



NAPIER
CITY COUNCIL

Te Kaunihera o Ahuriri

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ORDINARY MEETING OF COUNCIL

Open Attachments (Under separate cover 1)

Meeting Date: Thursday 19 March 2026

Time: 11.30am (Adopt A/P Consultation Doc)

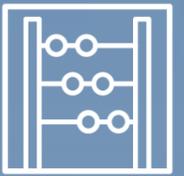
Venue: Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

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Financial Information



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Prospective Statement of Comprehensive Revenue and Expenses

Forecast for the year ending 30 June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Revenue			
Rates revenue	121,723	124,725	111,890
Finance revenue	739	1,276	626
Development and financial contributions	7,903	8,045	7,903
Subsidies and grants	19,420	22,556	15,181
Other revenue	59,603	72,091	63,519
Other gains/(losses)	4,860	3,957	5,407
Total revenue	214,248	232,650	204,526
Expenditure			
Employee Benefit Expense	67,401	64,432	62,488
Depreciation and Amortisation	53,484	54,549	46,956
Finance Costs	10,150	12,520	5,565
Other Operating Expenses	86,740	91,686	82,759
Total expenditure	217,775	223,187	197,768
Operating surplus/(deficit) before tax	(3,527)	9,463	6,758
Share of associate surplus/(deficit)	338	584	692
Surplus/(deficit) before tax	(3,189)	10,047	7,450
Income tax expense	-	-	-
Surplus/(deficit) after tax	(3,189)	10,047	7,450
Other comprehensive revenue			
Valuation gains/(losses) taken to equity	53,452	10,647	45,319
Fair value gains/(losses) through comprehensive revenue on investments	-	-	-
Total comprehensive revenue and expenses	50,263	20,694	52,769

NOTE: THIS INFORMATION SUPPORTS THE CONSULTATION DOCUMENT FOR NAPIER CITY COUNCIL AND IS PROVIDED FOR CONSULTATION PURPOSES. IT MAY BE REFINED FOLLOWING CONSULTATION AND DECISION-MAKING.

Prospective Statement of Financial Position

Forecast for year ending 30 June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Assets			
Current assets			
Cash and cash equivalents	6,300	7,695	15,457
Debtors and other receivables	21,813	29,532	20,200
Inventories	3,291	11,361	6,720
Biological assets	307	312	168
Other financial assets	2,688	-	-
Total current assets	34,399	48,900	42,545
Non-current assets			
Property, plant and equipment	2,574,636	2,612,429	2,469,869
Intangible assets	1,697	1,372	1,771
Inventories	30,956	15,557	23,052
Investment property	90,455	116,469	97,144
Investment in associates	14,343	14,547	13,994
Forestry	93	-	93
Other financial assets	9,314	20,956	10,344
Total non-current assets	2,721,494	2,781,330	2,616,267
Total assets	2,755,893	2,830,230	2,658,812
Liabilities			
Current liabilities			
Trade payables and other accruals	27,073	27,424	26,630
Employee benefit liabilities	7,834	8,111	6,949
Borrowings	30,875	-	-
Total current liabilities	65,782	35,535	33,579
Non-current liabilities			
Employee benefit liabilities	618	674	551
Borrowings	216,125	256,082	145,000
Provisions	1,579	1,824	2,543
Total non-current liabilities	218,322	258,580	148,094
Total liabilities	284,104	294,115	181,673
Total net assets	2,471,789	2,536,115	2,477,139
Net assets / equity			
Accumulated revenue & expenses	823,791	838,663	848,953
Other reserves	1,647,998	1,697,452	1,628,186
Total net assets / equity	2,471,789	2,536,115	2,477,139

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Prospective Statement of Changes In Net Assets / Equity

Forecast for the year ending 30 June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Total net equity balance at 1 July	2,421,526	2,515,421	2,424,370
Total comprehensive revenue for the period	50,263	20,694	52,769
Total net equity balance at 30 June	2,471,789	2,536,115	2,477,139
Total comprehensive revenue and expenses attributable to: Napier City Council	50,263	20,694	52,769
Total comprehensive revenue and expenses	50,263	20,694	52,769



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Prospective Statement of Cash Flows

Forecast for the year ending 30 June 2027

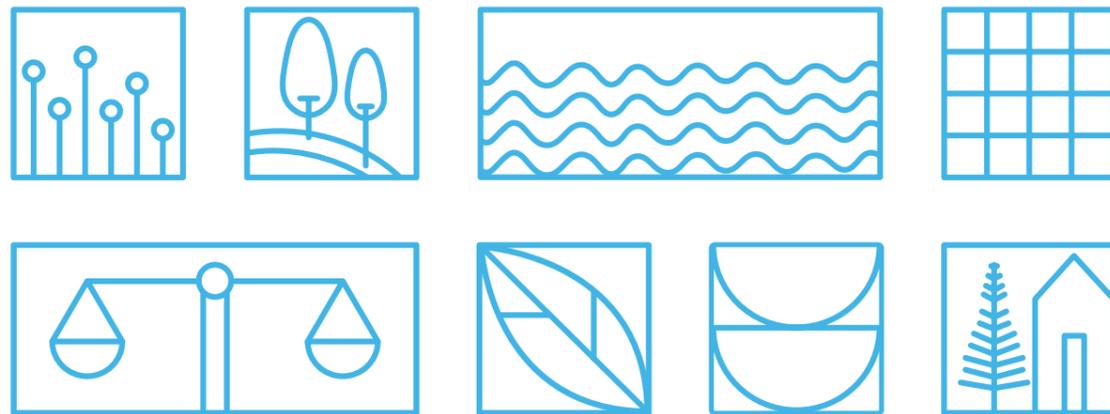
	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Cash flows from operating activities			
Receipts from rates revenue	121,061	124,610	111,064
Interest received	739	1,276	626
Dividends received	137	-	-
Receipts from other revenue	79,313	100,915	80,298
Goods and services tax (net)	(1,384)	(122)	(1,000)
Payments to suppliers and employees	(154,556)	(155,570)	(147,712)
Interest paid	(10,150)	(12,520)	(5,565)
Net cash from operating activities	35,161	58,589	37,711
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	3,766	5,157
Purchase of property, plant and equipment	(120,652)	(134,231)	(121,532)
Purchase of intangible assets	(489)	(641)	(629)
Acquisition of investments	(988)	(6,400)	(4,767)
Net cash from investing activities	(122,128)	(137,506)	(121,771)
Cash flows from financing activities			
Proceeds from borrowings	88,000	80,443	80,000
Net cash from financing activities	88,000	80,443	80,000
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	1,033	1,526	(4,060)
Cash, cash equivalents and bank overdrafts at 1 July	5,267	6,169	19,517
Cash, cash equivalents and bank overdrafts at 30 June	6,300	7,695	15,457

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Notes to Prospective Financial Statements

Forecast for the year ending June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
1. Income from targeted rates for metered water supply	814	828	814
2. Depreciation and Amortisation Expense by Group of Activity			
Governance and Representation	27	-	26
City Strategy	600	623	543
Community and Visitor Experiences	13,647	14,797	11,868
Other Infrastructure	733	1,083	1,483
Property Assets	2,242	3,674	2,691
Stormwater	5,819	6,106	4,692
Support Units	3,595	3,871	3,579
Transportation	9,340	9,500	9,059
Wastewater	10,191	9,163	7,505
Water Supply	7,290	5,732	5,510
Total directly attributable depreciation and amortisation by group of activity	53,484	54,549	46,956

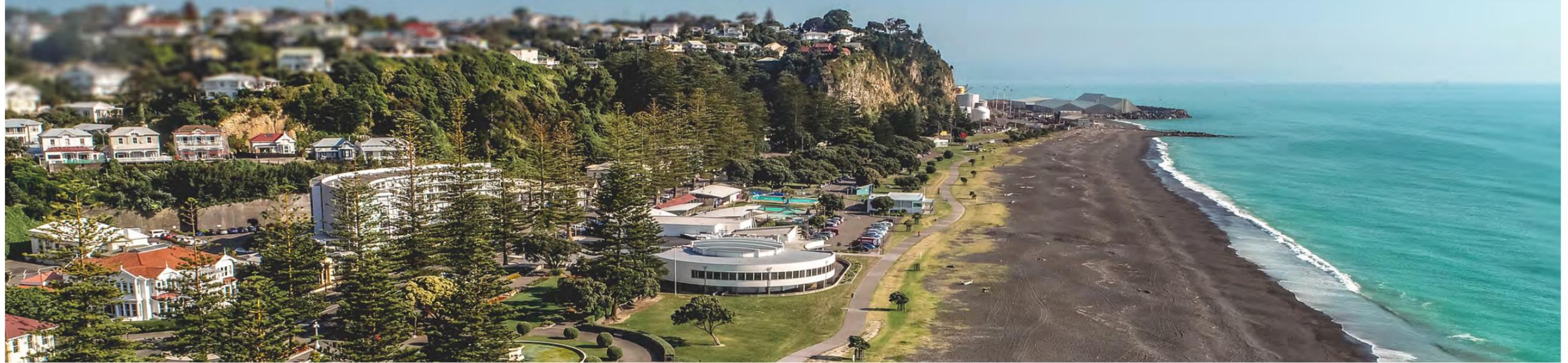


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Statement of Accounting Policies



Reporting Entity

Napier City Council (the Council) is a New Zealand territorial local authority. It is governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand.

The Napier City Council Group consists of the Council and the following subsidiaries:

Ahuriri Investment Management Limited
(100% owned)

The Council has investments in the following entities which are Council Controlled Organisations (CCO):

- Hawke's Bay Airport Limited (26% share of voting rights), an equity accounted associate.
- The Ōmarunui Refuse Landfill, a jointly controlled asset. The Council includes only its 36.32% share of all revenue, expenditure, assets and liabilities of the landfill facility

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.

Basis of Preparation

Statement of Compliance

These prospective financial statements have been prepared in accordance with the requirements of the LGA.

The prospective financial statements comply with PBE standards and have been prepared in accordance with Tier 1 PBE Standards.

The accounting policies set out below have been applied consistently to all periods in these prospective financial statements.

Functional and Presentation Currency

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

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.

Changes in Accounting Standards

All standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to Council or are not expected to have a material impact on the financial statements of Council and, therefore, have not been disclosed.

Other changes in accounting policies

There have been no other changes in accounting policies.

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 purpose of the prospective financial statements in the Annual Plan is to provide users with information about Council's plans for the next twelve months and the rates that will be required to fund these plans.

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 the 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 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 variation may be material.

The Annual Plan is based on the forecast for the year ended 30 June 2026. The prospective financial statements have been prepared by using the best information available at the time for the Annual Plan.

In accordance with the Local Government Act 2002 Part 6, Section 95, the Council adopted and authorised for issue the Consultation Document on 19 March 2026. As the authorising body, the Council is responsible for the Annual Plan presented, along with the underlying assumptions, and all other required disclosures. The prospective financial statements contained in this Annual Plan are in full compliance with PBE Financial Reporting Standards 42 Prospective Financial Statements (PBE FRS 42).

Council reserves the right to change the statements should circumstances change.

Principles of Consolidation

The prospective financial statements comprise of the group and its equity accounted investments.

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Statement of Accounting Policies Continued

Investments

Investment in Associates

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

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

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

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

Subsidiaries

Subsidiaries are all entities over which the Council has control. The Council controls an entity if all three of the following elements are present: power over the entity, exposure to variable returns from the entity, and the ability of the Council to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Council will have subsidiaries during the period presented in the financial statements.

Joint Arrangements

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Joint Operation

The Council has an interest in a joint arrangement 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 jointly controlled asset.

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

Subsidies and Grants

Subsidies and grants 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 Waka Kotahi New Zealand Transport Agency (Waka Kotahi), which subsidises part of the Council's costs in maintaining the local road infrastructure. The right to receive the funding from Waka Kotahi arises once the work is performed, therefore revenue is recognised when receivable as there are no further conditions attached to the funding.



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Statement of Accounting Policies Continued

Donated, Subsidised or Vested Assets

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

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

Parking and Traffic Infringement

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

Exchange Revenue

Licences and Permits

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

Residential Developments

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

Development and Financial Contributions

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

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

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

Interest Revenue

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

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.

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Statement of Accounting Policies Continued

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.

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.

Balance Sheet

Cash and Cash Equivalents

Cash and cash equivalents include 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 under current liabilities in the Statement of Financial Position.

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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, and
- Non-commercial: measured at cost, adjusted for any loss of service potential.

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

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

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

Land held for development and future resale.

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

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

Statement of Accounting Policies Continued

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 derecognition.

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

Other financial assets are initially recognised at fair value. Transaction costs are included in the value of the financial asset at initial recognition unless the it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

They are then classified based on its cash flow characteristics and the Council's management model for managing them. Then subsequently measured under the following categories:

Amortised Cost

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include cash and cash equivalents, receivables, term deposits and the financial instrument portion of jointly controlled assets.

Fair value through other comprehensive revenue and expense (FVTOCRE)

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Debt instruments in this category are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council does not currently have debt instruments in this category.

Equity instruments in this category designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term. Equity instruments in this category are unlisted shares.

Fair value through surplus and deficit (FVTSD)

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

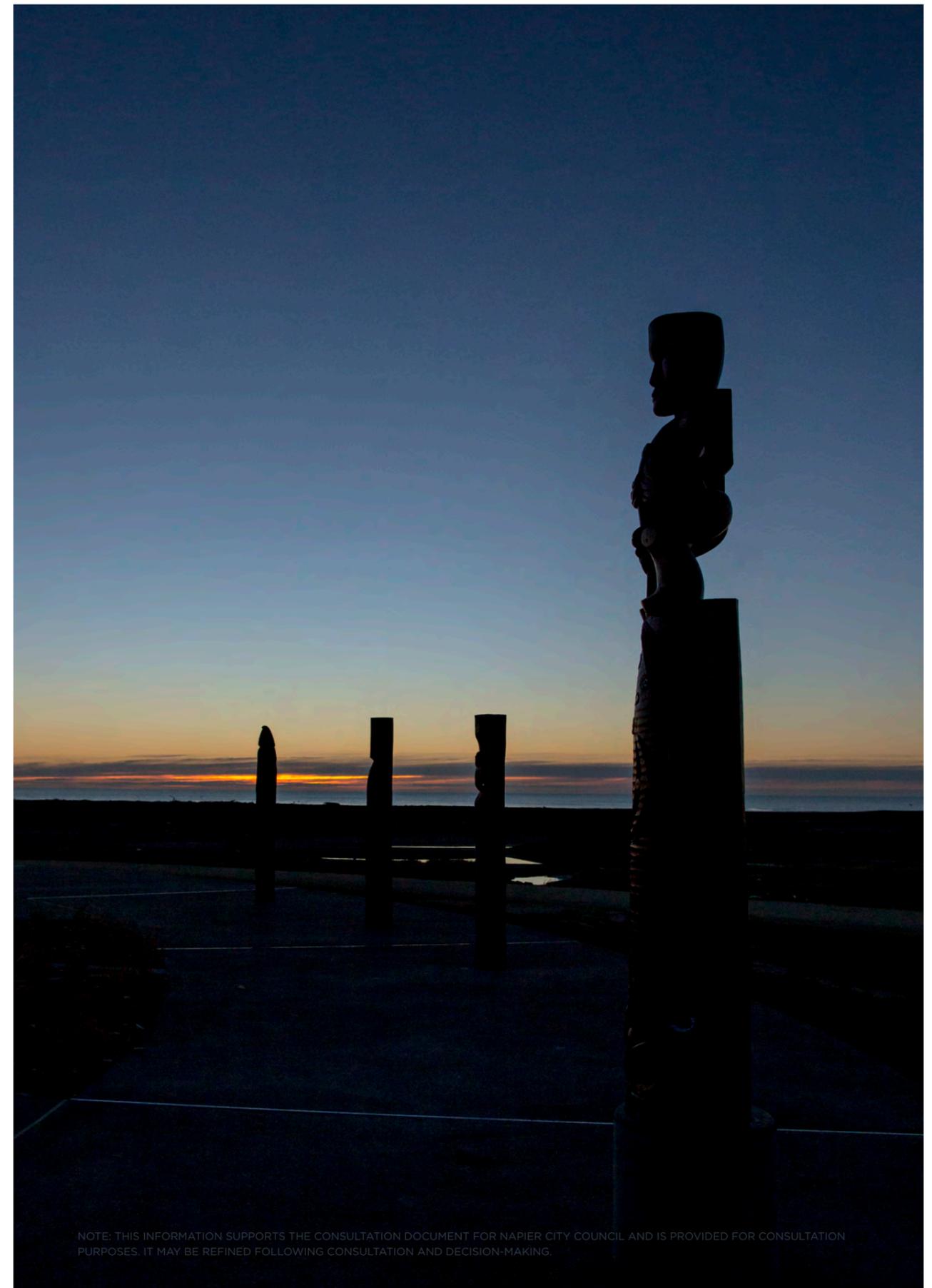
Debt instruments in this category are the Council's borrower notes in the Local Government Funding Agency (LGFA).

Expected credit loss allowance (ECL)

The Council recognises an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to the Council in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the

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Statement of Accounting Policies Continued

loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council's historical experience and informed credit assessment and including forward-looking information.

The Council considers a financial asset to be in default when the financial asset is more than 90 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

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, and
- 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 disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are

sold, the amounts included in revaluation reserves in respect of those assets are transferred to the accumulated comprehensive revenue and expense within equity.

Revaluations

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

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

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

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 33%
Fixed Plant & Equipment	2 to 20%
Mobile Plant & Equipment	2 to 50%
Motor Vehicles	10 to 33%
Furniture & Fittings	4 to 20%
Office Equipment	8 to 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.

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Statement of Accounting Policies Continued

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

	Years
Roading	
Base Course	60-130
Surfacing	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80
Drainage	25-100
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
Water	
Reticulation	20-100
Reservoirs	30
Pump Stations	5-80
Stormwater	
Reticulation	75-100
Pump Stations	5-100
Detention Ponds	150
Wastewater	
Reticulation	20-90
Pump Stations	5-80
Milliscreen	5-80
Outfall	75
Others	
Grandstands, Community & Sports Halls	20-50
Sportsgrounds, Parks & Reserves Improvements	5-64
Buildings on Reserves	10-50
Pools	10-50
Inner Harbour	10-50

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.

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, and
- the lessor uses services of the owner and those services are integral to the reasons for their occupancy of the property.

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

Intangible Assets

Trademarks and Licences

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

Computer Software

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

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

Impairment of Non-Financial Assets

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

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

Statement of Accounting Policies Continued

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 on normal commercial terms are initially recognised at the amount borrowed plus transaction costs.

Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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.

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Financial Guarantee

A financial guarantee contract is a contract that requires the Council 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 amount determined in accordance with the ECL model described in the financial asset accounting policy.
- 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

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Wages and Salaries, Annual Leave and Sick Leave

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

Statement of Accounting Policies Continued

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.

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.

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

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

Budget Figures

The Annual Plan and Three Year Plan comparatives in the prospective financial statements are those approved by the Council and adopted as a part of the Council's 2024-27 Three Year Plan or as revised and approved by Council prior to the commencement of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

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

Statement of Accounting Policies Continued

responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

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

Post-closure responsibilities:

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

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

Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life expected at 30 June 2027
Valley A - opened in December 1998, closed 2006	2.6 m ³	17 years	0
Valley D - opened in December 2006 and currently in operation	2.1 m ³	18 years	0.4 years
Valleys B & C - not yet in operation			

The cash outflows for landfill post-closure are expected to occur in 2027 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 6.0%.

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 \$194,319.

- The provision reported is for the Napier City 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.

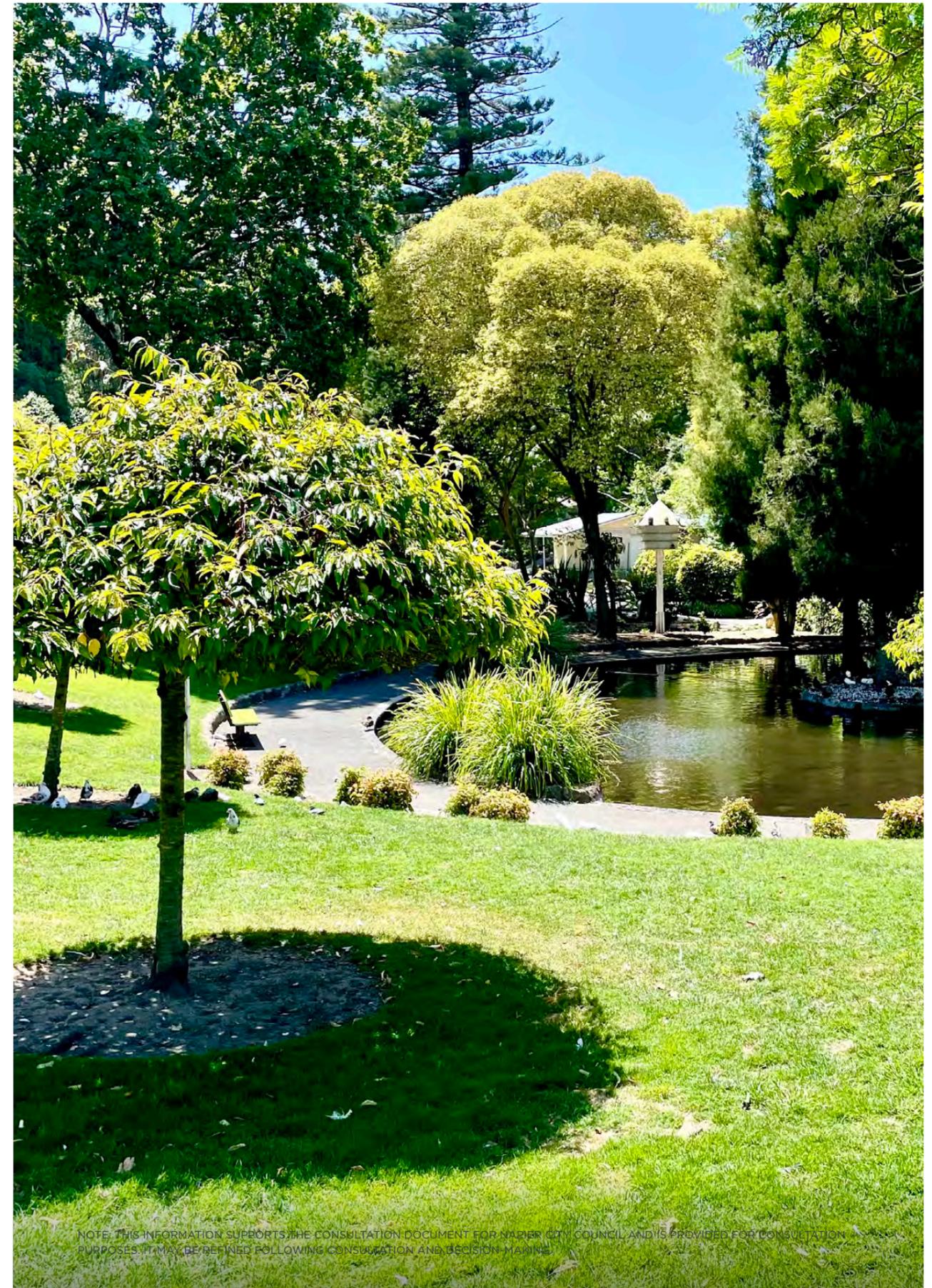
If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under in estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expenses. To minimise this risk, the Council's infrastructural 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 groundwater, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations. In some cases, e.g., pumps are independently valued by independent valuers.

Critical Judgements in applying Napier City Council's Accounting Policies

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.



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Reserve Funds

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2026 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2027 \$000
COUNCIL CREATED RESERVES						
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	(11)	-	-	(11)
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	1,693	323	(149)	1,867
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	-	-	3
Commercial Reserves	Funds established to ring fence profits/losses of business and tourism facilities grouped as commercial so they can be self funding.	Kennedy Park Resort, Napier Conferences & Events, Ocean Spa, Par2 Minigolf	(8,900)	10,188	(15,944)	(14,656)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/Walkways	Roading	345	16	-	361
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	11	-	(1)	10
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	57	61	-	118
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	33,040	9,154	(17,076)	25,118
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	25,483	31,785	(30,668)	26,600
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	701	5,792	(4,777)	1,716

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Reserve Funds Continued

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2026 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2027 \$000
COUNCIL CREATED RESERVES CONTINUED						
Marine Parade Disability Hoist	Derived from fundraising carried out by Mr N Bains for the purchase a disability hoist for the Marine Parade Pool.	Marine Parade Pools	3	-	-	3
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	2	-	-	2
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	353	16	-	369
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	2,938	294	(326)	2,906
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	4,224	3,755	(4,365)	3,614
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	1,475	191	(1)	1,665
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	(18,325)	4,058	(12,322)	(26,589)
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Rooding property purchases and improvements.	Roading	267	13	-	280
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	4,987	229	(1)	5,215
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	906	340	(77)	1,169

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Reserve Funds Continued

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2026 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2027 \$000
COUNCIL CREATED RESERVES CONTINUED						
Hawke's Bay Harbour Board Endowment Land Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	16,189	831	(3,210)	13,810
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	5,695	656	-	6,351
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	2,276	8,507	(8,476)	2,307
Reserve Subdivision of Land	Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process.	Reserves	36	2	-	38
Resilience Rate	Funds from rate to build resilience to be used for activities related to emergency preparedness.	Emergency Preparedness	-	726	(715)	11
NCC Investment Portfolio Account	Derived from investments held in the NCC Investment Portfolio, as defined in the Investment Policy and managed by Ahuriri Investment Management Ltd.	Investments, Property Holdings	274	13,426	(11,661)	2,039
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	987	234	(659)	562
Total Council Created Reserves			74,709	90,597	(110,428)	54,878
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	2,435	112	-	2,547
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	457	1,926	(2,133)	250
Total Restricted Reserves			2,892	2,038	(2,133)	2,797

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Reserve Funds Continued

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2026 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2027 \$000
BEQUESTS AND TRUST FUNDS						
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)	Community Planning	36	2	(2)	36
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	134	7	-	141
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	23	1	(1)	23
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	8	1	-	9
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	60	3	(1)	62
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	19	1	-	20
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	7	14	(14)	7
Total Bequests Trust Funds			287	29	(18)	298

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Borrowing Programme

Forecast for the year ending 30 June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Opening Gross Public Debt	270,122	247,359	152,634
Plus New Loans (Rates Funded)	69,346	85,532	102,078
Less Repayments (Net)	(7,855)	(7,730)	(5,779)
Movement in Debt	61,491	77,802	96,299
Gross Public Debt	331,613	325,161	248,933
Internally funded	(84,613)	(69,079)	(103,933)
Net Public Debt	247,000	256,082	145,000

Capital Expenditure by Activity Group

	AP 2026/27 \$000	TYP 2026/27 \$000
Governance and Representation	87	-
City Strategy	3,982	887
Community and Visitor Experiences	15,409	19,007
Other Infrastructure	3,810	3,539
Property Assets	41,835	45,221
Stormwater	8,124	6,075
Transportation	19,155	36,531
Wastewater	7,986	9,110
Water Supply	22,042	11,033
Support Units	3,216	4,342
Total	125,646	135,744

Funding Sources

Forecast for the year ending 30 June 2027

	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Rates Funded Loans	59,595	85,143	99,658
Waka Kotahi Subsidy	14,414	18,260	10,098
Other Reserve Funds	51,636	32,341	43,290
Total Capital Programme	125,646	135,744	153,046

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Funding Impact Statement (Whole of Council)

Financial Overview: Summary of Revenue and Financing Mechanisms

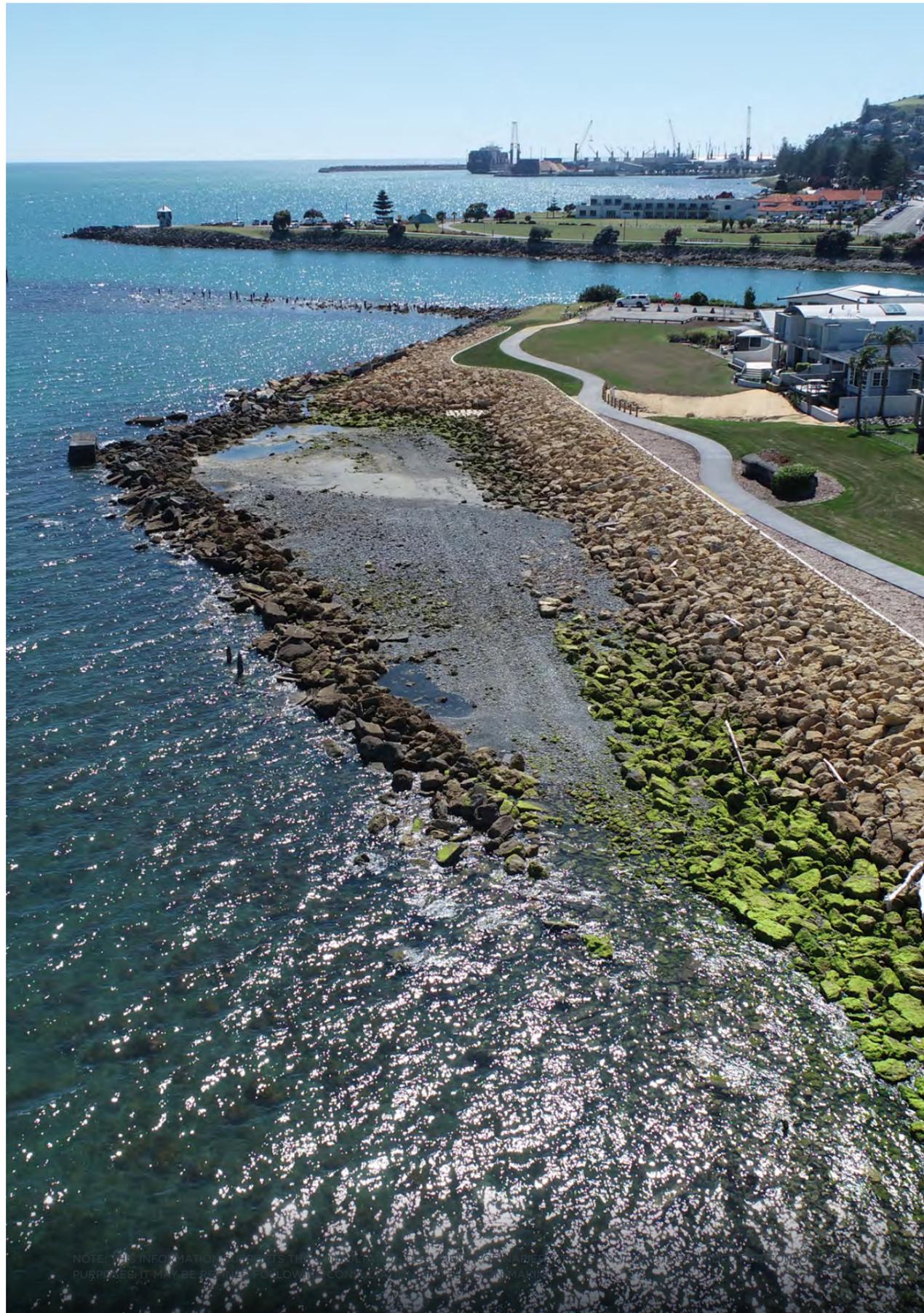
	AP 2026/27 \$000	TYP 2026/27 \$000	AP 2025/26 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	62,817	84,828	73,162
Targeted rates	58,906	39,898	38,728
Subsidies and grants for operating purposes	4,307	4,296	4,383
Fees and charges	34,922	39,266	38,148
Interest and dividends from investments	877	1,276	626
Local authorities fuel tax, fines, infringement fees, and other receipts	23,233	31,443	24,163
Total operating funding (A)	185,062	201,007	179,210
Applications of operating funding			
Payments to staff and suppliers	154,140	156,119	145,247
Finance costs	10,150	12,520	5,565
Other operating funding applications	-	-	-
Total applications of operating funding (B)	164,290	168,639	150,812
Surplus/(deficit) of operating funding (A - B)	20,772	32,368	28,398
Sources of capital funding			
Subsidies and grants for capital expenditure	15,113	18,260	10,797
Development and financial contributions	7,903	8,045	7,903
Increase/(decrease) in debt	88,000	80,443	80,000
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	111,016	106,748	98,700
Application of capital funding			
Capital expenditure			
- to meet additional demand	13,021	7,240	10,109
- to improve the level of service	49,278	50,376	63,139
- to replace existing assets	63,347	76,746	78,592
Increase (decrease) in reserves	6,142	4,754	(24,742)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	131,788	139,116	127,098
Surplus/(deficit) of capital funding (C - D)	(20,772)	(32,368)	(28,398)
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 2025/26 over a range of different categories of property and a range of different values.

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Funding Impact Statement - Rating System

The following describes in full the rating system to apply from 1 July 2026:

General Rate

General rates are used to fund both operating and capital expenditure. They fund the remaining costs of Council operations after all other sources of funding have been applied.

General rates are assessed through a combination of a Uniform Annual General Charge (UAGC) and a rate in the dollar based on relative land value allocation.

The amount of the UAGC is set to ensure that the total (excluding water and wastewater rates) uniform (or fixed) rates will be between 20% to 25% of total rates that are to be collected.

The general rate is set differentially using matters as prescribed in Schedule 2 of the Local Government (Rating) Act 2002 (LGRA) and as listed in the Funding Impact Statement. The LGRA Schedule 2 allows councils to set a general rate based on each of these matters.

General rate differentials

Rating units assessed for the general rate are categorised into one of three differential categories:

- Residential/Other;
- Commercial & Industrial; and
- Rural

Residential/Other

Any property that is not defined as Commercial & Industrial including utilities or Rural.

Commercial & Industrial

Any property that is categorised in the District Valuation Roll as either Industrial, Commercial, Utilities or Horticulture.

Commercial and industrial activities include but are not restricted solely to:

- Professional offices, surgeries etc;
- All retail, wholesale merchandising activities;
- All forms of manufacturing and processing;
- Bars, restaurants, cafes and other service activities;
- Storage facilities; and
- Hotels and motels.
- Utility providers

Rural

Any rating unit with an area of 5 hectares or more that is used predominantly for land-based agricultural or farming activities.

Differentials

A review of the Revenue & Financing Policy has been conducted, with adoption to occur in June 2026. The temporary Rural Residential differential has been removed. Based on the review, the following are the differentials to be applied based on the land value of properties in each differential category.

Differential Category	Group / Code	Differential
Residential / Other	1	100%
Commercial & Industrial	2	260%
Rural	3	85%

The purpose of the differential categories 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 the share of costs those groups of ratepayers should bear based on the principles outlined in the Revenue and Financing Policy.

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 best use of the property defined by the Category assigned by the Valuation Service Provider.

To avoid doubt where a rating unit has more than one use, the relevant predominant use will be used to determine the category. The predominant use relates to the main productive activity rather than just to the land area. Where there is uncertainty, an apportionment will be allocated.

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.

Uniform Annual General Charge

Council's Uniform Annual General Charge (UAGC) is set at a level that enables all rates that are set on a uniform basis as a fixed amount, excluding those related to water supply and sewage disposal, to recover between 20% and 25% of total rates. For 2026-27 Council has determined that the UAGC will be set at a level to recover 22% of total rates from fixed amounts. The charge is applied to each separately used or inhabited part of a rating unit.

Targeted Rates

Targeted rates are charged to fund both operating and capital expenditure. They are charged where Council considers it desirable to separate out the

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funding of an activity. They are charged to rating units including those units that are separately inhabited which have access to or are deemed to benefit from the service provided. Targeted rates are a funding mechanism that may be charged for activities deemed to have either a high public or a high private good to identified properties, an area of the city or the city as a whole.

Some targeted rates are applied differentially using either land or capital values, however, most targeted rates are applied on a uniform basis (the same amount or rate in the dollar).

Council will not be accepting lump sum contributions for any targeted rates.

Water

Fire Protection Rate

This rate recovers a portion of the net costs of the water supply systems before the deduction of Water targeted rates.

The Fire Protection targeted rate is based on the capital value of properties 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.

Differential Categories	Connected (%)
Central Business District and Fringe Commercial & Industrial	400%
Other Commercial & Industrial	200%
Residential / Other	100%

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 Water-by-Meter charges.

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 Council's water supply system.

Transportation Rate

This rate recovers the cost of the transportation activity. The Transportation Rate allocation is based on the relative capital value of Residential, Rural Residential, and Commercial & Industrial properties

The purpose of the differentials applied to the Transportation 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.

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The differential categories for the Transportation Rate are:

Differential Category	Differential
Residential / Other	100%
Commercial & Industrial	260%
Rural	85%

Stormwater Rate

The primary beneficiary of stormwater assets are those properties that have a hard surface. There is a strong relationship between capital value and the hard surface area of a property.

This rate recovers the cost of stormwater activity. The Stormwater rate allocation is based on the relative capital value of Residential, Rural Residential, and Commercial & Industrial properties within the recognised serviced area as per the Stormwater Coverage map (i.e. non-rural property as defined under the District Plan).

Rural properties are exempted.

The differential categories for stormwater rates are:

Differential Category	Differential
Residential / Other	100%
Commercial & Industrial	260%

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 the sewerage system.

Refuse & Recycling

Refuse Collection and Disposal Rate

This rate recovers the cost of the kerbside refuse collection service including an allocation of the cost of Council support services.

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 the number of times each week the service is provided.

Kerbside Recycling Rate

This rate recovers the net cost of the kerbside recycling collection service including an allocation of the cost of Council support services.

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.

Vehicle Levy

Inner City Vehicle Levy

This levy is used to support additional off-street car parking in the Central Business District. Those commercial rating units in the mapped areas identified as the Inner City Vehicle Levy 100% Levy Area and 50% Area are charged the Inner City Vehicle Levy based on land value. This rate is set on a differential basis as follows:

Differential Category	Differential
Properties where Council provides additional parking due to the property receiving a 100% levy	100%
Properties where Council provides additional parking due to the property receiving a 50% levy.	50%

Refer Council maps:

- Inner City Vehicle Levy – 100%
- Inner City Vehicle Levy – 50%

Taradale Vehicle Levy

This levy is used to support additional off-street car parking in the Taradale Suburban Commercial area.

Those commercial rating units in the Taradale Suburban Commercial area only are charged the Taradale Vehicle Levy based on land value and set on a uniform basis.

Suburban Vehicle Levy

This levy is used to support 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 commercial rating units 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 Vehicle Levy based on land value and set on a uniform basis.

Promotion Rates

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' is charged the CBD Promotion

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targeted rate based on land value and set on a uniform basis.

Taradale Promotion Rate

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

Other Rates and Charges

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 licensed by Council and subject to a 3-yearly pool inspection.

City Ambassador CCTV Rate

This rate recovers the costs of providing CCTV monitoring services within the CBD. Each rating unit situated within the area defined on Council map 'CBD Promotion Rate Area' is charged the targeted rate on a differential basis.

The purpose of the differentials applied to the City Ambassador CCTV 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. The differentials applied to the City Ambassador CCTV Rate are:

Differential Category	Differential
Residential / Other	25%
Commercial & Industrial	100%

Rangatira Revetment Rate

Revetment construction commenced in 2023 to provide protection from ongoing coastal erosion. The Rangatira Revetment 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 on the north side of Whakarire Avenue. This rate recovers the private funding component of the cost over a period of 25 years

Resilience Rate

This rate partially funds activities related to emergency preparedness including, but not limited

to, infrastructure projects, civil defence planning, emergency equipment, and other disaster-related planning. These costs would otherwise not be budgeted for, or included, in the Long Term Plan. The targeted rate is a fixed amount set on a uniform basis, applied to each separately used or inhabited part of a rating unit. This rate has been introduced according to the procedure set out in Section 23 of the Local Government (Rating) Act 2002.

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 defined as being an extraordinary user as per Council Water Bylaw, Council officers may require that a water meter is installed, and excess usage is charged based on the water-by-meter targeted rate.

The rate charged on actual water use above 300 m³ per SUIP per annum applies to select metered properties.

Targeted Rates Note:

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

Separately Used or Inhabited Parts of a Rating Unit Definition

Definition

For the purposes of the Uniform Annual General Charge and all uniform (or fixed value) targeted rates, 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.*

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 consented supplementary unit is considered a separately used or inhabited part. Each situation is assessed on its merits;
- 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;

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- 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, and

These examples are not inclusive of all situations.

Other Rating Matters

Due Dates for Payment of Rates

Instalment Rating

Rates for 2026/27 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments as follows:

- First Instalment due 19 August 2026
- Second Instalment due 18 November 2026
- Third Instalment due 17 February 2027, and
- Fourth Instalment due 19 May 2027

Water-by-Meter Charges

- 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.
- The payment due date is the 20th of the month after the month of invoice.

Penalties

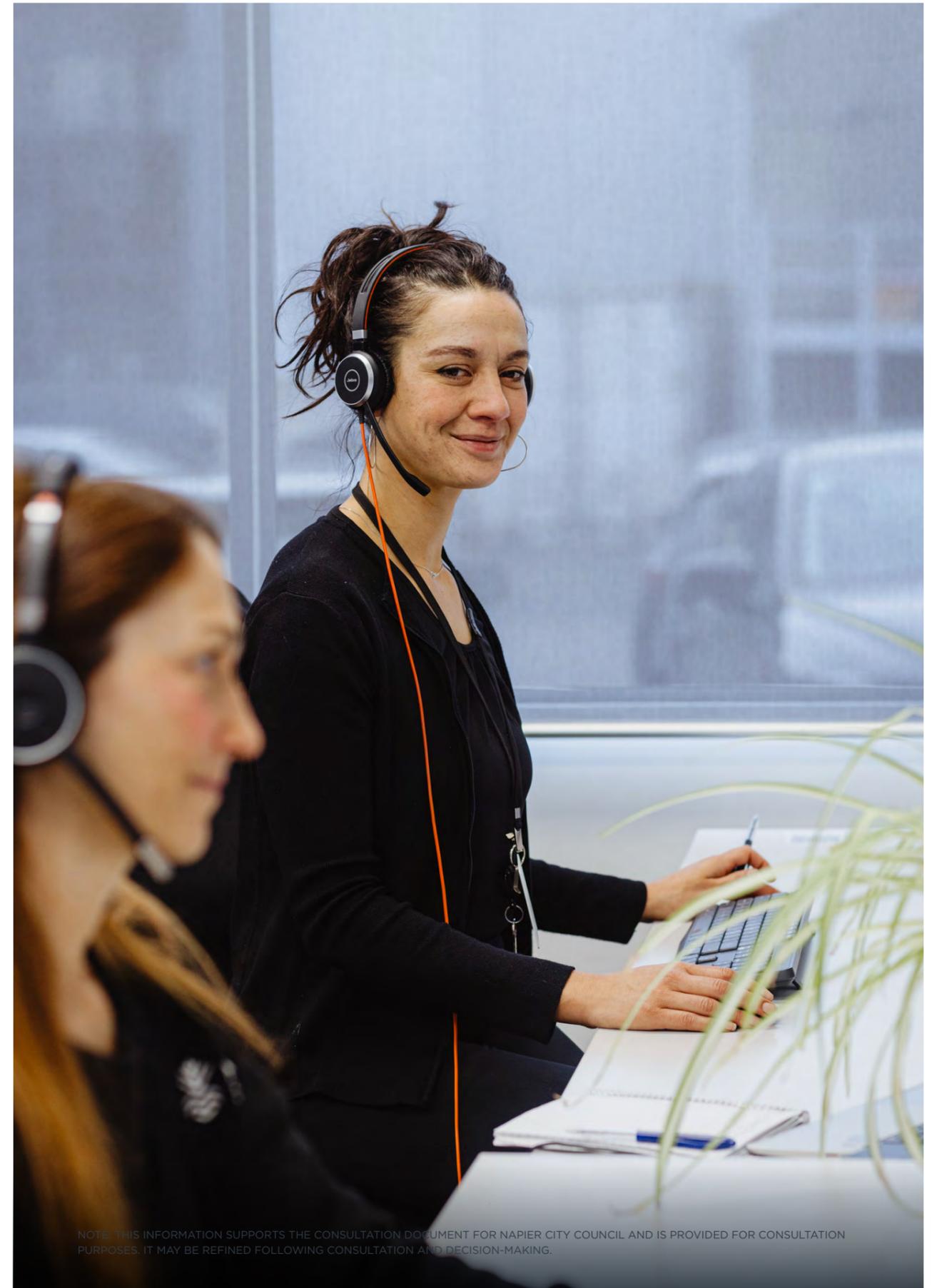
In accordance with sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10 per cent is added to each instalment or part thereof which is unpaid after the due date for payment. Previous years' rates which remain unpaid will have a further 10% added on 31 July and 31 January.

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.



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Council Maps Continued

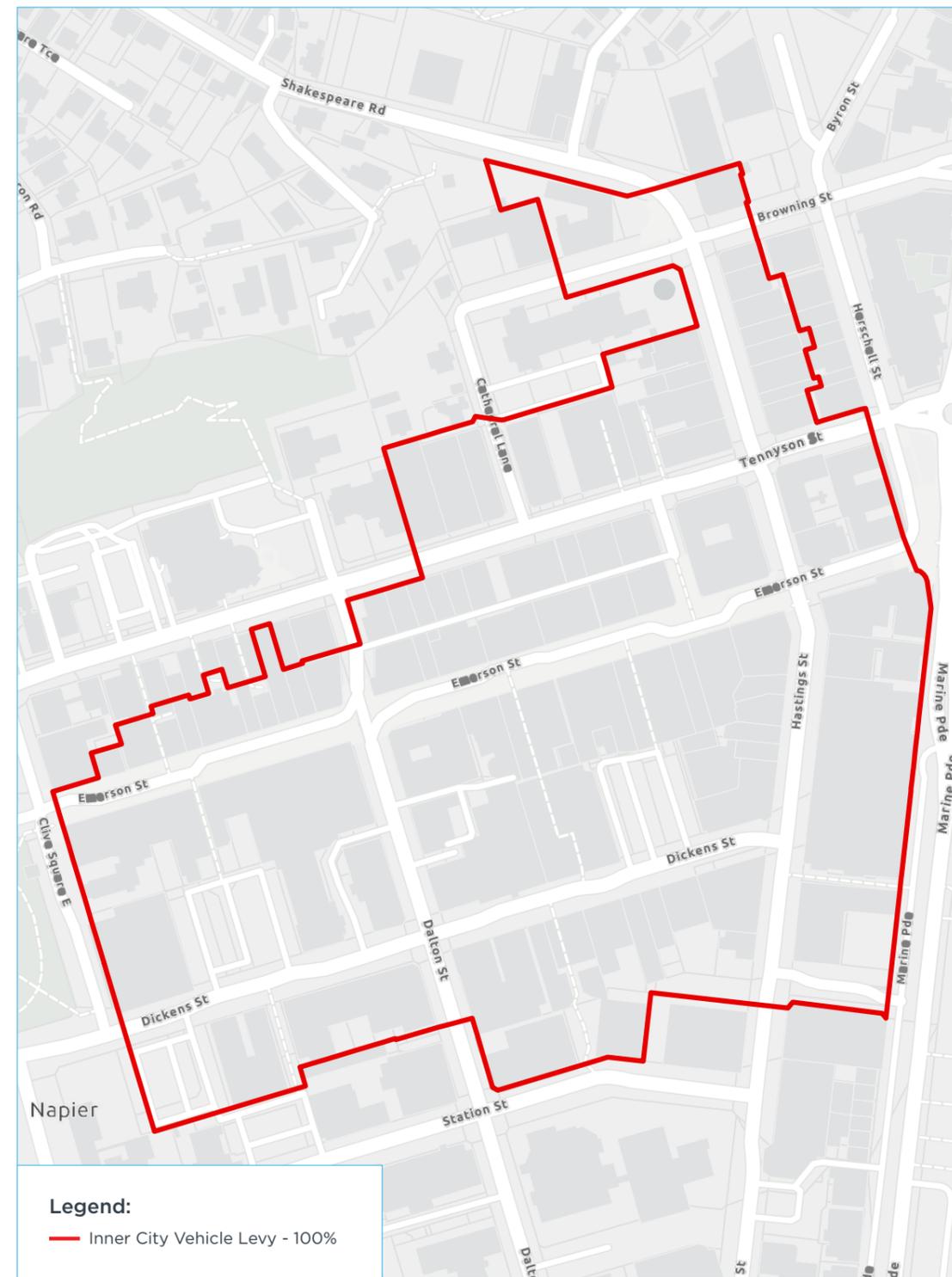
CBD PROMOTIONAL RATE AREA City Ambassador CCTV



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Council Maps Continued

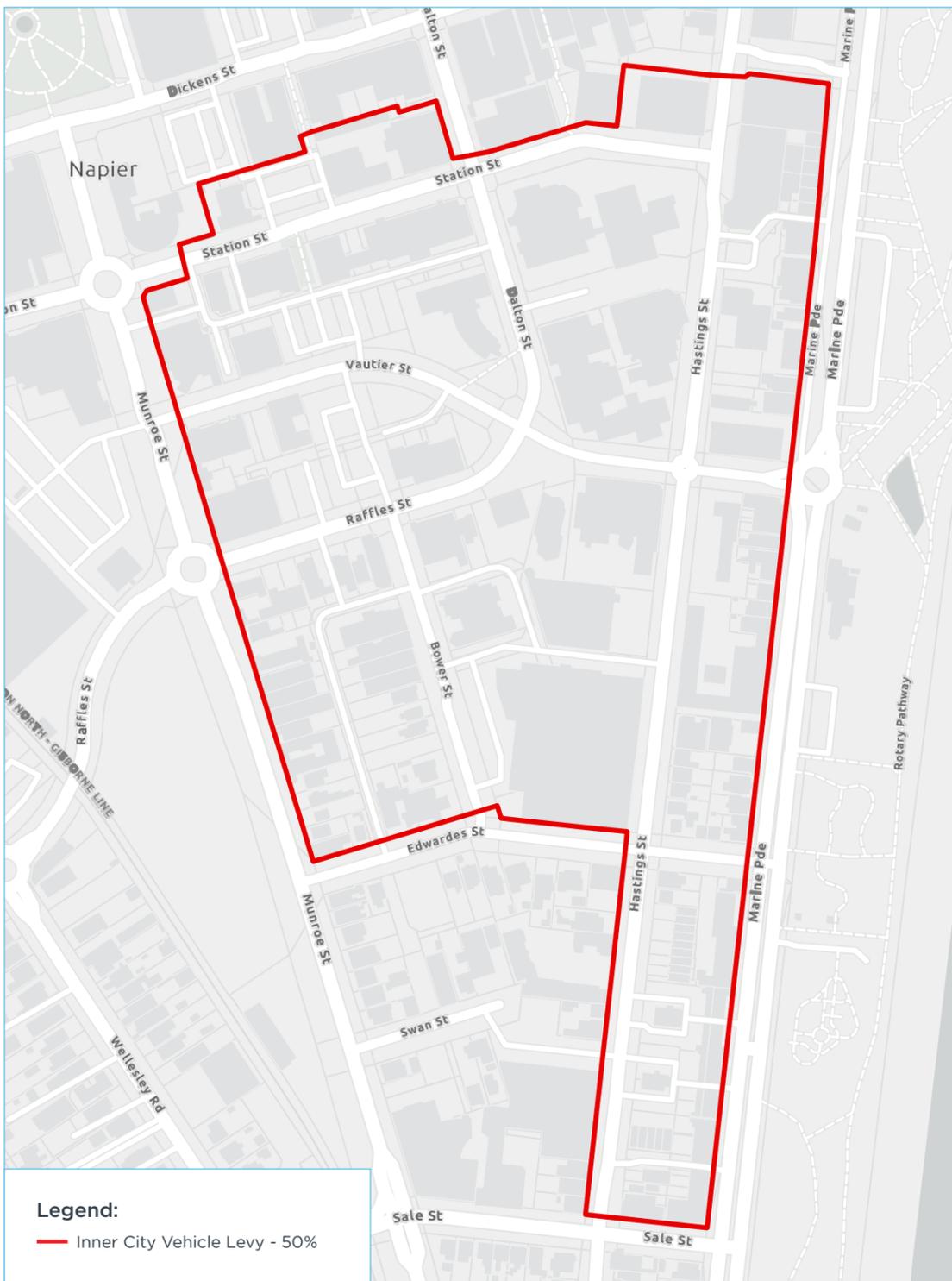
INNER CITY VEHICLE LEVY 100% Levy Area



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Council Maps Continued

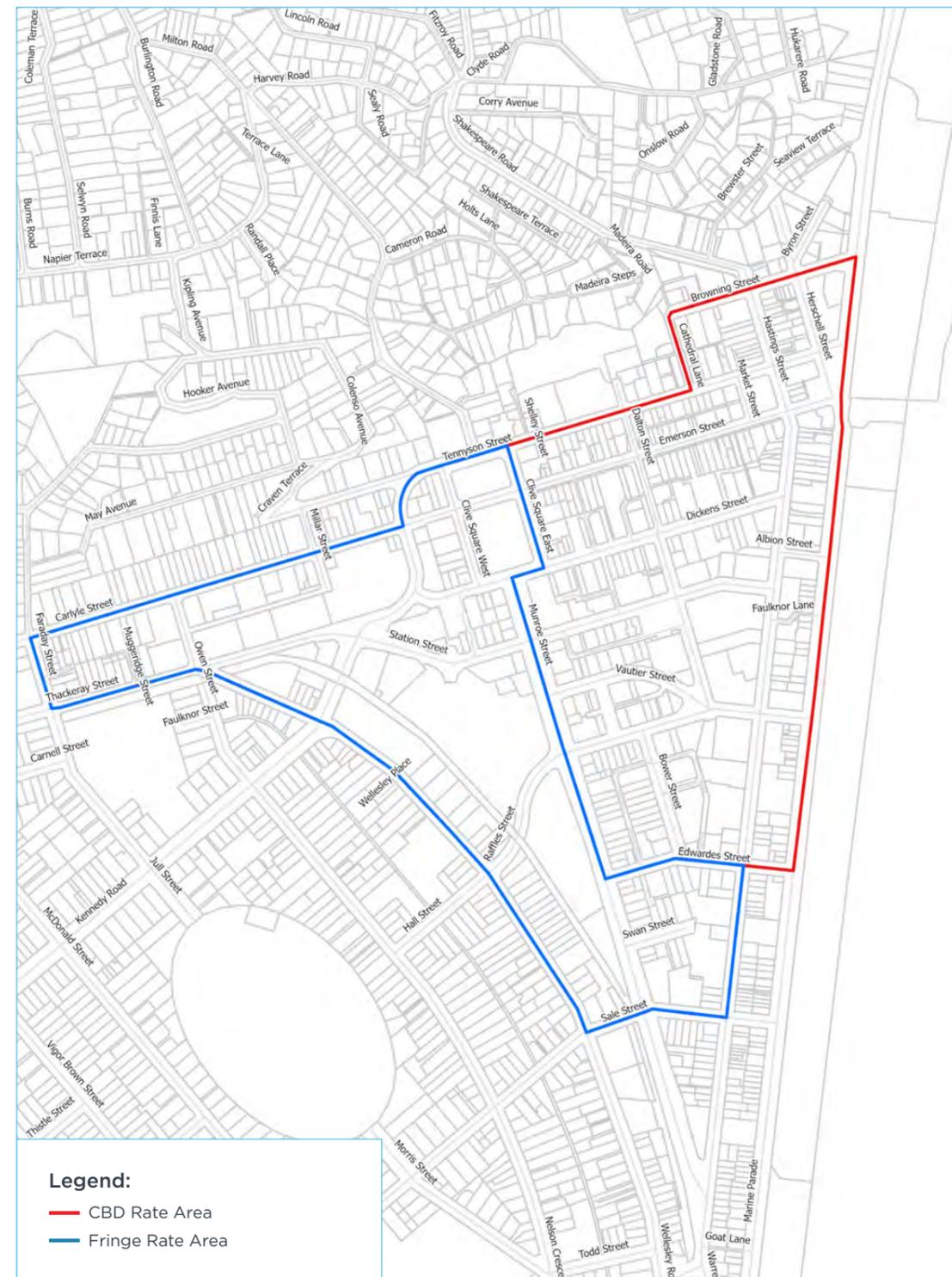
INNER CITY VEHICLE LEVY
50% Levy Area



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Council Maps Continued

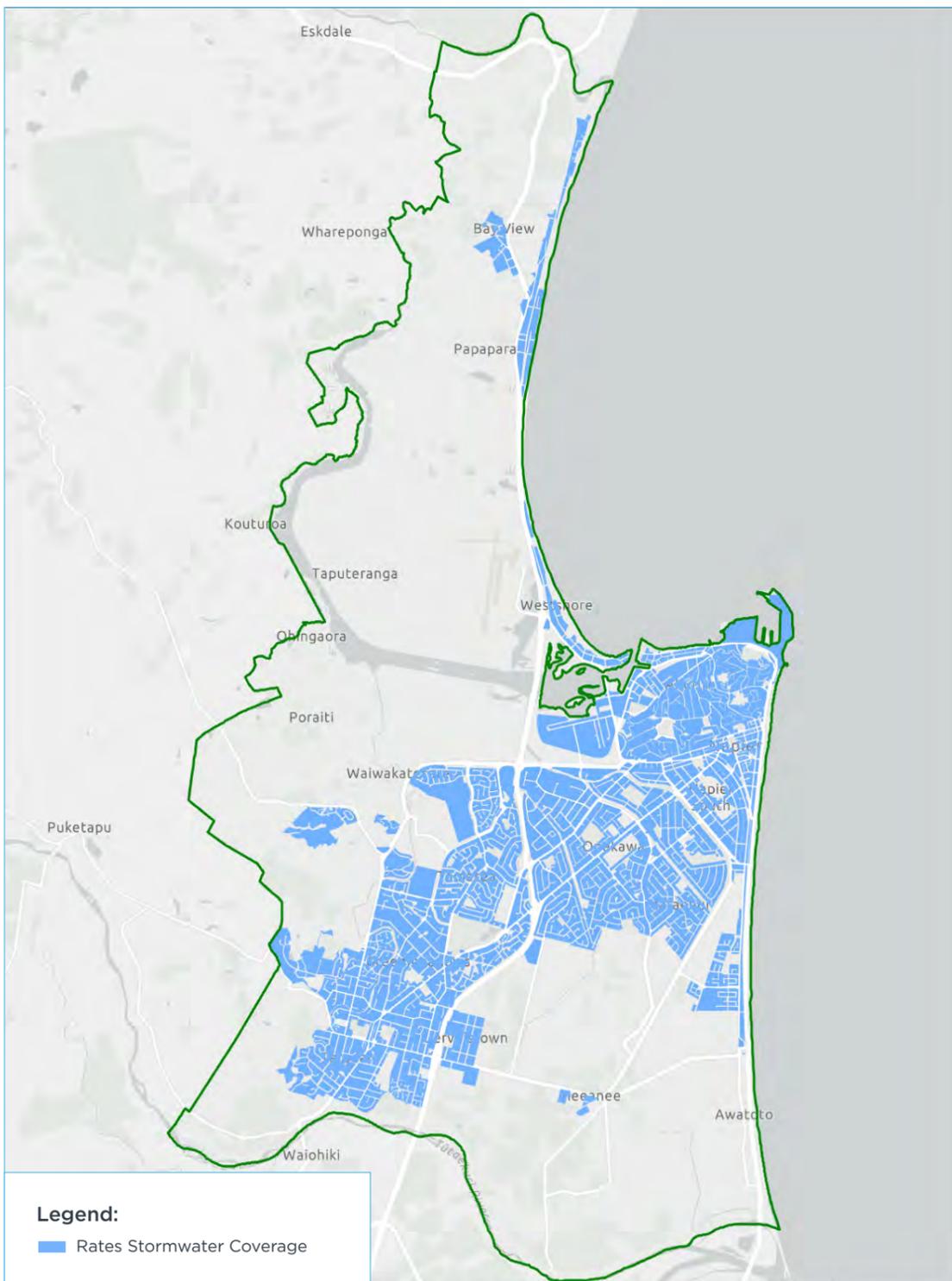
CBD FIRE PROTECTION AREA
CBD and CBD Fringe Rate Area



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Council Maps Continued

STORMWATER COVERAGE



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Examples of Rates for 2026/27

Examples of the impact of rating for 2026/27 are shown in the following table:

Differential Category	Land Value	Improvement Value	Capital Value	Status Quo			Preferred Option		Full CV	
				Rates 2025-26	Rates 2026-27	Change %	Rates 2026-27	Change %	Rates 2026-27	Change %
Residential										
Average Value & Land Value	380,000	405,000	785,000	3,816	4,240	11.1%	4,214	10.4%	4,165	9.1%
Average Value - above average LV movement	450,000	335,000	785,000	4,221	4,666	10.5%	4,562	8.1%	4,248	0.6%
Low Value residential	220,000	275,000	495,000	2,979	3,336	12.0%	3,341	12.2%	3,384	13.6%
Parklands Residential	460,000	580,000	1,040,000	4,272	4,738	10.9%	4,752	11.2%	4,850	13.5%
Te Awa Residential	345,000	515,000	860,000	3,681	4,101	11.4%	4,151	12.8%	4,366	18.6%
Bay View Residential	370,000	200,000	570,000	3,695	4,101	11.0%	3,977	7.6%	3,586	-2.9%
Ex Rural Residential (City fringe)	870,000	520,000	1,390,000	6,280	6,889	9.7%	6,623	5.5%	5,792	-7.8%
Commercial / Industrial										
Other Commercial Average	1,126,000	1,029,000	2,155,000	17,005	19,519	14.8%	19,092	12.3%	17,927	5.4%
CBD Average	771,000	692,000	1,463,000	16,703	17,667	5.8%	17,358	3.9%	16,503	-1.2%
Industrial Average	936,000	838,000	1,774,000	14,141	15,744	11.3%	15,366	8.7%	14,318	1.3%
Bay View Average Commercial	473,500	382,000	855,500	7,759	8,416	8.5%	8,170	5.3%	7,447	-4.0%
Rural Average Commercial	457,200	1,153,400	1,610,600	7,523	8,233	9.4%	9,024	19.9%	11,926	58.5%
Rural										
Average Rural (no Stormwater)	1,832,800	487,600	2,320,400	8,154	8,687	6.5%	7,950	-2.5%	5,550	-31.9%
Rural Residential (New Residential)										
Bay View Average	375,400	407,300	782,700	3,133	3,335	6.4%	3,587	14.5%	3,551	13.4%
Rural Residential in Stormwater area	457,500	418,400	875,900	3,128	3,284	5.0%	3,553	13.6%	3,371	7.8%
Rural Residential outside Stormwater area	457,500	418,400	875,900	2,878	2,975	3.4%	3,244	12.7%	3,062	6.4%
UTILITIES										
Telecommunication Network	-	45,470,000	45,470,000	34,321	42,403	23.5%	65,338	90.4%	145,565	324.1%
Power Network	-	76,900,000	76,900,000	57,633	71,246	23.6%	110,035	90.9%	245,717	326.3%
Gas Network	-	18,940,000	18,940,000	14,644	18,057	23.3%	27,610	88.5%	61,028	316.7%

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Rates and Charges

(Set under the LG Rating Act 2002)

INCLUDING GST	8.8% Incr 2026/27	8.8% Incr 2026/27	8.8% Incr 2026/27
	Status Quo (Incl GST)	Preferred (Incl GST)	Full CV (Incl GST)
GENERAL RATES (cents per \$)			
	Land Value	Land Value	Capital Value
Residential / Other	0.48536	0.39770	0.22688
Commercial and Industrial	1.26193	1.03402	0.58989
Rural	0.41255	0.33804	0.19285
UAGC - Uniform Annual General Charge (SUIP)			
			653.30
TRANSPORTATION Rates (cents per \$ Capital Value)			
Residential / Other	NA	0.00041	NA
Commercial and Industrial	NA	0.10654	NA
Rural	NA	0.03483	NA
STORMWATER Rates (cents per \$ Capital Value)			
Residential	0.03529	1.51519	0.03529
Commercial	0.09177	3.93949	0.09177
TARGETED RATES			
Fire Protection Rate (cents per \$ Capital Value)			
Residential & Other - 100%	0.00681	0.00681	0.00681
Other Commercial - 200%	0.01363	0.01363	0.01363
CBD Commercial - 400%	0.02726	0.02726	0.02726
Water Rate (SUIP)	424.21	424.21	424.21
Refuse Collection & Disposal Rate (SUIP)			
1 collection per week	271.79	271.79	271.79
2 collection per week	543.59	543.58	543.58
3 + collection per week	815.38	815.37	815.37
Kerbside Recycling Rate (SUIP)	127.99	127.99	127.99
Sewerage Rate (SUIP)	553.74	553.74	553.74
Inner City Vehicle Levy (cents per \$ Capital Value)			
100% Vehicle area	0.06035	0.06035	0.06035
50% Vehicle area	0.03017	0.03017	0.03017
Taradale Vehicle Levy (cents per \$ Capital Value)	0.05969	0.05969	0.05969
Suburban Vehicle Levy (cents per \$ Capital Value)	0.05969	0.05969	0.05969
City Ambassador CCTV (SUIP)			
Residential	187.88	187.88	187.88
Commercial	563.65	563.65	563.65
NBCI CBD Promotion Levy (cents per \$ Land Value)		0.20739	0.20739
Taradale Promotion Rate (cents per \$ Land Value)	0.19019	0.19019	0.19019
Swimming Pool Safety Rate (Fixed)	83.63	83.63	83.63
Rangatira Revetment Rate	348.61	348.61	348.61
Resilience Rate	21.98	21.98	21.98
Water By Meter Charges			
Extra-ordinary Supplies (\$/m ³) - Tarrif 1	0.77438	0.77438	0.77438

NOTE: THIS INFORMATION SUPPORTS THE CONSULTATION DOCUMENT FOR NAPIER CITY COUNCIL AND IS PROVIDED FOR CONSULTATION PURPOSES. IT MAY BE REFINED FOLLOWING CONSULTATION AND DECISION-MAKING.



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Te Kaunihera o Ahuriri
Napier City Council

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NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Focused Delivery, Strong Communities

Your rates at work

Napier City Council Annual Plan 2026/27 Consultation document

Mahia te mahi hei oranga mō te iwi
Do the work for the benefit of the people

Napier City Council Vision

Ko rua tē pāia ko Te Whanga.
Enabling places and spaces where everybody wants to be

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How to have your say

Read this booklet, then visit sayitnapier.nz and fill in the online form. Submissions close Friday 24 April at 5pm. If wanted, you will have the opportunity to speak to Council in person about your submission on 27 and 28 May.

Need help making a submission?

Call in to our Customer Service Centre at 215 Hastings Street, or Napier or Taradale Library, where our staff can help you make an online submission. This is the easiest way to have your say. You can also pick up a paper submission form at those locations.

Community Open House Event:

Come to our Open House on Monday 20 April from 5:30pm at Napier Municipal Theatre, 199 Tennyson Street to find out more about the Annual Plan and other major Council projects and services.

Message from the Mayor

As your council, our responsibility is to stay focused on the basics. These are the services people rely on every day, the infrastructure that supports our lives and our livelihoods, and the financial discipline needed to provide what Napier needs long into the future. Over the past few years, our community has been clear that this is what matters most. It's things like clean water, reliable services, safe neighbourhoods and public spaces that make Napier a place we are proud of.

This plan continues that direction. It prioritises the work that protects our wellbeing, strengthens our resilience, and supports the way we live, work, and connect with each other. Residents have told us they want a council that lives within its means. We are taking a careful approach to our finances.

Much of our effort in the coming year will be on renewing and upgrading the infrastructure essential to daily life. We are investing to keep water reliable and secure, protect homes from the impacts of flooding, and ensure our city centre is vibrant and thriving. These are long-term commitments, and while the work is not always easily seen, the benefits will be felt for generations.

Costs are rising across the board and councils nationwide are grappling with the same challenges. Our focus is on keeping costs in check while delivering the services and infrastructure our city needs. That means being careful about what we borrow for, finding smarter ways to manage our assets and ensuring every dollar we spend delivers value to the community.

We know any increase in rates is challenging, especially when households are facing cost pressures of their own. Our Annual Plan will reflect a balance between affordability and responsibility. Next year we'll have the opportunity to take a more thorough look across all budgets, plans and programmes, as we prepare our Long Term Plan 2027-37.

Thank you for your engagement, your feedback and your commitment to our shared future.

Our strategic priorities

Council is currently reviewing its Strategic Priorities and these will be updated for the Long Term Plan 2027-37 consultation.



He kainga ka awatea Financially sustainable Council

Council has an operating model and financial strategy that is affordable for ratepayers and enables us to achieve our objectives.



Te toka tū moana A resilient city

Council makes good future planning and investment decisions to prepare for a changing climate future and enables our community to build self-reliance. Our people, economy and infrastructure are resilient.



He wāhi taurikura Spaces and places for all

Napier has spaces and places that everyone has access to and wants to use. We have a focus on accessibility, affordability, safety, and city vibrancy.



Te takutai moana Nurturing authentic relationships

Council fosters meaningful relationships, demonstrating our commitment to listen to our community's needs, concerns, and aspirations. Developing strong partnerships with mana whenua and tangata whenua ensures we uphold our obligations under Te Tiriti o Waitangi.



Te ūnga waka A great visitor destination

Napier is a destination aspiring to provide 'world class' facilities and attract visitors to our city. We make it easy for people to invest in our city and create experiences that attract widespread participation.

Our Focus for the Year Ahead

We're delivering what matters most

We have heard from our community over several years that it wants us to focus on the basics. This means the daily services expected of us, like waste collection, library services, animal control and aquatic facilities, along with essential water, transportation, open spaces and civic infrastructure that will meet our residents' needs for many decades.

In the coming year, we'll spend money in the right places by renewing and maintaining the assets and infrastructure people rely on. We'll deliver well on the basic services residents expect from us. We'll ensure Napier's neighbourhoods are places where people want to be, by keeping parks and playgrounds safe and attractive. We'll work hard to make Napier a great destination for visitors and locals by keeping our city clean and our gardens beautiful.

Key projects

Our current capital programme is heavily focused on water projects. Key projects include building a [new water supply reservoir](#) on Mataruahou (Napier Hill) to increase Napier's storage capacity and future-proof our water supply.

We're [replacing ageing bores](#) at the Taradale and Awatoto bore fields to improve water quality and make our water supply more reliable and resilient.

We're [upgrading the stormwater system](#) in Maraenui and Te Awa, to protect these areas from flooding.

We're undertaking stormwater and wastewater pipe upgrades, along with above-ground safety and design improvements around [Clive and Memorial Squares](#). The work will ensure this gateway to our CBD is fit for purpose in the coming decades.

We're building [library and community facilities](#) that will serve many functions and be a cornerstone of community connection for decades to come.

Read more about these projects at napier.govt.nz/projects.

We're focusing on a strong financial future

Over the last three years, we've made decisions that will ensure our finances can be responsibly maintained over the long term:

Last year we explored changes to how some of our business and tourist facilities are run, to reduce the rates burden. You can read an update on where things are at on page 13.

We started operating [Ahuriri Investment Management Ltd \(AIM\)](#) to intentionally manage our investment assets as a commercial portfolio to deliver an annual return to Council and grow the portfolio's value for future generations.

AIM has already started delivering investment returns to Council, **next year saving \$142 per household on rates.**

We're keeping rates as low as we can

We know that people are feeling cost pressure everywhere. Rates increases are never easy. To keep our city running though, they must happen. The cost of infrastructure, water investment, and essential services have risen sharply. This is the environment we're operating in, and these are the hard decisions we must make to keep our city functioning.

We've worked hard to keep next year's increase below the level we estimated three years ago. Next year's rates increase doesn't account for general inflation, meaning we will have to cut our cloth to fit our budget. We will only borrow for major long-term projects that cost a lot of money. We won't borrow for day-to-day operations. Borrowing for our daily operations is like households borrowing for groceries. We'll stay disciplined. The choices we're making are to protect our community's future – its resilience, and its economic and social wellbeing.

2026/27 rates increase

In our Three-Year Plan 2024-27, we projected a rates increase of 9.1% for 2026/27. Despite a high inflation rate driving up costs for council, we have helped to **lower** this projected increase by not accounting for general inflation in next year's budget. By not accounting for inflation, we will need to make small cuts across all areas so we can work within our budget.

The proposed overall average rates increase for 2026/27 is 8.8%

This is largely made up of:

- Borrowing costs (loan interest repayments) 5.7%
- Labour costs (staff) 3.4%
- Proposed CCTV targeted rate (for inner city residents and businesses) 0.2%

Operational changes have resulted in a net saving of -0.5%, reducing the increase.

How do we compare to other councils?

Councils across the country are facing the same pressures as Napier, and many are borrowing for operational costs. **Napier still has one of the lowest average residential rates in the country, ranking 16th for lowest average rates out of 58 city and district councils in 2025/26.**

We know this increase is significant for many ratepayers. Information to help manage your rates bill is at [napier.govt.nz](https://www.napier.govt.nz) keyword search #rates.

How your rates are spent

Community and Visitor Experiences 33c in every dollar	Wastewater 12c in every dollar	Other Infrastructure 12c in every dollar	Transportation 12c in every dollar
Water Supply 11c in every dollar	City Strategy 10c in every dollar	Stormwater 7c in every dollar	Governance and representation 4c in every dollar
Property Assets 3c in every dollar	NCC Investment Portfolio contribution 3c reduction in every dollar. This is the contribution from the NCC Investment Portfolio, which is managed by Ahuriri Investment Management. It is contributing \$142 per household in 2026/27, offsetting rates by 3%.		

Our proposals in this consultation

We want to know what you think about our proposal to change how we calculate rates for the transportation activity. We also want your views on how to pay for nighttime CCTV monitoring in the central business district. Additionally, we're proposing to increase all fees and charges, using the Consumer Price Index of 3.1% for most increases.

What is consultation?

A community consultation is not the same as a referendum. To consult means to ask for information, advice, or feedback. For local councils, consultation is a way for residents to share their views and help guide council decisions.

When Council consults, it gives the community an opportunity to tell councillors and the mayor what they think about a specific issue or proposal.

The Local Government Act sets out [the rules](#) for how councils must consult, including when preparing an Annual Plan. The formal way for people to have their views considered is through the official consultation submission process. Other forms of communication, such as social media comments, letters to the editor, or emails, are treated as informal feedback.

Council will still look at informal feedback, but only submissions made through the official consultation form are formally analysed and included in the decision-making process.

What is a preferred option?

When councils consult on major community issues, they must state their preferred option. This is the option they have budgeted for. Councillors and staff discuss early ideas in workshops to explore different options and decide which one they prefer. The cost of these preferred options is included in the draft financial statements shared during consultation, so the community can see the full financial picture.

Even though councils identify a preferred option, elected members must still consider all submissions with an open mind before making final decisions. Councils often change their preferred option after hearing from residents.

***Workshops are open to the public to attend unless there is a specific legal reason to keep them closed. Workshops cannot be used to make final decisions – these can only be made at Council or Standing Committee meetings.**

Fees and Charges

Each year we propose to increase fees and charges. The standard increases are in line with the Consumer Price Index (CPI) but may be more or less, depending on the requirements of the service. You can view the proposed increases on sayitnapier.nz or call into our Customer Service Centre at 215 Hastings Street, or Napier or Taradale Library to view a paper copy.

Note:

The trade waste model is being reviewed separately. Any changes to Trade Waste fees and charges will be consulted on later in the year.

A change to how we recover transportation costs

Councils calculate[#] their General Rates using the value of each individual property. This can be either based on the property's land value (LV) or capital value (CV). Land value rates are based only on the value of the land itself, not including any improvements such as buildings or other structures. Capital value rates are based on the **total** value of the property. This includes land and any buildings or structures built on it*.

In Napier the General Rate is charged to all ratepayers and is calculated using land value. These include all properties: residential, commercial, rural, lifestyle, and utilities (entities that own electricity, telecommunications and other infrastructure).

Currently, costs for our transportation[^] activity are charged in the General Rate. We believe that transportation costs would be better recovered using capital value, because properties with higher capital value tend to make more use of, and gain more benefit from, the roading network. This primarily means commercial properties, including utility providers.

#Councils also charge Targeted Rates for specific activities. Targeted Rates can be charged using a variety of methods, including fixed rates, land and capital values.

** Capital value does not include plant and machinery, chattels and stock but can include other improvement e.g. vines.*

^ Transportation includes roads, footpaths, cycleways and associated safety improvements.

Option 1: Use a property's capital value to calculate Transportation charges [preferred]

- 1. Remove the costs of transportation from the General Rate, and**
- 2. Create a new Transportation Targeted Rate calculated on the Capital Value of each rateable unit, and**
- 3. Maintain all differentials (weightings) to charge ratepayers according to their property type for both the General Rate (land value) and Transportation Rate (capital value), and**
- 4. Keep the remainder of the General Rate calculated on Land Value, and**
- 5. Keep the flat fee Uniform Annual General Charge (UAGC) at 22%.**

Switching from land value to capital value to calculate a Transportation Rate distributes the impacts and benefits more fairly. Council believes that the ratepayers who have the highest impact on road use are commercial and utility ratepayers. Because they are currently charged rates according to land value, they pay low rates relative to their land size compared to other properties in Napier. By changing the Transportation Rate calculation to capital value, these ratepayers will pay a larger proportion of the total cost.

Additionally, the Transportation Rate calculation for commercial and utility ratepayers will have a weighting ('differential') of 2.6 applied. This means they will pay 260% more than a standard residential property, reflecting the greater impact they have on roading costs (see table below).

Calculating the Transportation Rate using capital value will decrease big changes to properties' rates when they are revalued every three years because the total change in capital value is smaller than just land value.

Rural properties' Transportation Rate calculation will have a differential of 0.85. This means they will pay 85% of the amount a standard residential property pays. This is because rural roads receive a lower level of service than urban roads. For example, they lack footpaths and streetlights. Additionally, due to their land size and value, they pay relatively more than residential properties.

We will keep all other rates calculated on land value, and the UAGC will stay at 22% of total rates. This is a flat fee for all ratepayers regardless of property value.

Under this option most properties will see little change to their rates. Properties most affected will be commercial/industrial, utilities and high value residential properties, particularly those on sections with a lower land value.

In developing the proposed approach, Council considered the various impacts that different property types have on the transportation network.

Residential ratepayers	Rural ratepayers	Commercial ratepayers	Utilities ratepayers
Generally, have the same level of service with roads.	Generally, have a lower level of service with roads.	Much of the transport network benefits commercial ratepayers by enabling them to trade.	Heavy vehicles and machinery for maintenance creates more road damage.
Most residential roads do not have traffic congestion.	Most rural roads do not have traffic congestion.	Often have heavier vehicles, creating more 'wear and tear' on the network.	Network coverage requirements mean infrastructure must be under all roads. This means excavation and maintenance access is required on all roads, creating congestion and diversions.
		Congestion created in commercial areas requires controlled intersections and other road safety interventions, which cost money.	

Council also considered the key advantages and disadvantages of charging rates using capital value compared with land value:

Advantages	Disadvantages
Through the higher value of improvements, CV recognises multiple users of a single property.	Administrative cost of notifying changes to how rates are calculated.
Generally, there are smaller percentage swings at each revaluation, because changes in capital value are smaller than changes in land value.	May penalise those with low land value and high capital value.
Reduces the reliance on differentials (weightings on different property types) as it takes into consideration a property's full value.	Low-income earners may be in high capital value homes.
More accurately measures city growth, enabling better planning.	For orchard properties, CV includes fruit trees and vines (but not the crop).
More accurately reflects the services and infrastructure being used by a property.	May penalise or discourage development of high quality buildings.

Important note: Changing how rates are calculated does not increase the total rates take for the city. It changes how much each ratepayer pays. The cake stays the same size, how it's cut is what changes. Napier's total rates budget only increases if Council agrees to increase it as part of its Annual Plan or Long Term Plan processes.

Average annual rates impact 2026/27

These are the average annual rates impacts by ratepayer category for our preferred option. They include impacts from our preferred option for the CCTV targeted rate proposal, on page 10.

Residential	9.35%
Rural	-7.68%
Commercial / Industrial	7.95%

Option 2: Don't change how we calculate Transportation charges [status quo]**Keep the cost of Transportation as part of the General Rate, calculated on land value.**

Under this option, the way we calculate rates won't change. All ratepayers will continue to pay for Transportation costs as part of their General Rate, which is calculated on land value. The UAGC will stay at 22%.

Note: The Rural Residential property category has been removed, and these ratepayers have been recategorized residential as the main purpose of these properties is residential.

Average annual rates impact 2026/27

These are the average annual rates impacts by ratepayer category for the status quo option. They include impacts from our preferred option for the CCTV targeted rate proposal, on page 10.

Residential	9.52%
Rural	1.03%
Commercial / Industrial	6.95%

Option 3: Use a property's capital value for all rates calculations

1. Calculate the General Rate using capital value, and
2. Keep Transportation costs within the General Rate, and
3. Make no change to how targeted rates are calculated, and
4. Keep the UAGC at 22%

Switching from a land value to a capital value rates system more accurately reflects the benefits a property receives from local services and infrastructure. For example, a vacant section does not have much use for street lighting. Because it doesn't receive the same level of service as a neighbouring property with a home using council services, it's not reasonable for them to pay similar rates. A capital value system recognises this difference and allocates costs more equitably.

Calculating rates using capital value will smooth out big changes to properties' rates when they are revalued every three years because changes to capital value are smaller than changes to just land value.

Capital value is also a fairer way to charge rates to multi-unit dwellings, such as apartments. Currently, ratepayers in these buildings pay a portion of the total land value each. This means large apartments pay relatively lower rates compared to standalone houses. Using capital value enables each unit to pay according to its individual value.

Using capital value also reflects growth more accurately. It captures the total investment and development activity in urban areas, helping councils to plan for infrastructure and amenities.

We want to test the community's appetite for calculating all rates using capital value. However, we don't believe that now is the right time for this move. There are proposals from central government that will impact councils' rating income, including a proposed rates cap of 2%-4%. Additionally, the already legislated Local Water Done Well changes will impact our rates income if three waters services are removed from our books.

Once these reforms come into play, we will have more accurate information to decide whether this is the best option for Napier. In the meantime, our preferred option is a pathway towards calculating all rates using capital value.

Summary of advantages and disadvantages

Advantages	Disadvantages
Through the higher value of improvements, CV recognises multiple users of a single property.	Administrative cost of notifying changes to how rates are calculated.
Generally, there are smaller percentage swings at each revaluation, because changes in capital value are smaller than changes in land value.	May penalise those with low land value and high capital value.
Reduces the reliance on differentials (weightings on different property types) as it takes into consideration a property's full value.	Low-income earners may be in high capital value homes.
More accurately measures city growth, enabling better planning.	For orchard properties, CV includes fruit trees and vines (but not the crop).
More accurately reflects the services and infrastructure being used by a property.	May penalise or discourage development of high quality buildings.

Average annual rates impact 2026/27:

These are the average annual rates impacts by ratepayer category for the full Capital Value option. They include impacts from our preferred option for the CCTV targeted rate proposal, on page 10.

Residential	8.16%
Rural	-34.83%
Commercial / Industrial	13.23%

A change to how we charge inner city CCTV monitoring

Last year we added night-time monitoring to our existing CCTV activities in the central business district, on a trial basis. This was in response to community concerns about safety in the central city, especially at night.

Overnight monitoring gives police and Council real-time visibility of the city during hours when incidents are more likely to occur. Night-time monitoring strengthens collaboration with police and provides better tools for responding to night-time crime, particularly retail break-ins and antisocial behaviour. Between 29 September 2025 and 26 February 2026, Napier Assist night monitoring officers have reported approximately 49 incidents or instances of suspicious behaviour directly to Police Communications.

This additional monitoring trial costs around \$240,000 and is currently paid for out of the Parking Reserve Fund, which is money received from parking income. If the trial continues, we want to start charging this as a targeted

rate to CBD businesses and residents, to better reflect the direct benefit those ratepayers receive. Should Council decide to stop CCTV nighttime monitoring after the trial, there will be no rates impact.

Napier's CBD has 470 Commercial ratepayers and 60 Residential ratepayers.

Option 1: Commercial ratepayers pay more [preferred]

Under this option, the CBD's Commercial ratepayers would pay the most, with Residential ratepayers in the CBD paying 25% of what Commercial ratepayers would pay.

This option reflects that Commercial ratepayers receive the most benefit from CCTV monitoring, as it protects their businesses. Residents in the area receive a smaller benefit in terms of neighbourhood safety.

Rates impact:

\$490 Targeted Rate for 470 Commercial ratepayers in the CBD

\$163 Targeted Rate for 60 Residential ratepayers in the CBD.

Option 2: Commercial and Residential ratepayers pay the same

Under this option, the CBD's 470 Commercial ratepayers and 60 Residential ratepayers would pay the same amount.

This option assumes that the benefit of CCTV monitoring to Commercial and Residential ratepayers in the CBD is the same.

Rates impact:

\$453 Targeted Rate for 530 Residential and Commercial ratepayers in the CBD.

Option 3: Status Quo

All Napier Assist activities continue to be funded paid from the Parking Reserve Fund. Under this option, there will be no rates impact. However, this is not our preferred option because the Parking Reserve Fund is not a sustainable funding source. Under this option, CCTV nighttime monitoring cannot be funded over the long term.

Updating how we allocate funding to activities

The Local Government Act 2002 requires councils to review the funding splits in their Revenue and Financing Policy at least every three years. This helps ensure funding sources remain appropriate under section 101(3), which looks at factors like who benefits, who pays, and the wider community impact.

As part of this review, we have updated some of the funding percentages to better reflect current Council priorities and the assessed benefits and costs of each activity. You can see these changes in our draft Revenue & Financing Policy on sayitnapier.nz. Alternatively, a paper copy can be viewed at our Customer Service Centre, 215 Hastings Street.

Changes to capital programme budgets between Year 3 of the Three-Year Plan and the 2026/27 Annual Plan

Council hasn't changed what was set out in the Three-Year Plan 2024-27, however the capital programme budget for Year 3 of the plan has been rescheduled as part of the Annual Plan 2026/27 development process. Below is an overview of the budget changes by activity group.

The revised capital programme that is being proposed as part of the Annual Plan 2026/27 is still aligned with the direction and goals set by Council in the Three-Year Plan 2024-27.

There are a few reasons why we might have to reschedule project budgets. These include meeting expected compliance requirements from new proposed legislation; dealing with high-risk renewals or upgrades and expiring consents; better aligning with project timelines; or meeting contractual obligations. The following table is a summary of the capital plan for Year Three of the Three-Year Plan, compared to the proposed capital plan for the Annual Plan 2026/27. The figures include vested assets.

Activity Group	TYP 26/27	Annual Plan 26/27	Variance
Governance and Representation	\$87,200	\$87,200	-
Property Assets	\$51,825,828	\$61,108,132	+\$9,282,304
Transportation	\$36,531,126	\$28,531,126	-\$8,000,000
Community and Visitor Experiences	\$19,006,574	\$15,409,490	-\$3,597,084
Support Units	\$4,254,930	\$3,215,682	-\$1,039,248
Other Infrastructure	\$3,539,412	\$3,809,886	+\$270,474
City Strategy	\$886,706	\$3,981,550	+\$3,094,844
Water Supply	\$11,033,275	\$29,653,033	+\$18,619,758
Stormwater	\$6,074,569	\$10,929,457	+\$4,854,888
Wastewater	\$9,109,963	\$10,742,840	+\$1,632,877
Grand Total	\$142,349,583	\$167,468,395	+\$25,118,812
Timing Assumption		(\$35,877,735)	
Total Capital Annual Plan 26/27		\$131,590,660	

We've added a 20% timing allowance to the 2026/27 capital programme because projects often face delays from unexpected changes, limited resources, or external factors outside the Council's control. This allowance acknowledges that not everything will go exactly to plan, while still giving us the flexibility to deliver as much work as possible.

Activity Group	Three Year Plan 2026/27	Annual Plan 2026/27	Factors contributing to changes in 2026/27 capital plan budgets	Variance
Governance and Representation	\$87K	\$87K	No change.	0

Property Assets	\$51.8M	\$61.1M	Approx. \$6.5M of Civic and Library Building's budget rephased to reflect spend forecast. Approx. \$3M rephased for Nelson Quay repair.	+17.9%
Transportation	\$36.5M	\$28.5M	Brookfields Bridge budget rephased from 26/27 to 27/28 to reflect the spending forecast.	-21.9%
Community and Visitor Experiences	\$19M	\$15.4M	Three projects partially rephased from 26/27 to 27/28 to enable preliminary work: <ul style="list-style-type: none"> • Taradale Hall Refurbishment • McLean Park Catering and Refrigeration • Retirement Housing. 	-18.9%
Support Units	\$4.2M	\$3.2M	Internal IT costs rephased from 26/27 to 27/28.	-24.4%
Other Infrastructure	\$3.5M	\$3.8M	Increased cost of Omarunui Landfill.	+7.6%
City Strategy	\$886K	\$3.9M	Increase due to new Animal Shelter.	+348.9%
Water Supply	\$11M	\$29.6M	Enables delivery of critical drinking water compliance infrastructure, including Water Treatment Plant 2 (Taradale), trunk mains, and the Mataruahou Reservoir (Enfield replacement). Prevents delay to compliance pathway and strengthens network resilience.	+168.7%
Stormwater	\$6M	\$10.9M	Maintains delivery of interdependent projects with funding and contractual commitments, including Te Awa Pump Station (part NCC / part NIIF), Taradale Road Culvert, and flood alleviation works. Reduces regulatory and flood risk exposure.	+79.9%
Wastewater	\$9M	\$10.7M	Sustains progress on the Wastewater Outfall Renewal and other high-risk assets to manage environmental, health and safety, and future compliance risks.	+17.9%

What we achieved in 2025/26

Last year we proposed changes to some Council business and tourist facilities to improve our financial sustainability and reduce ongoing rates increases. Here is an update on what we have done since then.

National Aquarium of New Zealand

We asked the community whether we should build a new income-generating facility focused on conservation, education and tourism, or whether we should sell or lease the Aquarium to an external operator. Most submitters wanted Council to sell or lease the facility, because of concerns about rising costs. In late 2025 we called for Registrations of Interest (ROI) for external operators to lease or buy the Aquarium. We are now evaluating submissions from this ROI. The next step in the process could be inviting a shortlist of ROI applicants to submit detailed proposals for Council to consider. If Council is interested in any proposal, we would consult with the community before any decisions are made.

Kennedy Park and Ocean Spa

Last year Council agreed to look at new ways to run Kennedy Park Resort and Ocean Spa to improve their financial sustainability. Since then, Council has tested interest from commercial operators. The first stage invited proposals for operators to manage either facility under a lease arrangement. The next stage invited a shortlist of applicants to submit detailed proposals. These provided detailed information about possible partnership structures, commercial frameworks, and service models. No decisions have been made on either facility. If leasing proposals are developed, they will go through a full due diligence and public consultation process in 2026 before any decisions are made by Council.

Napier isite

To improve Council's financial sustainability and reduce rates increases, we proposed that a third-party provider manages the isite functions and services in either its current location or an alternative, with no funding from Council. The procurement process to identify potential external operators will begin in March 2026.

Par2 Mini Golf

Alongside the isite proposal, we proposed to keep Par2 MiniGolf at its current location and commercially lease the facility to a third-party operator. The procurement process to identify potential external operators will begin in March 2026.

Faraday Museum of Technology

To reduce the Museum's reliance on rates funding, we proposed to hand over the running of the Faraday to a charitable entity (trust), give the charity a one-off capital grant of \$1 million and a \$500,000 yearly operational grant. We will be progressing this from March 2026.

Proposed Government reforms

Central government is proposing several reforms that will affect how councils operate. The proposals will impact the way we work, and our ability to pay for both the critical services and other services and activities our community wants from us. Napier City Council has made submissions on the Government proposals outlined below, and you can read them at [napier.govt.nz](https://www.napier.govt.nz) keyword search #reforms.

Rates cap

The Government is proposing a rates cap. This would limit councils' ability to increase rates by more than 2-4% each year. If this proposal goes ahead in its current form, it means councils would not be able to increase rates by more than 4%, once the legislation is fully in place on 1 July 2029.

Napier City Council supports rates affordability. While rates caps may deliver modest short-term household savings, these can be outweighed by the ongoing impacts of under-investment in essential services such as water, transport and climate resilience, which are relied on most heavily by vulnerable communities.

Natural Environment Bill and Planning Bill

We support the Government's resource management reforms, including taking a fresh look at the laws that govern how we manage resources and development of our urban areas. Council also has a few concerns with the proposals.

Simplifying Local Government Bill

Last year the Government announced its proposal to simplify local government.

Napier City Council's supports the intent of the proposal, but not at the expense of democratic legitimacy or local input and accountability. The Government's proposed solutions require stronger safeguards to ensure regional decision-making remains transparent, evidence-led and trusted by communities.

Local Water Done Well update

In late 2025 a plan for the joint delivery of water services across Central Hawke's Bay, Hastings and Napier was submitted to Government and approved. A four-person Establishment Advisory Board is now in place to oversee the transition of water services from the three councils to a new, jointly owned organisation.

Examples of proposed rates 2026/27

Examples of the impact of rating for 2026/27 are shown in the following table:

The rating examples should be read with the following points in mind:

- Council's total rates revenue for 2026/27, excluding rate penalties and water-by-meter charges, will increase by 8.8%.
- Because rates are based on property values, any change in a property's value—whether higher or lower than the citywide average—will mean that the rates increase for that property will differ from the overall proposed increase

Examples of Rates for 2026/27							
Examples of the impact of rating for 2026/27 are shown in the following table:							
					Status Quo	Preferred Option	Full CV
Differential Category	Land Value	Improvement Value	Capital Value	Rates 2025-26	Rates 2026-27	Rates 2026-27	Rates 2026-27
Residential							
Average Value & Land Value	380,000	405,000	785,000	3,816	4,240	4,214	4,165
Average Value - above average LV movement	450,000	335,000	785,000	4,221	4,666	4,562	4,248
Low Value residential	220,000	275,000	495,000	2,979	3,336	3,341	3,384
Parklands Residential	460,000	580,000	1,040,000	4,272	4,738	4,752	4,850
Te Awa Residential	345,000	515,000	860,000	3,681	4,101	4,151	4,366
Bay View Residential	370,000	200,000	570,000	3,695	4,101	3,977	3,586
Ex Rural Residential (City fringe)	870,000	520,000	1,390,000	6,280	6,889	6,623	5,792
Commercial / Industrial							
Other Commercial Average	1,126,000	1,029,000	2,155,000	17,005	19,519	19,092	17,927
CBD Average	771,000	692,000	1,463,000	16,703	17,667	17,358	16,503
Industrial Average	936,000	838,000	1,774,000	14,141	15,744	15,366	14,318
Bay View Average Commercial	473,500	382,000	855,500	7,759	8,416	8,170	7,447
Rural Average Commercial	457,200	1,153,400	1,610,600	7,523	8,233	9,024	11,926
				63,131	69,580	69,009	68,122
Rural							
Average Rural (no Stormwater)	1,832,800	487,600	2,320,400	8,154	8,687	7,950	5,550
Rural Residential (New Residential)							
Bay View Average	375,400	407,300	782,700	3,133	3,335	3,587	3,551
Rural Residential in Stormwater area	457,500	418,400	875,900	3,128	3,284	3,553	3,371
Rural Residential outside Stormwater area	457,500	418,400	875,900	2,878	2,975	3,244	3,062

Rating Base Information *

Rating Base Information	All Rating Units	Rateable Units
As at 30 June 2023		
Number of Rating Units	27,017	26,500
Capital value of Rating Units \$	25,285,140,950	24,105,746,750
Land value of Rating Units \$	12,174,337,700	11,678,101,500

* Napier's three-yearly revaluation for rating purposes was undertaken in **2023**, and those new valuations are the basis for setting the rates for 2026/27.

Supporting documents

All documents below will be available on sayitnapier.nz from 30 March 2026. You can view paper copies of these supporting documents at our Customer Service Centre, 215 Hastings Street or at Napier or Taradale Libraries.

- Draft financial statements including rating system
- Draft Schedule of Fees and Charges
- Draft Revenue & Financing Policy

Glossary of terms

Financially sustainable

To be able to maintain financial health over the long term. It involves having enough income to cover expenses and continue operations now and in future.

Operational costs / operational expenditure

The costs of normal day-to-day operations.

Capital costs / capital expenditure

The costs of buying, upgrading, or maintaining long-term items such as property, buildings, equipment or technology. These are investments that provide benefit over a long period, to grow or maintain operations.

Capital programme

A plan or schedule of projects to be undertaken over a specific period, along with the costs.

Rating Unit

A specific area of land that is assessed for property rates by a council.

Uniform Annual General Charge

A flat fee that is the same for all ratepayers, regardless of property value.