraenui Community Space	1,000
Minor Capital Allowance	60
Taradale Town Hall internal refurbishment	85
Halls Renewals	35
Total Community Facilities	1,180

CAPITAL PLAN CONTINUED

PROJECT NAME	AP 2020/21 \$000
Housing	
Retirement Housing Renewals	1,251
Retirement Housing Minor Capital	89
Rental Housing Renewals	206
Rental Housing Minor Capital	21
Total Housing	1,567
Kennedy Park Resort	
Building Renewals	381
Main Ablution Block	650
Kennedy Park I.A.R.	160
Kennedy Park Minor Capital	20
Total Kennedy Park Resort	1,211
Libraries	
Building Renewals	11
Taradale Library - Minor Work 01	145
Library Renewals	10
Library Stock	360
Napier Library Rebuild	500
Minor Capital	11
Total Libraries	1,037
Marine Parade Pools	
Marine Parade Pools Renewals	20
Total Marine Parade Pools	20
MTG Hawke's Bay	
Building Renewals	214
Minor Capital	15
MTG Renewals	60
MTG Minor Capital	60
Total MTG Hawke's Bay	349
Napier Aquatic Centre	
Napier Aquatic Centre expansion	500
NAC I.A.R.	332
Total Napier Aquatic Centre	832
Napier Conferences & Events	
War Memorial	1,040
CC Renewals	140
CC Minor Capital	60
Total Napier Conferences & Events	1,240

CAPITAL PLAN CONTINUED

PROJECT NAME	AP 2020/21 \$000
Napier i-SITE Visitor Centre	
i-SITE Minor Capital	20
Total Napier i-SITE Visitor Centre	20
Napier Municipal Theatre	
Building Renewals	18
NMT Renewals	172
NMT Minor Capital	60
Total Napier Municipal Theatre	250
National Aquarium of NZ	
Aquarium Renewals	1,336
Total National Aquarium of NZ	1,336
Par2 MiniGolf	
Building Renewals	13
Par2 Minor Capital	4
Total Par2 MiniGolf	17
Reserves	
Ahuriri Estuary Projects	300
Coastal Erosion	200
Destination Playground - Stage 2	100
Foreshore Planting	20
Marine Parade renewals	265
Planting	70
Playground Renewals	200
Riparian Planting	20
Reserves I.A.R.	610
Whakarire Ave Rock Revetment	2,200
Total Reserves	3,985
Sportsgrounds	
Park Island Southern Revelopment	100
Sportsgrounds I.A.R.	320
Sportsgrounds Minor Capital	45
Total Sportsgrounds	465
Total Community and Visitor Experiences	13,628
Inner Harbour	
Ahuriri Masterplan - Iron Pot Public Access	1,008
Total Inner Harbour	1,008

CAPITAL PLAN CONTINUED

PROJECT NAME	AP 2020/21 \$000
Property Holdings	
Assessment & Compliance Projects	225
Building Purchase	1,800
Property Purchase	1,500
Total Property Holdings	3,525
Total Property Assets	4,533
SUPPORT UNITS	
Depot Building Renewals	83
Depot General Renewals	30
Depot Minor Capital	13
Lockable storage-more sheds	10
Software Replacements and Upgrades	494
Replacement of Mobile Plant and Vehicle	1,050
Minor Capital General Provision	70
Corporate IT Network	13
Technology Equipment Minor Capital	774
Total Support Units	2,537
Vested Assets	
Stormwater Vested Assets	448
Vested Assets	300
Wastewater Vested Assets	401
Water Supply Vested Assets	221
Roading Vested Assets	1,175
Total Vested Assets	2,545
Total Capital Programme *	59,516

* NB: The capital spend for the 2020/21 year does not include a number of projects for which funding has been approved in Year 2 of the LTP. These projects will be carried forwarded in the 2020/21 forecast.

FUNDING SOURCES	2020/21 \$000
Rates	527
Rates Funded Loans	15,036
Buildings Projects Fund	658
Capital Reserve	974
Cemeteries IAR Fund	270
City Services Project Fund	135
Endowment Land Account	1,800
Financial Contributions	8,483
HB HB Endowment Land Income	3,208
Housing Building Projects Fund	1,760
IT Project Fund	508
Libraries IAR Fund	21
Marine Pde Facilities IAR Fund	140
MTG IAR Fund	334
NZTA Subsidy	1,970
Parking Account	1,065
Parklands	2,105
Plant Purchases & Renewals Fund	1,050
Pools IAR Fund	332
Reserves	1
Reserves IAR Fund	1,685
Roading IAR	2,690
Sewer Pump Station Renewal	335
Sewer Treatment Plant Renewal	2,200
Sewerage IAR Pipes	800
Solid Waste Disposal Income A/c	1,647
Sportsgrounds IAR Fund	365
Stormwater Catchments Upgrade	200
Stormwater IAR Pipes	390
Technology Equip Renewal Fund	629
Tourism Capital Fund	2,385
Transfer Station & Composting IAR Fund	93
Vested Assets	2,545
Wastewater Outfall IAR	2,000
Water Meters IAR Fund	5
Water Supply IAR	1,170
Total Capital Programme	59,516

BORROWING PROGRAMME

FORECAST FOR THE YEAR ENDING 30 JUNE 2021

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
New loans			
Rates funded	35,215	64,524	29,199
Non-Rates funded	-	1,190	690
Total new loans	35,215	65,714	29,889
Less repayments (net)	(2,783)	(2,938)	(3,438)
Movement in debt	32,432	62,776	26,451
Opening public debt	58,852	74,924	51,415
Gross public debt	91,284	137,699	77,866
Internal funding	(69,284)	(107,699)	(77,866)
Net public debt	22,000	30,000	-



DRAFT ANNUAL PLAN 2020/21

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FINANCIAL OVERVIEW: SUMMARY OF REVENUE AND FINANCING MECHANISMS

FUNDING IMPACT STATEMENT (WHOLE OF COUNCIL)

	AP 2020/21 \$000	LTP 2020/21 \$000	AP 2019/20 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	43,373	44,837	42,263
Targeted rates	20,820	17,131	17,668
Subsidies and grants for operating purposes	2,787	2,377	2,357
Fees and charges	17,564	22,605	24,112
Interest and dividends from investments	216	525	753
Local authorities fuel tax, fines, infringement fees, and other receipts	28,870	19,393	26,489
Total operating funding (A)	113,630	106,868	113,642
Applications of operating funding			
Payments to staff and suppliers	93,446	75,367	88,486
Finance costs	275	675	-
Other operating funding applications	342	222	221
Total applications of operating funding (B)	94,063	76,264	88,707
Surplus/(deficit) of operating funding (A - B)	19,567	30,604	24,935
Sources of capital funding			
Subsidies and grants for capital expenditure	2,124	34,788	6,490
Development and financial contributions	3,391	3,621	3,349
Increase/(decrease) in debt	22,000	30,000	-
Gross proceeds from sale of assets	250	250	250
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	27,765	68,659	10,089
Application of capital funding			
Capital expenditure			
- to meet additional demand	6,482	5,100	3,250
- to improve the level of service	31,014	57,168	28,198
- to replace existing assets	20,822	47,441	38,016
Increase (decrease) in reserves	(10,986)	(10,446)	(34,440)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	47,332	99,263	35,024
Surplus/(deficit) of capital funding (C - D)	(19,567)	(30,604)	(24,935)
Funding balance ((A-B) + (C-D))	-	-	-

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

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that will be used, along with an indicative level of rates, together with examples of the impact of rating proposals for 2020/21 over a range of different categories of property and a range of different values.

RATING SYSTEM

The full rating system to apply from 1 July 2020 is as follows:

GENERAL RATE

The General Rate funds the balance of the cost of all council activities after allowing for revenue to be collected from the Uniform Annual General Charge and all targeted rates.

- The General Rate is based on the land value of all rateable land in the city's rating area.
- The General Rate is charged on a differential basis. The differentials applying for 2020-21 are calculated to enable:
 - 70% of the total general rate together with the Uniform Annual General Charge to be collected from residential properties and 30% from non-residential properties.
 - Residential properties includes those properties used primarily for residential purposes and included under differential codes 1 and 6. All other properties are considered to be non-residential for the purpose of apportioning and collecting the share of general rates.
 - The recovery of the assessed actual costs of services supplied to rural properties, excluding those in the Bay View Differential Rating Area (based on an assessment completed in December 2017).
 - The calculation of the rate for properties in the Bay View Differential Rating Area based on a comparison with other residential properties in Napier City, with an adjustment to reflect the assessed actual cost of transportation services supplied to Bay View.
 - The application of the same rate for miscellaneous non-residential properties as for residential properties.
 - The following are the differentials to be applied based on the land value of properties in each differential category.

Differentials	Group/Code	2019/20	Rate per \$ or Land Value
City Residential	1	100%	0.0052539
Commercial and Industrial	2	268.09%	0.0140900
Miscellaneous	3	100%	0.0052539
Ex-City Rural	4	63.47%	0.0033346
Other Rural	5	63.47%	0.0033346
Bay View	6	72.80%	0.0038248

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

which is updated in conjunction with each city revaluation.

UNIFORM ANNUAL GENERAL CHARGE

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

The Uniform Annual General Charge for 2020-21 is \$375.00

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

FIRE PROTECTION RATE

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

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

This rate is differentially applied, in recognition that the carrying capacity of water required in the reticulation system to protect commercial and industrial properties is greater than that required for residential properties. The rate is further differentiated where a property is not connected but is within 100 metres of a water supply system. 50% of the base rate for each differentiated category applies for each property not connected but located within 100 metres of the systems.

Differentials	Connected (%)	Rate in \$	Not connected but within 100m (%)	Rate per \$ of Capital Value
Central Business District and Fringe Area	400%	0.0002672	200%	0.0001336
Suburban Shopping Centres, Hotels and Motels and Industrial rating units outside of the CBD	200%	0.0001336	100%	0.0000668
Other rating units connected to or able to be connected to the water supply systems	100%	0.0000668	50%	0.0000334

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

RATING SYSTEM CONTINUED

CITY WATER RATE AND BAY VIEW WATER RATE

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

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

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

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

Differentials	Connected (%)	Rate (per SUIP)	Not connected but within 100m (%)	Rate (per SUIP)
Rating units connected to or able to be connected to the City and Bay View Water Supply Systems	100%	\$236.00	50%	\$118.00

REFUSE COLLECTION AND DISPOSAL RATE

This rate recovers the net cost of the Solid Waste Activity, excluding costs related to litter control and the kerbside recycling collection service.

The Refuse Collection and Disposal targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which a rubbish collection service is available and is multiplied by number of times each week the service is provided. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

The rate for 2020-21 is \$130.00

KERBSIDE RECYCLING RATE

This rate recovers the net cost of the kerbside recycling collection service.

The Kerbside Recycling targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which the kerbside recycling collection service is available. Rating units which Council officers determine are unable to practically receive the Council

service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

The rate for 2020-21 is \$70.00

SEWERAGE RATE

This rate recovers the net cost of the Wastewater Activity.

The Sewerage targeted rate is applied differentially as a fixed amount and is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to, or able to be connected to, the City Sewerage System.

A differential of 50% of the rate applies to each rating unit (excluding Bay View properties) not connected but located within 30 metres of the system.

Differentials	Connected (%)	Rate (per SUIP)	Not connected but within 30m (%)	Rate (per SUIP)
Rating units connected to or able to be connected to the City Sewerage Systems (all properties excluding Bay View)	100%	\$398.00	50%	\$199.00
Rating units connected to or able to be connected to Bay View Sewerage Scheme	100%	\$398.00	50%	\$199.00

BAY VIEW SEWERAGE CONNECTION RATE

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

The Bay View Sewerage Connection targeted rate is a fixed amount set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to the Bay View Sewerage Scheme, where the lump sum payment option was not elected.

The rate applies from 1 July following the date of connection for a period of 20 years, or until such time as a lump sum payment for the cost of connection is made.

The category of rateable land for setting the targeted rate is defined as the provision of a service to those properties that are connected to the sewerage system, but have not paid the lump sum connection fee.

The liability for the targeted rate is calculated as a fixed amount per separately used or inhabited part

RATING SYSTEM CONTINUED

of a rating unit based on the provision of a service by the Council, including any conditions that apply to the provision of the service.

The rate is used to recover loan servicing costs required to finance the cost of connection to the Bay View Sewerage Scheme for properties connecting under the targeted rate payment option.

The rate for 2020-21 is \$941.35

CBD OFF STREET CAR PARKING RATE

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

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

Differentials	%	Rate per \$ of Land Value
Properties where council provides additional parking due to the property receiving a 100% parking dispensation	100%	0.0014889
Properties where council provides additional parking due to the property receiving a 50% parking dispensation.	50%	0.0007445

Refer Council maps:

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

TARADALE OFF STREET CAR PARKING RATE

This rate is used to provide additional off street car parking in the Taradale Suburban Commercial area.

Those properties in the Taradale Suburban Commercial area only are charged the Taradale Off Street Parking targeted rate based on land value and set on a uniform basis.

The rate for 2020-21 is \$0.0010999 per \$ of land value.

SUBURBAN SHOPPING CENTRE OFF STREET CAR PARKING RATE

This rate is used to provide additional off street car parking at each of these areas served by Council supplied off street car parking, and to maintain the existing off street car parking areas.

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

The rate for 2020-21 is \$0.0010999 per \$ of land value.

CBD PROMOTION RATE

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

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

The rate for 2020-21 is \$0.0021794 per \$ of land value.

TARADALE PROMOTION RATE

This rate recovers the full cost of the Taradale Marketing Association's promotional activities.

All rating units in the Taradale Suburban Commercial area are charged the Taradale Promotion targeted rate based on land value and set on a uniform basis.

The rate for 2020-21 is \$0.0024244 per \$ of land value.

SWIMMING POOL SAFETY RATE

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

The rate for 2020-21 is \$52.00 per rating unit.

WATER BY METER CHARGES

This rate applies to all with a water meter and is charged based on a scale of charges as shown on the schedule of indicative rates each year.

Where any rating unit is suspected to have above average water usage Council officers may require that a water meter is installed and excess usage is charged based the water by meter targeted rate.

The rate based on actual water use above the first 300m³ per annum will be charged to metered properties to which this rate applies.

The rates for 2020-21 are:

- Napier City - \$0.58259 per m³
- Bay View and other supplies outside city boundary - \$1.08104 per m³

Targeted Rates Note:

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

RATING SYSTEM CONTINUED

**SEPARATELY USED OR
INHABITED PARTS OF A RATING
UNIT DEFINITION****DEFINITION**

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

Any part of a rating unit that is, or is able to be, separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement (SUIP does not apply to properties that are used solely as a single family residence)

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other forms of occupation) on an occasional or long term basis by someone other than the owner.

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

For residential rating units, each self contained area is considered a separately used or inhabited part, unless used solely as a single family residence. Each situation is assessed on its merits, but factors considered in determining whether an area is self contained would include the provision of independent facilities such as cooking / kitchen or bathroom, and its own separate entrance.

Residential properties, where a separate area that is available to be used as an area independent to the rest of the dwelling is used for the purpose of operating a business, such as a professional practice, dedicated shop/display area or trade workshop. The business area is considered a separately used or inhabited part.

For commercial or industrial properties, two or more different businesses operating from or making separate use of the different parts of the rating unit. Each separate business is considered a separately used or inhabited part. A degree of common area would not necessarily negate the separate parts.

These examples are not inclusive of all situations.

**DESCRIPTION OF
DIFFERENTIAL CATEGORIES –
GENERAL RATE****GROUP 1: CITY RESIDENTIAL PROPERTIES**

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

GROUP 2: COMMERCIAL AND INDUSTRIAL PROPERTIES

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

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

GROUP 3: MISCELLANEOUS PROPERTIES

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

GROUP 4: EX-CITY RURAL AREAS

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

GROUP 5: OTHER RURAL AREAS

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

GROUP 6: BAY VIEW DIFFERENTIAL RATING AREA

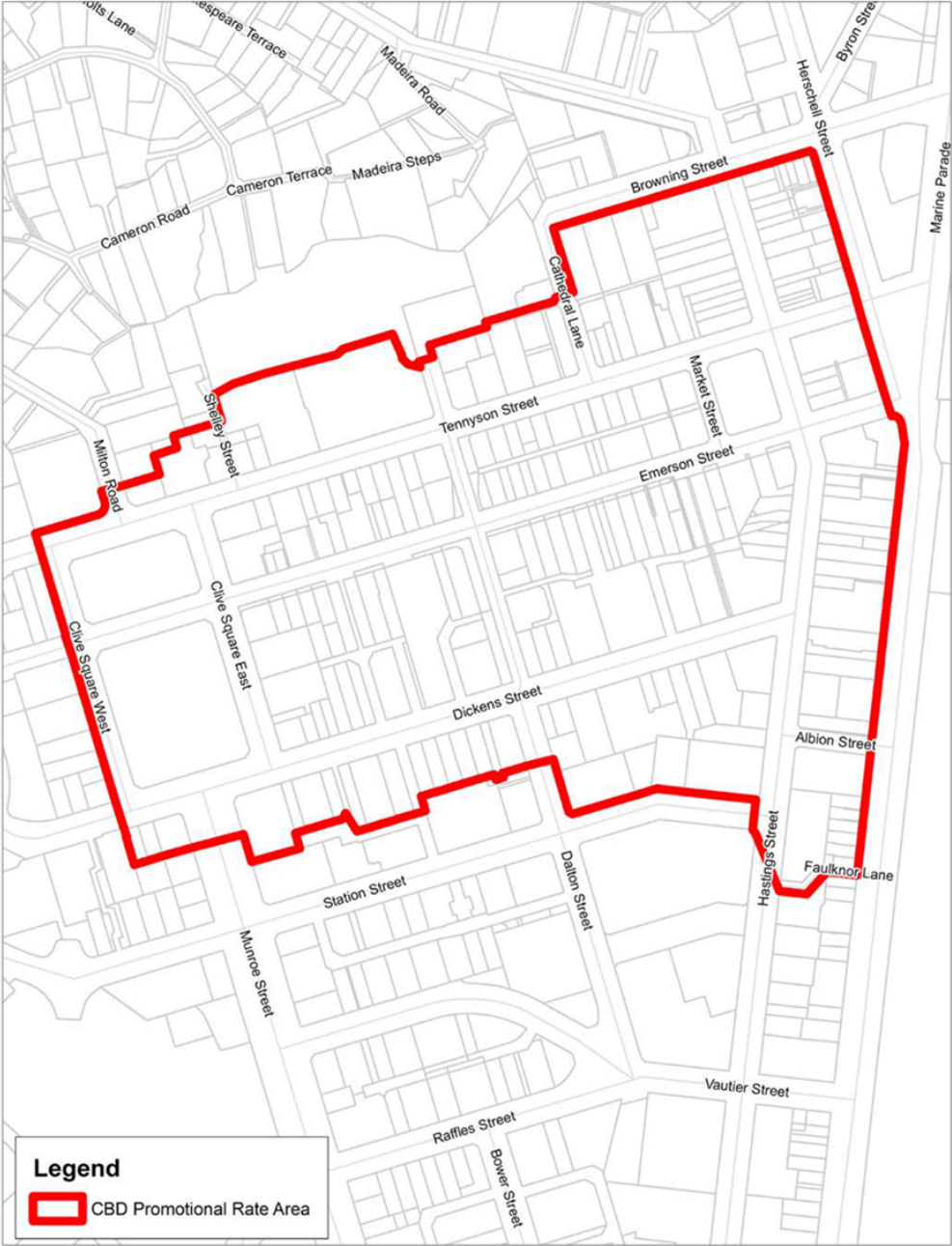
Every rating unit falling within the Bay View Differential Rating Area as defined on Council map "Bay View Differential Rating Area – Schedules 1,2,3".

Notes on allocation of properties into differential categories

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

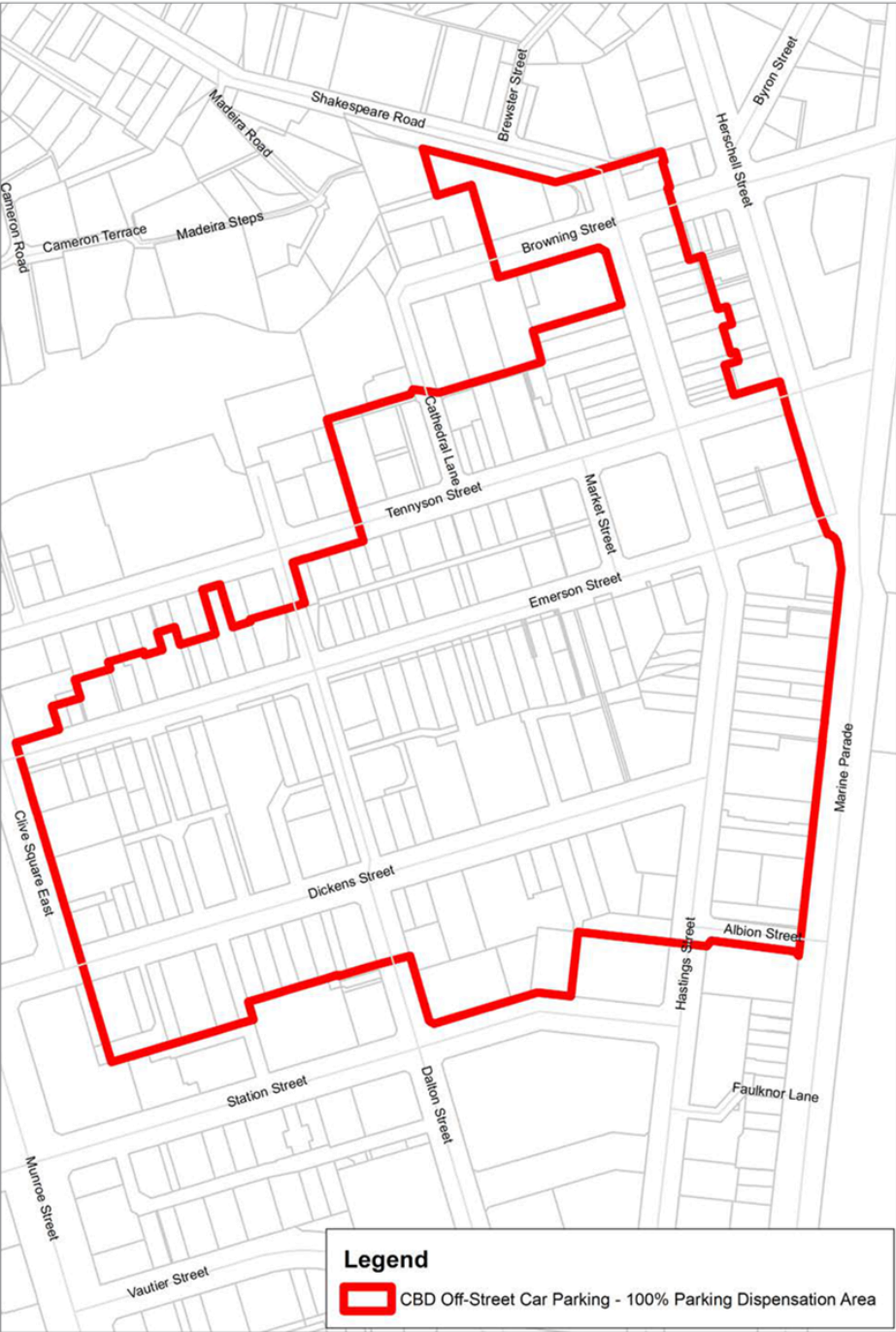
COUNCIL MAPS

CBD PROMOTION RATE AREA



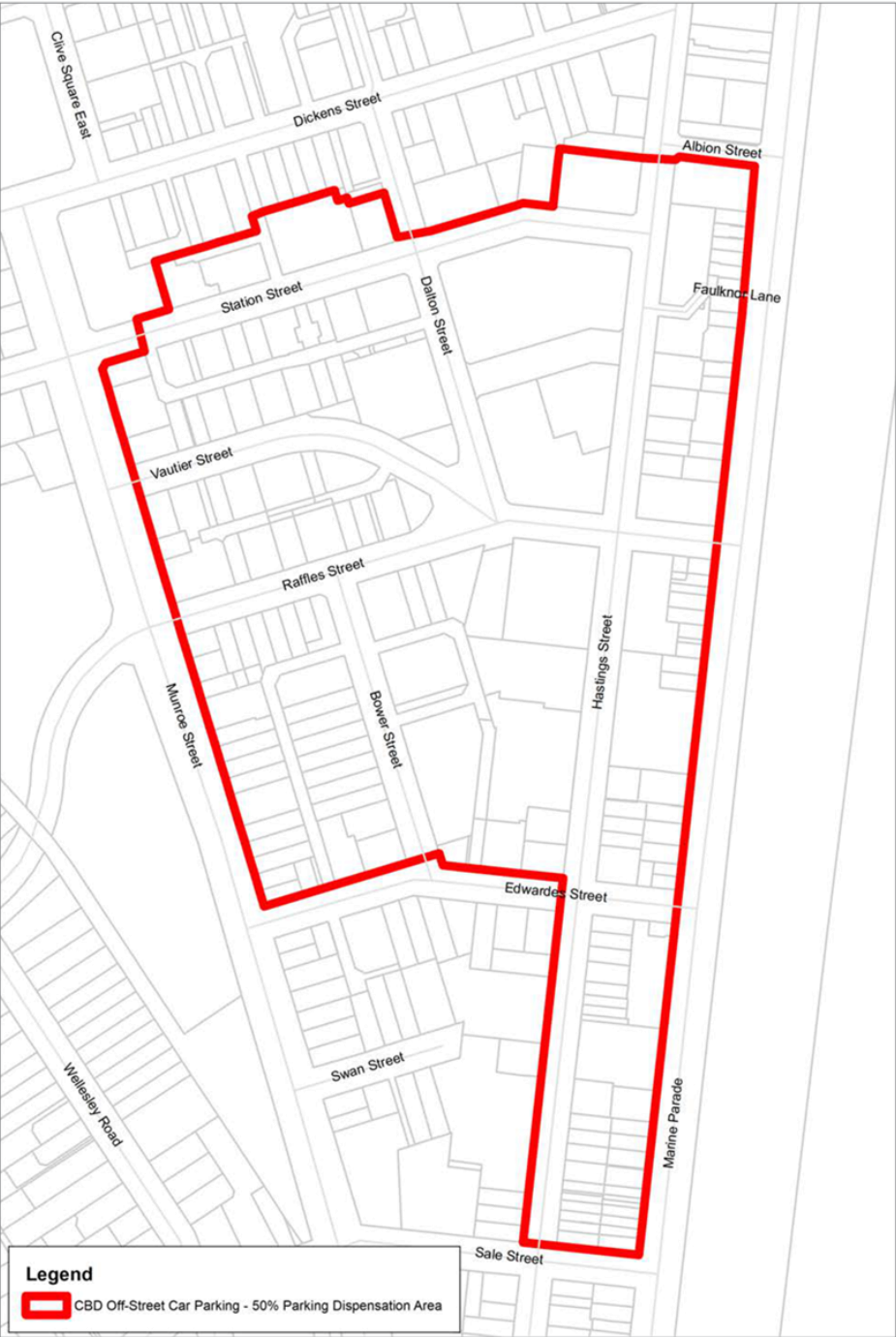
CBD OFF STREET PARKING

- 100% PARKING DISPENSATION AREA



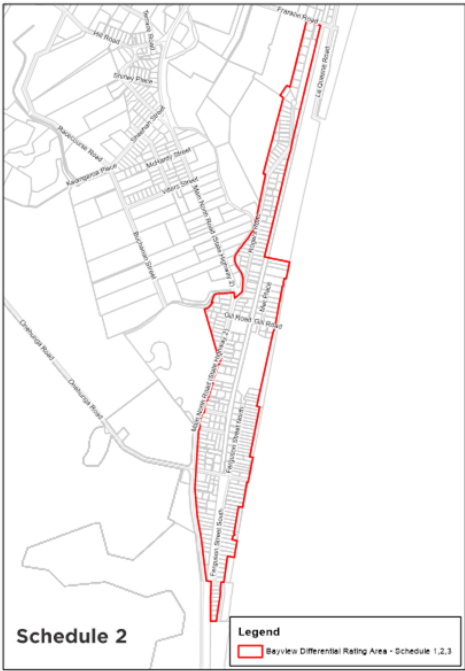
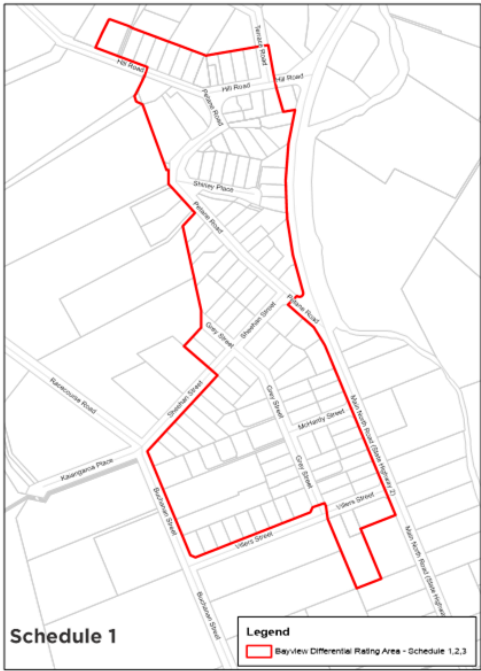
CBD OFF STREET PARKING

- 50% PARKING DISPENSATION AREA



BAY VIEW DIFFERENTIAL RATING AREA

- SCHEDULES 1, 2, 3



EXAMPLES OF RATES FOR 2020/21

City Residential	Land Value \$	Rates 2019/20 \$	Rates 2020/21 \$	Annual Change Refuse & Recycling \$	Annual Change Water & Sewer \$	Annual Change - All other rates \$	Weekly change \$	Change %
Average	214,000	2,239	2,364	59	41	25	2.41	5.6%
Median	200,000	2,163	2,287	59	41	24	2.39	5.7%
Quartile 1	160,000	1,952	2,072	59	41	21	2.32	6.2%
Quartile 3	250,000	2,430	2,559	59	41	29	2.47	5.3%
COMMERCIAL / INDUSTRIAL								
Average	490,000	8,100	8,324	94	41	89	4.30	2.8%
CBD Average	291,000	6,544	6,815	141	41	89	5.21	4.1%
Industrial Average	563,000	9,122	9,357	94	41	100	4.52	2.6%
MISCELLANEOUS PROPERTIES								
Average	400,000	3,187	3,317	47	41	42	2.51	4.1%
Resthome	644,000	4,540	4,694	47	41	66	2.97	3.4%
RURAL								
Average	460,000	2,042	2,109	59	0	8	1.28	3.3%
BAY VIEW								
Average - no sewerage	248,000	1,707	1,798	59	15	17	1.74	5.3%
Average - with sewerage	248,000	2,079	2,196	59	41	17	2.24	5.6%

Please note:

- Council's total rates revenue for 2020/21 will increase by 6% which is an average increase of 4.8% for existing properties after an allowance of 1.2% is made for extra separately used or inhabited parts of a rating unit, and new properties added since last year.
- Many residential properties have a slightly higher percentage increase due to the introduction of the new kerbside rubbish collection service.

RATING BASE INFORMATION

As at 30 June 2020	All Rating Units	Ratable Units
Number of Rating Units	26,099	25,720
Capital value of Rating Units \$	15,394,000,000	14,800,000,000
Land value of Rating Units \$	6,652,000,000	6,480,000,000

OTHER RATING MATTERS

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

Rates for 2020/21 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments.

A penalty of 3.5% will be added to any portion of rates assessed for instalments 1 and 2 in the current year which remains unpaid by the relevant instalment due date.

A penalty of 10% will be added to any portion of rates assessed for instalments 3 and 4 in the current year which remains unpaid by the relevant instalment due date.

Due dates and penalty dates are as follows:

Instalment	Due Date	Penalty date
1	30 September 2020	05 October 2020
2	18 November 2020	23 November 2020
3	17 February 2021	22 February 2021
4	19 May 2021	24 May 2021

With the exception of instalment 4 in the 2019/20 rating year for which no penalty was applied, any portion of rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2020 will have a further 10% added, firstly on 31 July 2020, and if still unpaid, again on 31 January 2021.

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

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

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

Instalment	3 monthly invoicing Due Date	Penalty date
1	20 July 2020	24 July 2020
2	20 October 2020	26 October 2020
3	20 January 2021	26 January 2021
4	20 April 2021	26 April 2021

Period Ending	Annual invoicing Due Date	Penalty date
30 June 2020	20 July 2020	21 July 2020
30 June 2021	20 July 2021	21 July 2021

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

Any portion of water rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2020 will have a further 10% added, firstly on 31 July 2020, and if still unpaid, again on 31 January 2021.

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

FEES AND CHARGES

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

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

The schedule is available upon request from the Council office.

INDICATIVE RATES 2020/21

DESCRIPTION	INDICATIVE RATES FOR 2020/21 (INCL GST)	REVENUE SOUGHT (EXCL GST) (\$000)
GENERAL RATES		
General Rate (cents per \$ LV)		
Differential 1 City Residential	0.525	21,615
Differential 2 Commercial and Industrial	1.409	9,971
Differential 3 Miscellaneous	0.525	238
Differential 4 Ex-City Rural	0.333	28
Differential 5 Other Rural	0.333	1,626
Differential 6 Bay View	0.382	442
Total general Rates charged on Land Value		33,919
Uniform Annual General Charge (UAGC) - (per SUIP)	\$375.00	9,138
TARGETED RATES		
Fire Protection Rate (cents per \$ CV)		
Central Business District & Fringe Area	0.027	
Suburban shopping centres, hotels & motels & industrial outside CBD	0.013	934
All other rating units connected or able to be connected to water supply systems	0.007	
Water Rate - City (per SUIP)	\$236.00	
Water Rate - Bay View (per SUIP)	\$236.00	4,799
Water Rate City & Bay View- Not connected but within service area (per SUIP)	\$118.00	
Refuse Collection and Disposal Rate (per SUIP)		
1 collection per week	\$130.00	
2 collections per week	\$260.00	3,127
3 collections per week	\$390.00	
Kerbside Recycling Rate (per SUIP)	\$70.00	1,500
Sewerage Rate (per SUIP)	\$398.00	
Sewerage Rate- Not connected but within service area (per SUIP)	\$199.00	9,051
Bay View Sewerage Connection Rate	\$941.35	22
CBD Off Street Car Parking Rate (cents per \$ LV)	0.149	
Properties within 100% Parking Dispensation area	0.074	124
Properties within 50% Parking Dispensation area		
Taradale OFF Street Parking Rate	0.110	18
Suburban OFF Street Parking Rate	0.110	13
Promotion Rate - CBD (cents per \$ LV)	0.218	151
Promotion Rate - Taradale (cents per \$ LV)	0.242	59

INDICATIVE RATES 2020/21 CONTINUED

DESCRIPTION	INDICATIVE RATES FOR 2020/21 (INCL GST)	REVENUE SOUGHT (EXCL GST) (\$000)
Swimming Pool Safety Rate	\$52.00	63
Allowance for Penalties on unpaid rates		47
Allowance for Rate Remissions		200
Total Revenue (Excluding metered water)		63,166
Water By Meter Charges		688
Napier City (\$ per m3)	0.583	
Bay View and other supplies outside city boundary (\$ per m3)	1.081	
Total Revenue (Including metered water)		63,854

* (Note: SUIP = Separately used or inhabited part)

