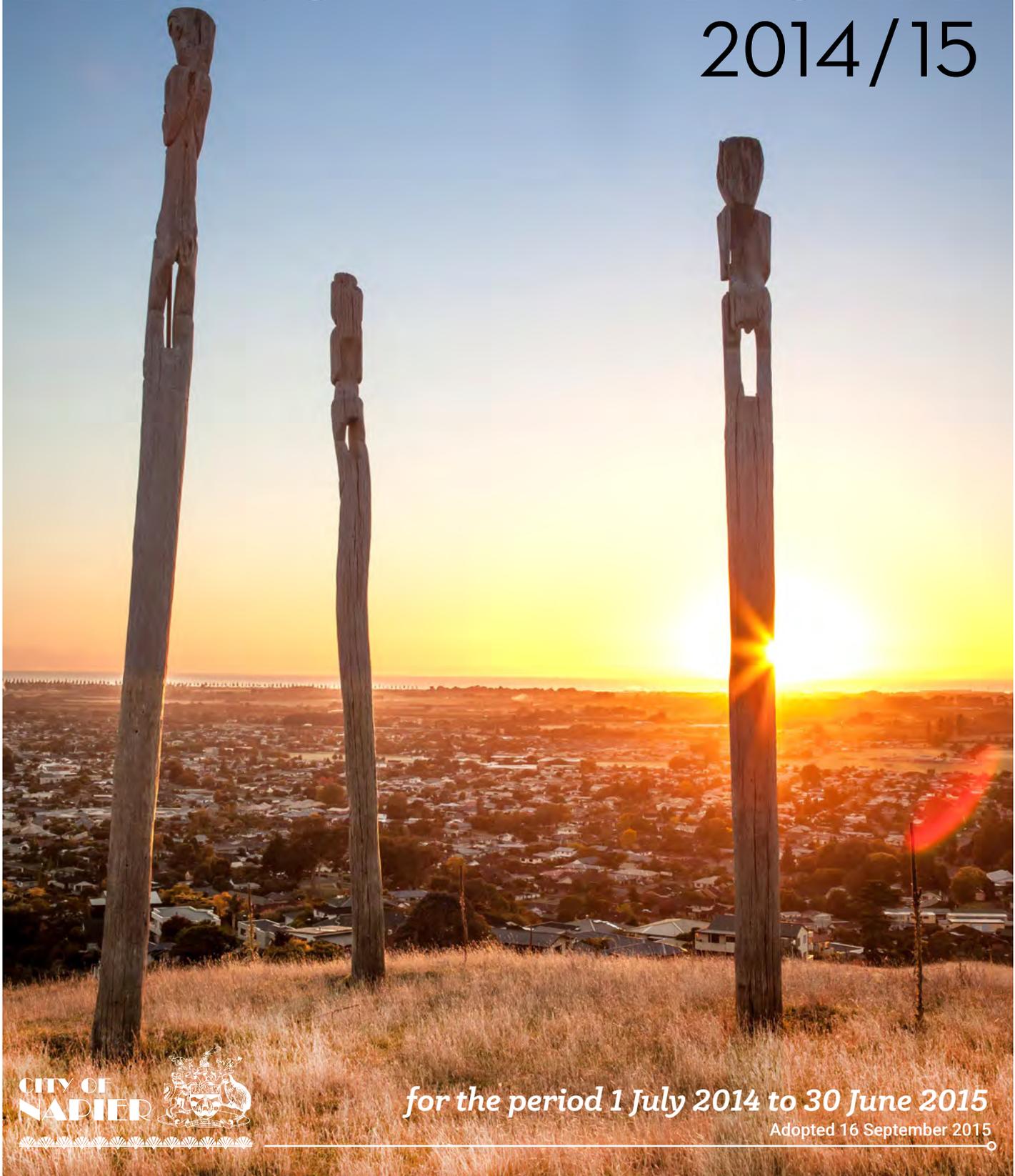


# NAPIER CITY COUNCIL ANNUAL REPORT 2014/15



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*Cover Image*

Sunrise over Napier: taken from Otatara Pa Historic Reserve behind EIT. Otatara Pa is regarded as one of the country's most important archaeological sites. The Otatara Pa walking track includes carved pouwhenua or posts symbolising the Māori relationship with the land, and information panels with details about the site's history. The reserve is managed by Ngāti Paarau of Waiohiki and the Department of Conservation.

## We are pleased to report that in 2014/15 we have continued to deliver on our financial plan.

This Annual Report sets out what we have achieved in the last year and looks at the progress (in financial terms, and through performance measure reporting) we have made in providing the sort of city that you have told us is important to you.

This Annual Report compares our achievements and progress to what was planned to be achieved in our Annual Plan 2014/15, the third year of the 2012-2022 Ten Year Plan (the Long Term Plan). The 2012-2022 Long Term Plan is our City business plan and the Council's key strategic document. It outlines the Council's policies and programmes and the financial implications of these.

Under the Local Government Act 2002, all Councils are required to produce an Annual Report and for certain information to be audited, such as the financial statements and the non-financial performance information. The audit has been completed by Audit New Zealand and their clear audit opinion can be found on page 89 of this report.



View over Napier South and McLean Park (Cricket World Cup), 2015



Restored Blythe Memorial Fountain, Civic Square, 2015

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# Introduction

Napier City at a Glance

What is in the Annual Report?

Statement of Compliance and Responsibility

Mayor and Chief Executive Report

Mayor and Councillors as at 30 June 2015

Mission Statement

Key Statistics

Average Residential Rates

Financial Condition Indicators

How Rates Were Spent

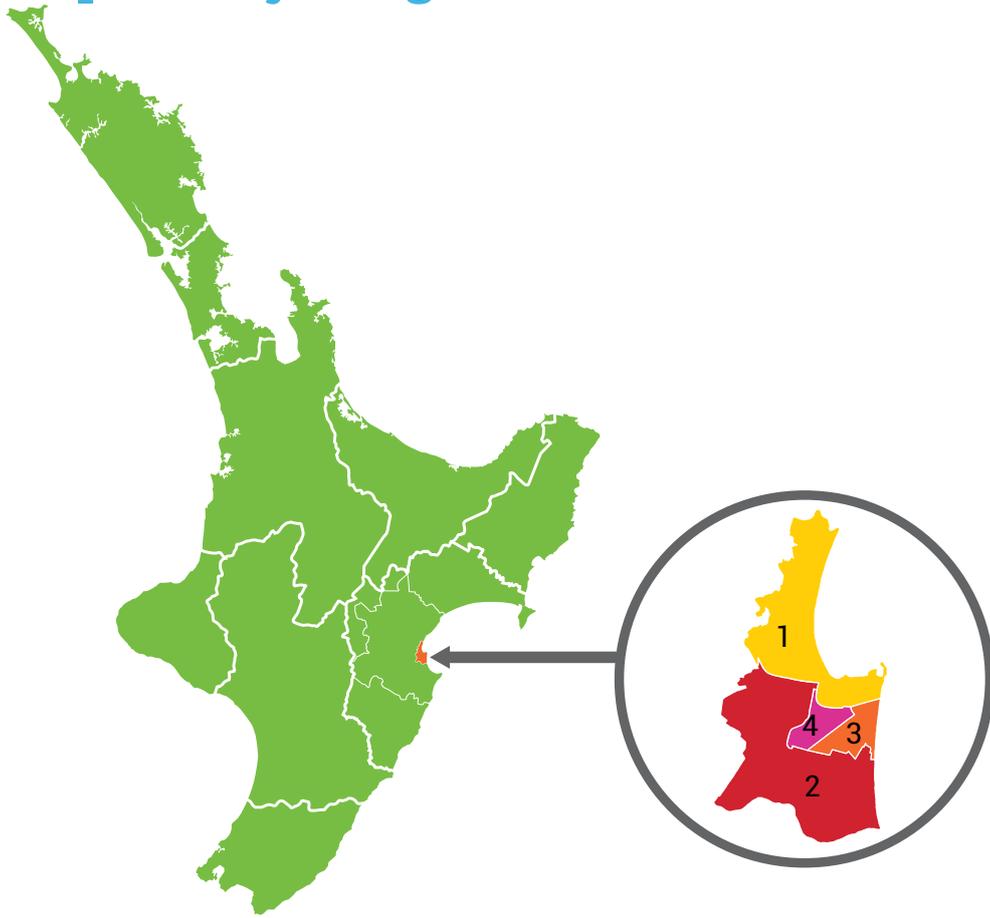
Shared Services

Financial Overview

Māori Contribution to Decision Making



# Napier City at a glance



## NAPIER CITY WARDS

- 1 Ahuriri Ward
- 2 Taradale Ward
- 3 Nelson Park Ward
- 4 Onekawa–Tamatea Ward

## LAND AREA



106km<sup>2</sup>

## POPULATION



57,240 people usually live in Napier.

This is an increase of 1,881 people, or 3.4 percent, since the 2006 Census. The city's population ranks 14<sup>th</sup> in size out of the 67 districts in New Zealand. Napier has 1.3 percent of New Zealand's population.

*Data from Statistic New Zealand 2013 Census ([www.stats.govt.nz](http://www.stats.govt.nz))*

## CLIMATE

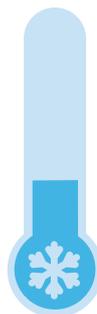
A near Mediterranean climate with long, fine, dry summers and short, mild winters.



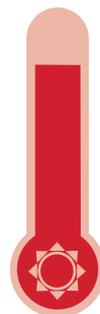
Average annual sunshine hours: 2,188



Average annual rainfall: 803mm



Average winter temperature: 13°C



Average summer temperature: 24°C

# Council Funded Community Assets



# What is in the Annual Report?

The Annual Report 2014/15 sets out what the Napier City Council did in the past year, why we did those things, how much they cost, and how we paid for them.

This report shows how the Council is delivering on the promises made to our community – promises made after asking Napier residents what they want for their city as part of our long term planning process.

The report shows the Council’s overall financial position and performance as measured by its achievement against its financial Key Performance Indicators.

## Introduction

This section includes the Mayor and Chief Executive’s report, the Statement of Compliance and Responsibility, a Financial Overview, Key Statistics and Financial Condition Indicators. It concludes with the Māori contribution to decision making process.

## Financial Statements

This shows in detail, the financial statements and accounting policies for the Council. The financial statements provide information about the Council’s assets, liabilities, income and expenditure. The auditor’s report for 2014/15 can be found at the end of the financial statements.

## How the Annual Report fits into the Planning Process

### Long Term Plan

A forward-thinking plan with a 10 year outlook that sets out the future direction and costs of running the city in accordance with the purpose of local government to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

### Activity Groups

This section explains the activity groups that the Council is engaged in and reports on achievements and progress in delivering these services to the community over the last year. It details the costs and resources applied to these activities together with non-financial performance targets and results and key issues. Comparisons to budgets and last year’s actuals are provided. As per Councils’ resolution, City Promotions name has been changed to City Activities from 2014/15.

### Appendices

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

### Annual Plan

Sets out how much we will spend, what the rates will be for the year ahead and our work programme for the 12 month period from 1 July to 30 June. In the year the Long Term Plan is produced the Annual Plan is contained in this document.

### Annual Report

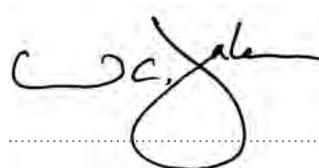
Sets out what we achieved in the past year and looks at the progress made.

# Statement of Compliance and Responsibility

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

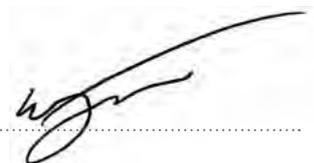
## Responsibility

1. The Napier City Council and its management accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
2. The Napier City Council and its management accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Napier City Council and its management, the annual Financial Statements for the year ended 30 June 2015 fairly reflect the financial position and operations of Napier City Council.



Bill Dalton  
**MAYOR**

**16 September 2015**



Wayne Jack  
**CHIEF EXECUTIVE**

**16 September 2015**

## Mayor and Chief Executive Report

At Napier City Council, we believe Napier is the best city in which to work, live and play. And there are things we can do as a council, such as working on our roading network, or creating further recreational opportunities, to make sure what we say matches reality.

It is important to us that people of all ages can enjoy what our city has to offer.

Thanks to the hard work of many people we can tick off many significant projects completed in the past year, as outlined in the following pages.

These include the construction and opening of the pump track on Marine Parade and a new dog agility track at Park Island.

We have also worked on, and continue to work on extending Park Island's sportsgrounds, upgrading our city's stormwater network, the re-development of Hastings Street in our Central Business District and the four-laning of Prebensen Drive.

Our financial position remains strong and our average residential rates for the 2014/ 2015 year are the lowest when compared with other similar sized provincial cities.

We've hosted some wonderful events, such as three ICC Cricket World Cup matches at McLean Park, including the Black Caps vs. Afghanistan game which drew the biggest crowd per head of population in the country.

We also supported fantastic home-grown events such as Art Deco Weekend, which drew a record crowd this February and the F.A.W.C Food and Wine Classic.

Our three-yearly Long Term Plan review process produced a record number of submissions, many of them giving a positive response to proposed large scale projects that we think will further enhance our community for residents and visitors.

Napier has long been regarded as the 'jewel in the crown' of Hawke's Bay. At Napier City Council we will continue to do our best to make sure it stays that way.



Bill Dalton  
**MAYOR**



Wayne Jack  
**CHIEF EXECUTIVE**



## Councillors as at 30 June 2015



Deputy Mayor  
Faye  
White



Councillor  
Mark  
Herbert



Councillor  
Graeme  
Taylor



Councillor  
Maxine  
Boag



Councillor  
Michelle  
Pyke



Councillor  
Roy  
Sye



Councillor  
Annette  
Brosnan



Councillor  
Tony  
Jeffery



Councillor  
Kirsten  
Wise



Councillor  
Keith  
Price



Councillor  
Mark  
Hamilton



Councillor  
Richard  
McGrath

## Mission Statement

*To provide the Facilities and Services and the Environment, Leadership, Encouragement and Economic Opportunity to make Napier the Best City in New Zealand in which to live, work, raise a family, and enjoy a safe and satisfying life.*

# Key Statistics

## Key Statistics

	30 June 2015	30 June 2014
<b>Area and Population</b>		
Area (ha)	10,560	10,364
Population (forecast based on 2013 Census)	58,000	58,000
<b>Valuation</b>		
Rateable properties (number of)	25,099	25,008
Non-rateable properties (number of)	372	368
Gross capital value	10,483,460,350	10,351,014,050
Net capital value (i.e. capital value of rateable property)	10,003,847,150	9,884,388,850
Gross land value	4,798,775,300	4,684,524,700
Net land value (i.e. land value of rateable property)	4,612,531,600	4,504,256,000
Date of last revision of values	2014	2014
<b>Rates and Rating</b>		
Total rates struck (incl. GST)	54,299,108	53,248,287
System of rating	Land Value	Land Value
<b>Public Debt</b>		
Public Debt (external)	4,550	12,350
Internal Debt	33,442,000	36,783,000
Loan redemption reserves	0	0
Unexercised loan authorities	82,400,000	83,674,000
<b>Building Consents</b>		
Value of consents for year	85,476,427	94,501,541
Value of consents for residential properties	40,934,525	42,129,137

## Insurance of Assets

- (a) The total value of above ground buildings and plant and equipment covered by insurance contracts is \$412.4m. These are insured under a group policy held in the name of the five Hawke's Bay Councils.

Motor vehicles and mobile plant are insured for market value.

The total value of underground facilities and services for the provision of Water, Stormwater and Wastewater services covered by insurance contracts is \$549.4m. In general upon a major disaster, the government will provide a 60% subsidy for infrastructure recovery costs. Council must demonstrate that it is able to meet the remaining 40% through insurance and other financial means.

It is generally accepted that no more than approximately 25% of the underground infrastructure would be seriously damaged in a major disaster. Councils' insurance cover is based around approximately 40% of this exposure with insurance cover limited to 40% of \$120m.

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

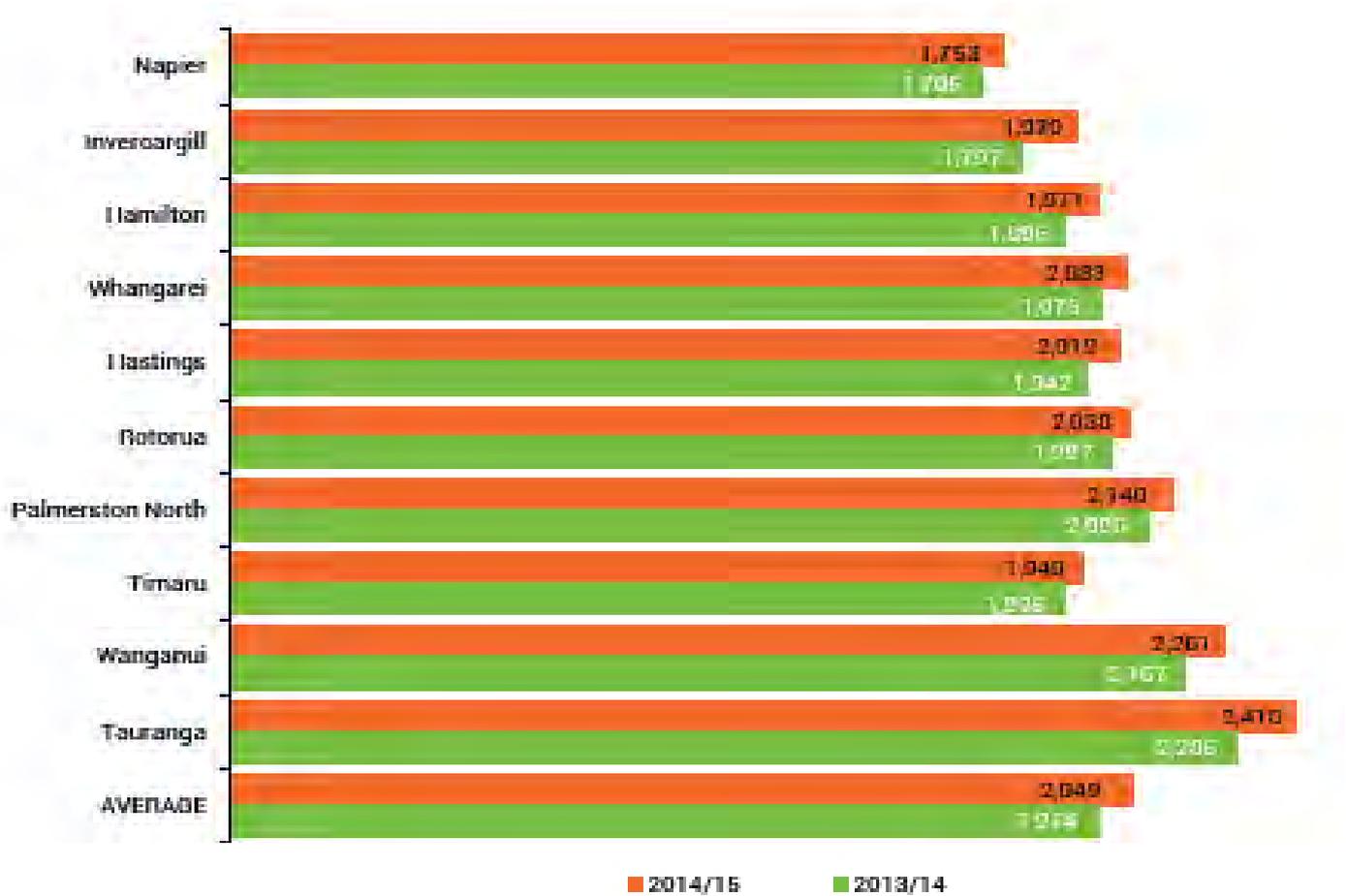
- (b) The total value of all assets that are covered by financial risk sharing arrangements is nil.
- (c) Council does not operate a formal self-insurance scheme or maintain a specific fund for that purpose. Various assets are however not covered by insurance.

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

Other assets including land, playgrounds, sports fields and assets owned by Council within the inner harbour are also not covered by insurance.

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

## Average Residential Rates



## Financial Condition Indicators

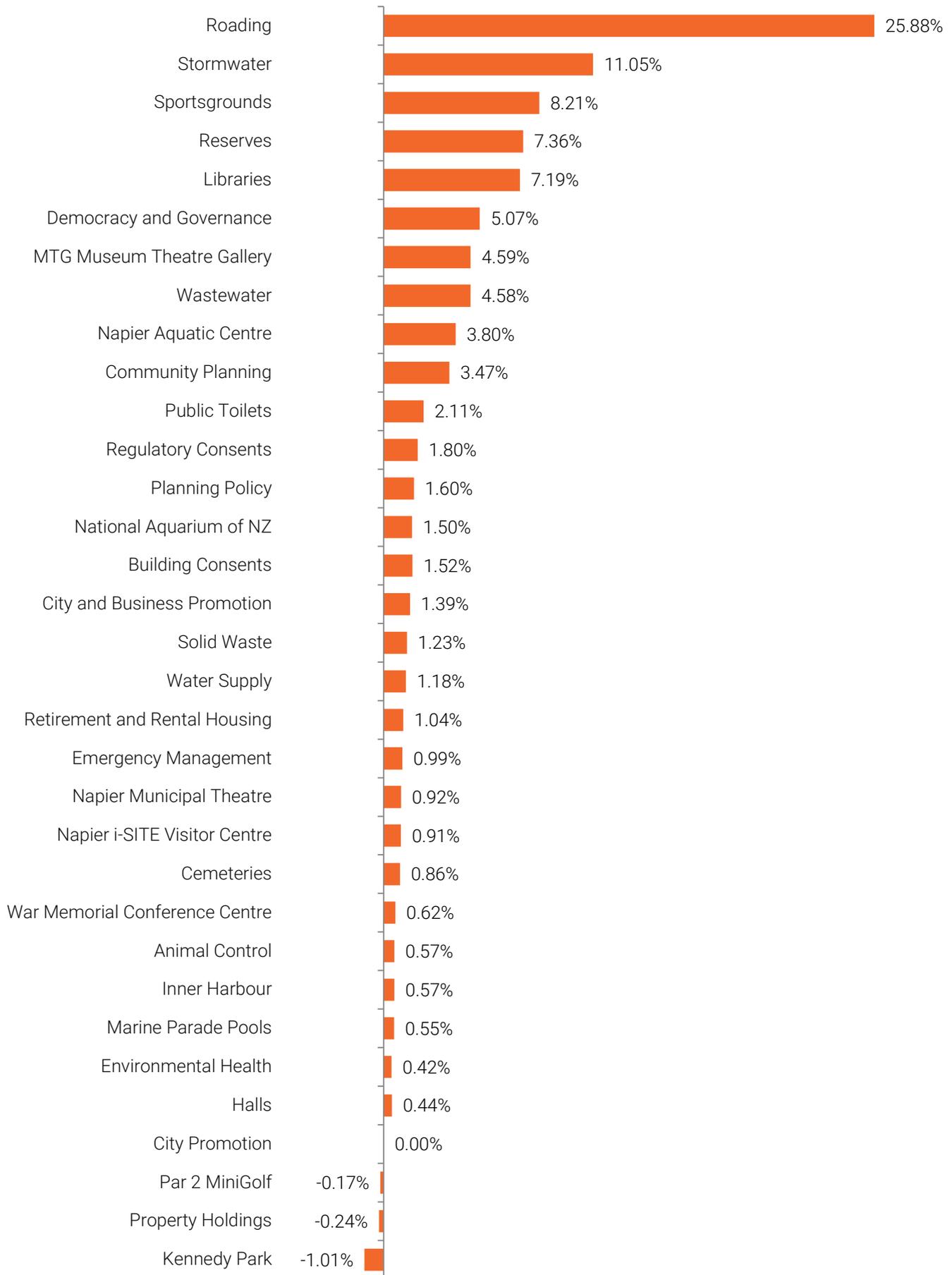
### Financial Condition Indicators

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Rates revenue	47,414	47,081	46,632
Net surplus	6,688	7,730	7,843
Working capital	77,367	15,937	75,875
Public debt	4	4	12
Total assets	1,462,088	1,454,344	1,453,680
Proportion of rates revenue to total revenue (%)	51.17%	52.19%	52.54%
Public debt as a percentage of total assets	0.00%	0.00%	0.00%
Proportion of rates revenue applied to service debt (%)*	6.80%	9.20%	7.68%

\* Gross interest cost is used for this calculation, and does not net off the internal interest income

## How Rates Were Spent

The chart below shows the split of rates expenditure between Council's activities. A negative percentage indicates a contribution to rates.



# Shared Services

The establishment of Hawke’s Bay Local Authority Shared Services Company (HBLASS), a Council Controlled organisation is now complete. Listed below are the existing shared services within Hawke’s Bay. These shared services have been achieved through the co-operation of Hawke’s Bay Regional Council (HBRC), Napier City Council (NCC), Wairoa District Council (WDC), Hastings District Council (HDC) and

Central Hawke’s Bay District Council (CHBDC). The shared services company is exploring other opportunities that may exist for co-operation which may entail sharing of computer systems and staff. These projects being examined require significant time and resource, research and analysis to arrive at the best solutions for the whole community. For the report on the HBLASS see page 157.

Initiatives	HBRC	WDC	NCC	HDC	CHBDC
<b>Community Services</b>					
Pettigrew Green Arena			✓	✓	
Sport Hawke’s Bay	✓	✓	✓	✓	✓
Shared Library Service			✓	✓	
Pathway Development	✓		✓	✓	
Hawke’s Bay Museum Trust			✓	✓	
Settlement Support Service			✓	✓	
Youth Transition Service			✓	✓	
Regional Cultural Archives	✓		✓	✓	
Crematorium			✓	✓	
Road Safety Initiatives	✓	✓	✓	✓	✓
<b>Corporate Support</b>					
Joint Property Valuation Contract	✓	✓	✓	✓	✓
Joint Insurance and Energy Procurement	✓	✓	✓	✓	✓
Joint Building Consents		✓	✓		
Joint Human Resources		✓	✓		
<b>Economic</b>					
Hawke’s Bay Airport Ltd			✓	✓	
Business Hawke’s Bay	✓	✓	✓	✓	✓
Tourism Hawke’s Bay	✓	✓	✓	✓	✓
<b>Essential Infrastructure</b>					
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
Joint Recycling and Refuse Collection Contracts			✓	✓	
<b>Strategy and Planning</b>					
Omarunui Joint Landfill			✓	✓	
Stormwater Drainage	✓		✓	✓	
Regional Transportation Strategy	✓	✓	✓	✓	✓
Heretaunga Plains Urban Growth	✓		✓	✓	
Napier / Hastings Joint District Plan	✓		✓	✓	
Solid Waste Management Plan			✓	✓	
Regional Community Outcomes	✓	✓	✓	✓	✓
Community Outcome Monitoring	✓	✓	✓	✓	✓
Regional Strategic Coordination Group	✓	✓	✓	✓	✓
Civil Defence Group	✓	✓	✓	✓	✓
Policy Sharing	✓	✓	✓	✓	✓
Joint Alcohol Strategy			✓	✓	
Joint Regulatory Training		✓	✓	✓	✓
Joint Regulatory Purchasing			✓	✓	
Local Alcohol Policy			✓	✓	
HBLASS					
- IT Purchasing					
- Vehicle Policies	✓	✓	✓	✓	✓
- GIS					
- Environmental Services					
- Fuel Purchasing					

# Financial Overview

## Rates increases

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

Since 2000/01 this Council has surveyed councils of similar size for a comparison of average residential rates. The table of comparison for the last two years is shown on page 8 of this report and is compiled from returns direct from each of the councils listed. While Napier has been below the average of this group since 2006/07, Napier's average residential rates are the lowest within the survey group for the last two years and are \$665 per annum lower than the highest Council.

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

- high quality outcomes
- best total cost and
- affordability for this community

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

As noted above, Napier City has one of the lowest dependencies on rates income in New Zealand's Territorial Local Authorities Community. This results from well-defined and implemented funding policies which reduce dependency on rates income. As a result of these funding policies, some significant activities are cost neutral to the ratepayer, for example, elements of solid waste, property, housing and inner harbour.

Other examples of why Napier rates are lower than others:

## Funding:

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

## Cost Control:

- Lean overhead structure with minimal corporate overheads
- Inhouse workforce<sup>1</sup>
- Council departments are sized for core work flows and activities only. Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations
- Adoption of Cost Saving Technologies and Practices - this Council easily adopts ideas and technologies that are cost effective for the ratepayer. A clear example of this is that 80% of Napier streetlights have been converted to eco-fittings, saving ratepayers several hundred thousand dollars per annum in reduced electricity charges
- Low cost stable organisation wide IT solutions (analysis has demonstrated that organisation wide changes of IT infrastructure are both time consuming and expensive with forecast cost improvements often not delivered)
- Stable base of buildings and building locations leading to lower cost of building occupation
- Shared Services between the Hawke's Bay local authorities
- Size of Territory advantages - Napier City is a compact land area and is the fourth most densely populated Territorial Local Authority in New Zealand.

<sup>1</sup> Inhouse workforce comprises of:

### Napier City Services Department

The Napier City Services Department is the principal provider of maintenance, horticultural, building trade services and some civil construction services in a cost effective and sustainable manner. The department undertakes mainly internal works which are demonstrably competitive and high quality.

Quality of operations is further enhanced through the retention of knowledge of assets within the organisation.

### Napier City Design Services

Design Services provides design and technical services to other Council departments ensuring the community receives engineering services of maximum quality and safety in a cost effective and sustainable manner. The department undertakes internal works which are demonstrably competitive and high quality. Quality of operations is further enhanced through the retention of knowledge of assets within the organisation.

## Growth in rateable properties

The table below shows growth in the number of households in Napier City over the last 10 years and the average growth since 1990. The growth of households in the last five years is significantly lower than experienced

during 2005 – 2007. The lower growth rate in households during this time reflects both New Zealand household growth generally and the current economic environment.

Year	Number of New Properties	Percentage Growth per Year
2014/15	91	0.40%
2013/14	150	0.60%
2012/13	124	0.50%
2011/12	149	0.60%
2010/11	145	0.60%
2009/10	204	0.80%
2008/09	175	0.70%
2007/08	426	1.80%
2006/07	518	2.20%
2005/06	502	2.20%
<b>Average over last 25 years</b>	<b>205</b>	<b>1.02%</b>

Residential growth in Napier totalled has been more than 5,000 properties during the last 25 years, an increase of 25% between 1990 and 2015

## Financial and Development Contributions

Growth creates demand for water, wastewater, stormwater services, roads, recreation reserves, sportsgrounds and community services such as libraries.

Financial and development contributions are a component of growth related projects. These projects are required to ensure city infrastructure is able to meet demand for services from a growing number of households and businesses.

In the case of greenfields developments, developers construct and pay for the roads, underground services and recreation reserves on their developments (known as onsite services). These services are then vested to Council (vested assets). After these assets are vested to Council, it becomes the responsibility of Council, on behalf of ratepayers, to provide for the maintenance and renewal of these assets. For both greenfields development and city infill, new properties created as a result of subdivision contribute through financial and development contributions to the cost of providing network infrastructure to service those developments. Council uses the revenue generated by financial and development contributions to install the additional infrastructure and services that are required to service development.

The Council constructs infrastructure needed to support residential and commercial developments (referred to as offsite non-local services). For example, new wells and reservoirs are needed to supply water, trunk sewers and pump stations to take wastewater away, stormwater pump stations and drains to deal with stormwater, road widening and intersection improvements to provide capacity for the increased traffic that is generated on the wider roading network. Additional sportsgrounds, recreation reserves and library books are also needed to

ensure that people will continue to enjoy the same level of service after growth as before.

The Council recovers the cost of offsite non-local services from developers through charges known as financial contributions and development contributions. These charges are designed to provide sufficient funds to construct the offsite non-local services that are required to service developments. The cost of offsite non-local services are often recovered from multiple developments, for example, one well can produce enough water for several medium sized developments. If these costs were not recovered at the time of development the community would need to choose between funding the offsite non-local services through increased rates, or accept a continuing reduction in the level of service in these areas until it becomes unavoidable to invest significantly in the service. Management of growth projects through this mechanism also helps Council to undertake infrastructure projects in the most cost effective way.

It is again important to note that maintenance and operation costs of the increased infrastructure are funded from rates, not from financial and development contributions. The rationale is that new developments should meet the cost for the infrastructure that is needed to support it, but the operation and maintenance costs of that infrastructure is funded from the rates collected, which the new properties contribute to.

The community, through rates revenue, contributes around 20% of the cost of growth related projects by direct contribution to the financial contributions fund. The balance is met, as noted above, through direct charges to developers. All offsite non-local charges are added to the financial contributions fund.

The combined ratepayer and developer funds form the total fund from which growth projects are funded. Ratepayers also fund, over and above the 20% contribution to the financial contribution fund, any content of a project which is directly attributable to the existing ratepayers. The existing ratepayers benefit may be through improved service levels or asset replacements occurring as a result of a growth related project. Most growth projects have a component funded from financial contributions and a component funded directly from rates. This is further explored below.

The Council sets the level of contribution to any development based on modelling, by qualified professionals of the increased infrastructure required for a specific development. For example, some developments, based on location, may require a greater capacity in stormwater due to the topography of the land to be developed or may require increased sewer capacity due to increased industrial effluent output. In addition, it is only the costs directly attributable to growth that are included in fee setting for financial and development contributions. Many projects can also improve the level of

service to existing ratepayers or replace existing assets. The cost of these components of projects is attributed to existing ratepayers.

As noted above, due to lower economic activity New Zealand wide, city growth has been lower than average over the last three years. This has meant that financial and development contributions revenue is lower than forecast over the same period. As a result of this lower growth, the timing of proposed growth related projects has been reviewed and will continue to be reviewed in future years. Timing of these projects is dependent on actual growth in the number of households being serviced and forecast to be serviced. Timing of projects is also dependent on the availability of funding from the sources identified in the plan. Funding was in place, at the end of 2013/14, for the identified growth related projects outlined in the 2014/15 Annual Plan. As a result, these projects have the necessary funding to proceed. It is also anticipated that growth in households will rise back to or above forecast levels as the New Zealand economy improves, and that this will drive the necessity for the planned growth projects.

## Infrastructure Asset Renewals - Core Infrastructure

Napier City Council is acutely aware that the provision of essential infrastructure which meets the needs of its citizens is core to the economic, social and cultural needs of the city. The figures below demonstrate the value Napier has invested in its essential assets.

Provision and maintenance of infrastructure is a critical deliverable of all local councils and this requirement is laid out in the amended purposes of the Local Government Act (as amended in 2012).

The citizens of Napier City have invested \$1,326m for infrastructure and city assets over successive generations. Significant components of this are:

Roading Network	\$610m
Sewer Management	\$150m
Water Supply Systems	\$81m
Stormwater	\$109m
Sportsgrounds and Reserves	\$189m

### How are these assets managed?

Napier City has detailed asset management plans, which identify and define

- Current levels of service provided
- Probable future demand for these services, and
- Planned improvements

The Asset Management Plans (AMP's) are the culmination of extensive work undertaken to understand the whole life cycle of Council's infrastructure assets over many years. The AMP's are supported by a detailed inventory of the city's infrastructure assets. This includes the age of the assets and is also supported by condition assessments undertaken periodically.

Having the AMP's in place, with future demand projections, ensures that projects are undertaken with environmental prediction impacts, renewals and projected future demand included in the planning.

A key example of this approach is the cross country drain project. This put in place infrastructure that was more than 20 years in planning and implementation. It provides stormwater infrastructure which incorporates

- increased capacity to mitigate the effects of increased rainfall (climate change)
- renewal of existing stormwater system components
- provision of increased stormwater capacity for growth of the city

### How does the City know that renewals are adequate?

Council looks at a number of measures to obtain confidence that assets are being renewed appropriately and meeting the demands of the city. The key measures from a user perspective are detailed in the performance measures and targets and customer perception measures (based on the annual NRB survey) reported on in the Annual Plan and Annual Report processes.

The vast majority of citizens are very satisfied or satisfied with the level of service provided in terms of core infrastructure. Napier City also has a long history of meeting or exceeding the performance targets set.

In addition to the customer satisfaction measures, Council also monitors both routine maintenance and reactive maintenance. Above planned expenditures on reactive maintenance will suggest that there are infrastructural renewal issues that need addressing. If this arises, funds are immediately available to meet the costs of any

indicated renewals without additional impact on rates (see funding on the next page). Balancing operating and capital costs of infrastructure renewals has proven to be a very cost effective strategy for Napier City.

Council also undertakes testing of below ground assets to check the current state on a statistical sampling basis,

and also monitors water losses from the network as an indication of network issues for water assets.

An added assurance to Napier citizens can be gained from the report produced by Waugh Group. Conclusions from the Waugh Report extracted below.

Asset Management Lifecycle Review

## 1.5 Conclusion

This report has provided a thorough examination of Napier City Council Wastewater, Stormwater, Water System and Rooding Network assets, within the limitations of the assumptions and information available.

An audit approach has been taken to the information provided by Napier City Council. Initial information was requested and provided from NCC reports, audited financial statements, and information systems. Where questions/issues were raised in the analysis these were provided to NCC and either resolved or have remained in the report. The authors are satisfied with this approach and the completeness of the information provided and analysed.

The report has examined past asset renewals, projected future renewals, current depreciation funding provision, and future projected depreciation provision.

Minor issues and questions have been discovered in the analysis. These have been noted in the report, and have been raised with Napier City Council management. In many cases NCC already has programmes underway to address the issues, however sufficient data was not available for the report. The authors expect NCC will address remaining issues in their on-going asset management programmes.

This report addresses the uninformed comment that has suggested 'that Napier is underfunding infrastructure renewals, delaying asset replacement and failing to plan and prepare for future growth as a means to lower rate levels and ensure debt remains low'.

Following the analysis developed and presented, the authors of this report categorically disagree with this uninformed comment.

The findings of the report outline that Napier:

- Has very low debt levels and higher than average equity per ratepayer, and as a result is in a highly enviable position compared to most city councils in New Zealand
- Is sufficiently funding current asset renewals
- Has no observable backlog of renewals
- Has assets that can provide current service levels
- May require funding adjustments for Wastewater Systems in 2030, Water Systems in 2040 and Stormwater Systems in 2050 (possibly raising a concern about intergenerational equity)
- May have wastewater earthenware pipe renewals to complete in the next 5 years. If required these renewals can be achieved within current budgets and programmes. Further investigation and engineering analysis will be required to verify these potential renewal requirements
- Has a rooding network that is managed in a cost effective and efficient manner when compared with peer group councils
- Has a rooding network that is sustainably managed to provide current service levels, no major additional investment needs are foreseen for the future
- Has well developed growth plans that are in accordance with the regional Heretaunga Plans Urban Development Strategy. The Napier City Essential Services Plans that support this growth planning are the equivalent of New Zealand best practice for a city this size

The picture the authors have built up during the analysis completed in this report is that Napier City assets are professionally managed in accordance with appropriate practice, and that Napier is very well positioned to meet any future infrastructure related growth or renewal challenges.

## Renewals Funding

Napier City Council has been funding its core infrastructure renewals program since 1998 and as a result has robust funding programs in place. Prior to 1998, renewals were funded on an as required basis. This method was prone to funding peaks and troughs; consequently a move to annualised values, based on a whole of life model of asset networks, was commenced in 1998.

The Council annually sets aside 65 - 70% of rate funded capital plan to meet the cost of core infrastructure renewals. Funds are set aside, in advance of requirements, based on the annualised projected cost of renewals over the expected life of the assets (excludes road renewals – see below). Costs of assets ‘used up’ in any one year can be attributed on a linear basis. However renewals do not follow the same linear pattern. As a simple example, an asset with a life of 100 years will most likely be replaced at the end of 100 years not by 1% per annum, however the community effectively has used 1% of the item during a single year.

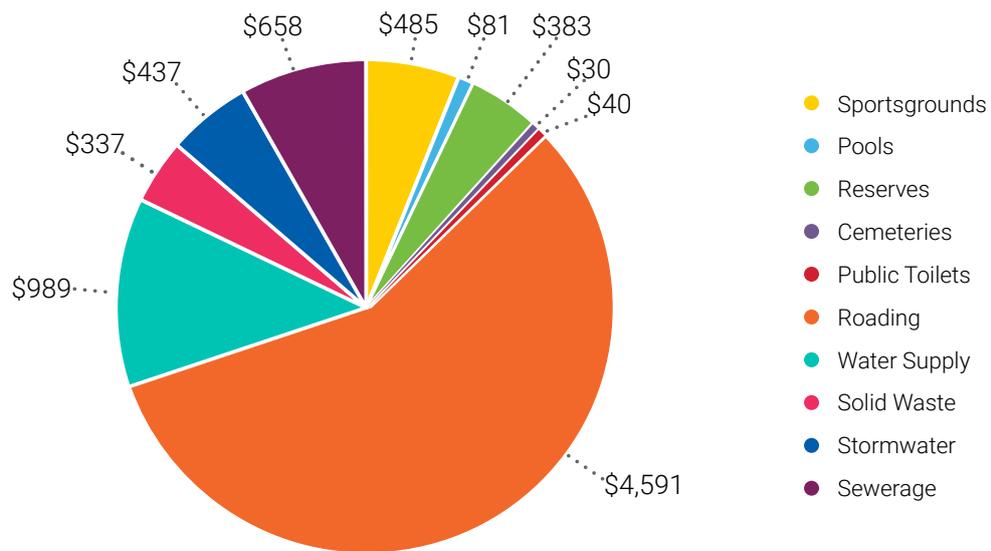
Consequently, Council annually moves any unspent renewals funds (difference between plan allocation and

actual costs) to the Infrastructure Asset Renewal Reserve to ensure that these funds are used for the purposes intended.

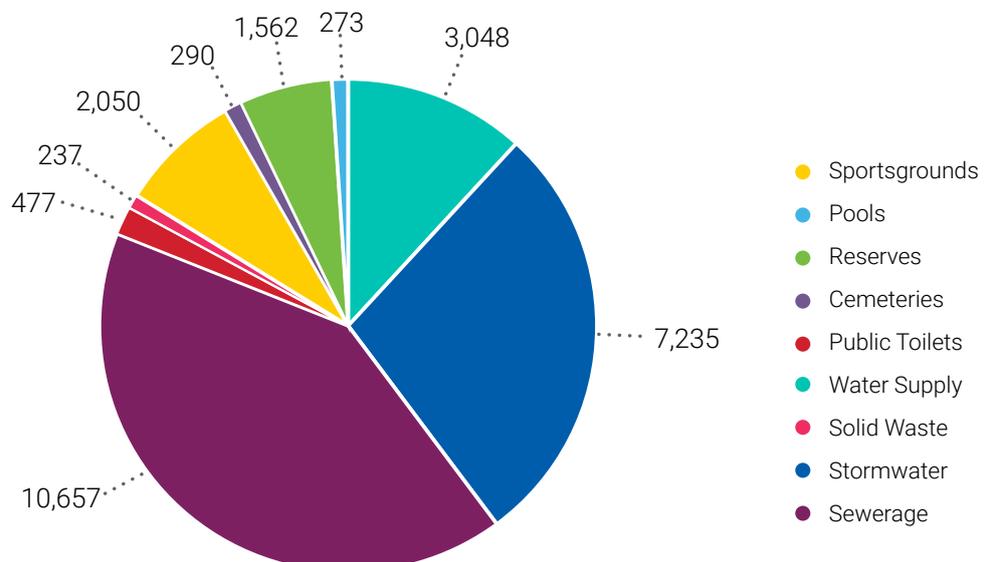
This Council was holding around \$25m as at 30 June 2015 in infrastructure asset renewal reserves for water, stormwater, sewer, public toilets, sportsgrounds, cemeteries, reserves, solid waste and pools. Interest earned on the balance of funds held in this reserve is also paid into the reserve to ensure funds collected for this purpose are not diminished as a result of inflation.

Roading renewals are not funded through the renewals reserve. These are funded annually from a combination of rates and NZ Transport Agency subsidies. Roothing assets are not subject to the variation between years that affects other core infrastructure. Consequently renewal work is undertaken at a consistent level annually to maintain the current standard. The major multi-year renewal project concluded during the last three years was the renewal and upgrade of Taradale roads. A long term program to renew and upgrade roads in Bay View will commence during the 2015/16 financial year.

**Renewals Expenditure Infrastructure Actual 2014/15 \$000's**



**Infrastructure Renewals Funds held at 30 June 2015 \$000's**



## Statement of Comprehensive Revenue and Expenses

This section provides an overview of the Council's financial results for the year ended 30 June 2015. For detailed information please refer to the following sections in this Annual Report: Financial Statements and Activity Statements.

The financial statements contained in pages 24 to 28 of this report comply with PBE IPSAS standards as

appropriate for public entities. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000). Full details of Council's accounting policies are contained in Note 1 of the Notes to the Financial Statements, (pages 29 to 39) of this report.

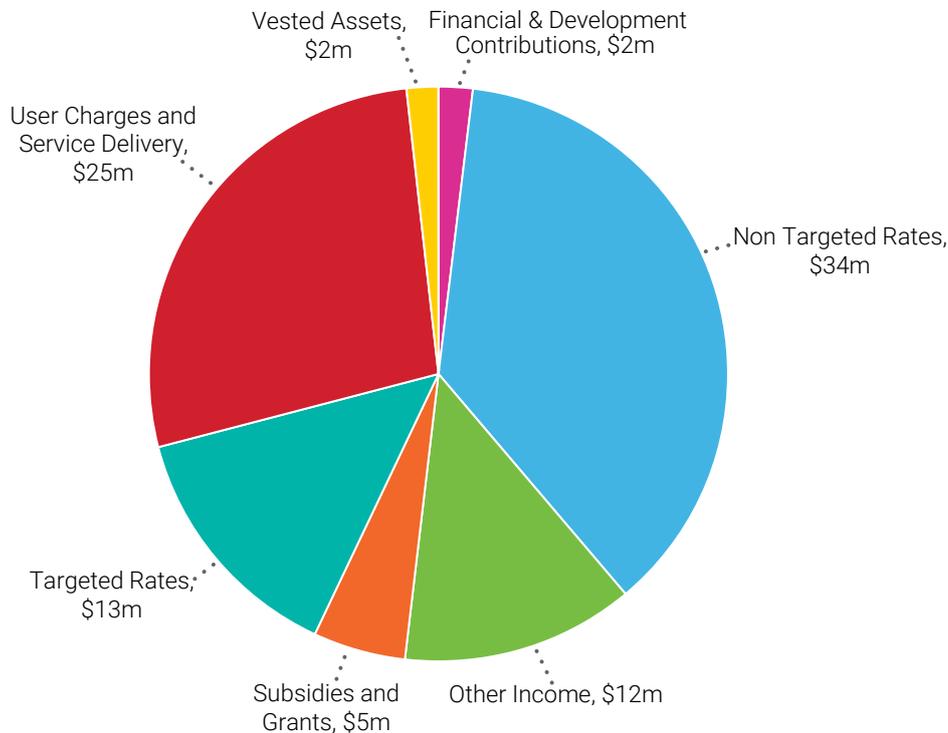
### Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Income</b>				
Rates revenue other than targeted rates for water supply	3	47,414	47,081	46,632
Finance income	9	3,550	1,500	3,284
Development and financial contributions		1,780	1,985	1,860
Subsidies and grants	4	4,446	3,792	4,781
Other revenue and targeted rates for water supply	5	35,446	34,749	33,184
Other gains/(losses)	6	20	1,098	(987)
<b>Total income</b>		<b>92,656</b>	<b>90,205</b>	<b>88,754</b>
<b>Expenditure</b>				
Employee benefit expenses	7	28,591	27,463	27,481
Depreciation and amortisation	17,18	20,921	23,013	21,299
Other expenses	8	36,752	32,236	32,125
Finance costs	9	-	-	108
<b>Total expenditure</b>		<b>86,264</b>	<b>82,712</b>	<b>81,013</b>
Operating surplus/(deficit) before tax		6,392	7,493	7,741
Share of associate surplus/(deficit)	20	296	237	102
Surplus/(deficit) before tax		6,688	7,730	7,843
Income tax expense	10	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>6,688</b>	<b>7,730</b>	<b>7,843</b>
<b>Other comprehensive revenue</b>				
Valuation gains/(losses) taken to equity	25	(2,010)	5,048	68,309
Fair value gains/(losses) through comprehensive revenue on investments		49	-	(2)
<b>Total comprehensive revenue and expenses</b>		<b>4,727</b>	<b>12,778</b>	<b>76,150</b>

## Council Income 2014/15

The main sources of Council's income are shown in the graph below. The full detail of Councils' income, other than rates, is contained in Note 5 of the Notes to the Financial Statements (page 43) of this report.

In addition explanations of significant variances to budget are outlined in Note 2 of the financial statements.



The diagram above depicts the breakdown of the \$94m income received by the Council in 2014/15. Of this funding for Council activities 51% is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils, rates levied are a low proportion of the Council revenue and reflect Napier City funding policies.

A table of the last five years of rates increases, compared to the Consumers Price Index (CPI) is shown on the following page, along with a graph of the net rates received and cumulative CPI to cumulative rates increases over the same five year period. The key trend displayed is the very close alignment between rates increases and changes in CPI.

CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, cost changes which significantly impact Council, particularly in the area of capital expenditure, are reflected in other indices such as the Capital Goods Price Index (CGPI), the Producers Price Index (PPI) and Labour

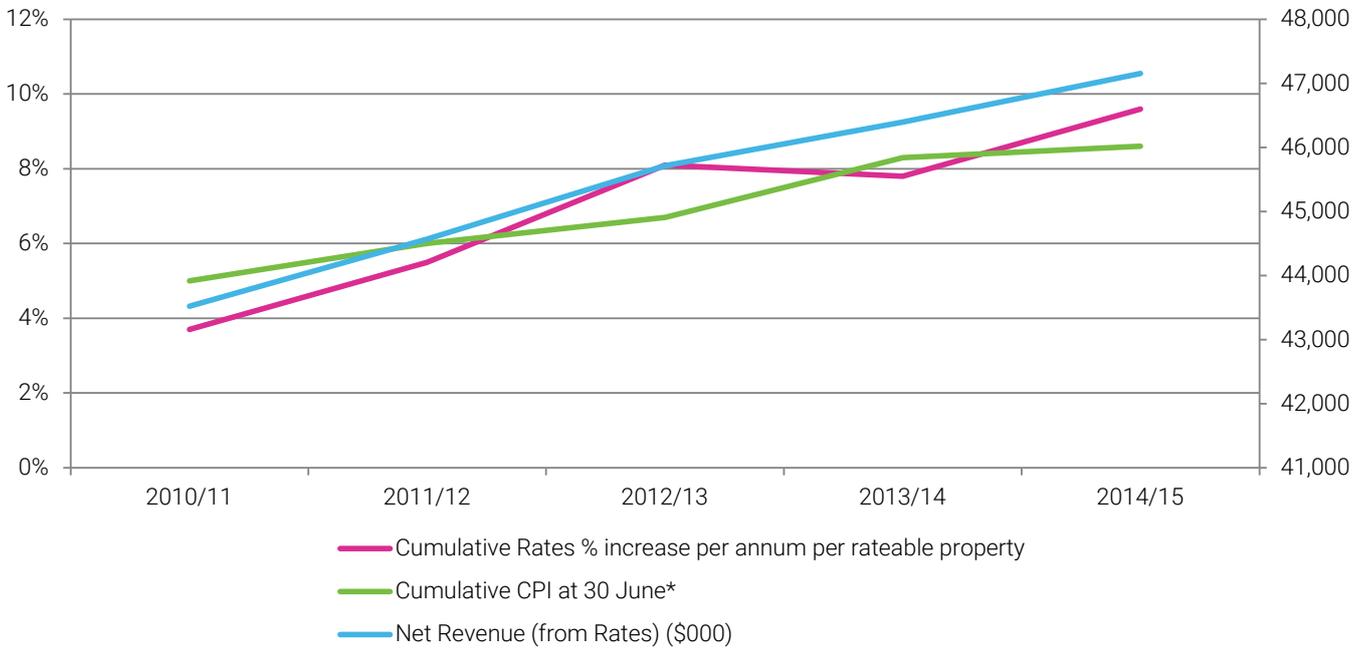
Cost Index (LCI). CGPI and PPI indices move differently from CPI. This is due to the components within the indices. Items such as electricity, gas, oil and oil products, concrete and iron/steel are significant components within CGPI and PPI, whereas food and housing costs are significant components within CPI. Due to the different components of these measures, significant variances arise between CPI, PPI and CGPI. PPI and CGPI have, on average, been well above CPI over recent years. This has meant that pressures on Council expenditure from price increases have been above that measured by CPI. Council is very aware of this issue and has addressed cost increases with a multi-pronged approach to ensure rates increases are kept close to CPI to maintain community affordability. Council's approach has focused on tight control of all costs, competitive purchasing processes, and a focus on core infrastructure within the capital plan, and adding new services only when costs for these can be met from within existing budgets. For variances between the 2014/15 Budget and the 2014/15 Annual Report, refer pages 40 - 41.

## Net Increase of Rating Revenue 5 Year Trend

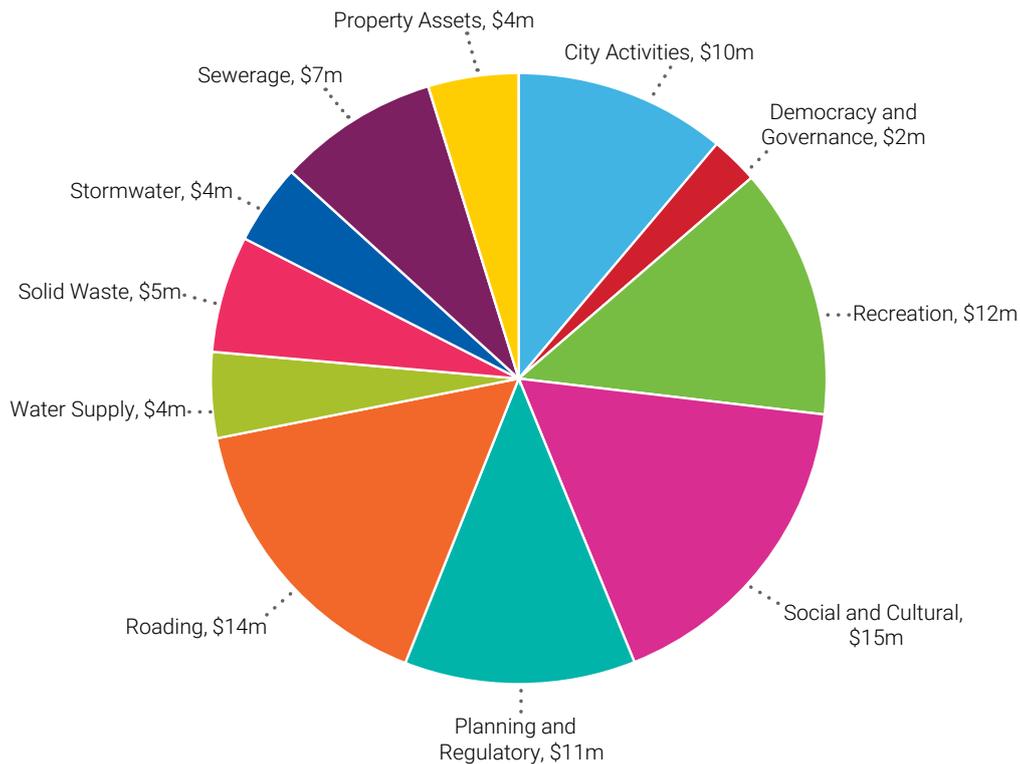
	2010/11 \$0	2011/12 \$0	2012/13 \$0	2013/14 \$0	2014/15 \$0
Rating Revenue	43,799	44,840	45,938	46,632	47,414
Penalties & Remissions	(278)	(273)	(223)	(236)	(259)
Net Rates Revenue	43521	44567	45715	46396	47155
	\$	\$	\$	\$	\$
Rates per Rateable Property (Average)	1,781	1,813	1,848	1,866	1,900
Rates % increase per annum per rateable property	1.40%	1.80%	1.90%	1.00%	1.80%
CPI at 30 June*	3.30%	1.00%	0.70%	1.60%	0.30%
Net Increase (Under)/Over CPI per rateable property*	-1.90%	0.80%	1.20%	-0.60%	1.50%

\*Note: CPI quoted is the value at the end of the year reported i.e. for 2014/15 year is as at 30 June 2015. The 2010/11 CPI excludes the impact of the change of GST rate from 12.5% to 15%. CPI used for Annual Plan purposes is the reported value as at 30 June for the year prior to the Annual Plan (i.e. for 2014/15 year the base rate of CPI for Plan purposes was the rate at 30 June 2013).

### 5 Year Trend of Cumulative Rate Increases \$ and Cumulative Rate Change % to Cumulative CPI % Change



## Council Operating Expenditure 2014/15

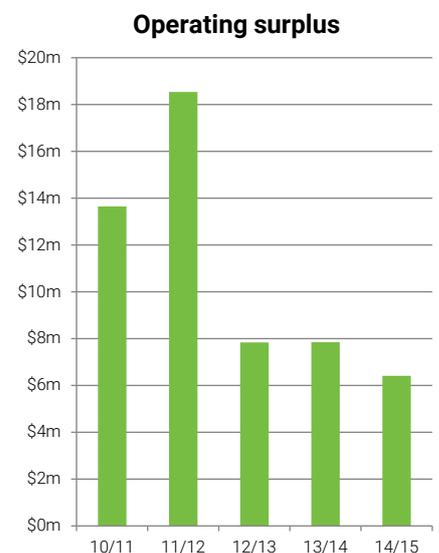
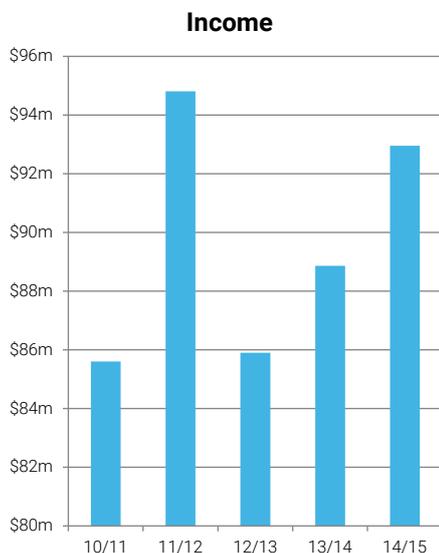


Details of income, operating and capital expenditure for each of the activities above are detailed in Activity Groups of this Annual Report. In addition explanations of significant variances are contained in Note 2 of the financial statements.

The following graphs show the trend of revenue, expenditure and net surplus over the last five years.

2011/12 income and operating surplus was significantly above 2010/11 due to contributions received for the Hawke’s Bay Museum upgrade from government grants of \$0.5m, other grants and donations for the museum building \$2.2m and vested assets from all subdivision development \$2.0m. For variances between the 2014/15 Budget and the 2014/15 Annual Report refer, pages 40 - 41.

### 5 Year Trend of Revenue, Expenditure and Net Surplus



## Borrowing

The Council manages its finances prudently and in a way that supports both the current and future generations within the community. Council prepares and consults on a Ten Year Plan every three years. The budget for the 2014/15 year was based on the Ten Year Plan 2012/13 - 2021/22 with revisions of this contained in the Annual Plans for the 2012/13, 2013/14 and 2014/15 years. These Annual Plans, which provided updates to the Ten Year Plan, reflected, amongst other revisions, changes to inflation assumptions and other unusual items such as changes to roading subsidy levels.

The development and renewal of assets is funded by a number of sources, including government grants and subsidies, contributions from developers for infrastructure

costs (required, as a consequence of development, through Development and/or Financial Contributions), targeted rates, fees and charges, and borrowing. A Ten Year Plan was adopted on 26 June 2012. Capital expenditure for the next 10 years, the funding sources for this expenditure and the borrowing levels for the next 10 years were reviewed and updated in this plan. As outlined in the Ten Year Plan 2012/13 - 2021/22, all external borrowing was extinguished during the 2014/15 year except for \$4,000.

The table below shows the Council's level of secured loans, i.e. loans where entities external to Napier City Council have lent money to Council.

	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Current secured loans	4	4	8
Non-current secured loans	0	0	4
<b>Total secured loans</b>	<b>4</b>	<b>4</b>	<b>12</b>

In line with the Ten Year Plan, Council continues to fund capital projects from cash, held by Council, that is excess of short-term requirements. Funding of capital projects by this method is termed 'internal loan funding'. Internal loans are used, where possible, for loan-funded projects as the net cost of internal loans results in a lower cost arrangement, to the benefit of Council. Internal loans are funded from cash sourced from a mixture of equity and special funds, and enable effective use of funds held while also ensuring activities with loan funding are not

cross-subsidised by other activities during the repayment process. This method of loan cost allocation between activities also supports the integrity of Council's funding policies. The table below displays the gross debt of Council over the last seven years. However, it is important to note that if Council had funded all loan-funded projects through external debt, Council would also have shown an equivalent increase in the level of cash, or cash and investments, in Council's Statement of Financial Position.

### Debt Levels Internal and External

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
External debt (excluding Finance Leases)	7,055	6,044	4,036	4,028	2,021	12	4
Internal debt	31,754	34,233	34,489	32,749	35,261	36,783	33,442
<b>Total</b>	<b>38,809</b>	<b>40,277</b>	<b>38,525</b>	<b>36,777</b>	<b>37,282</b>	<b>36,795</b>	<b>33,446</b>

In addition to existing loans, Council has approved loan-funded capital projects in current and prior years' capital plans, which are either in progress at present or will be commenced and completed in future years. These loans are highlighted in the 2015-2025 Ten Year Plan. Future cashflow requirements and expected loan levels are also included in the forecast financial statements included in the 2015 - 2025 Ten Year Plan.

Under Council's Liability Management Policy, Council is able to borrow to fund projects which will benefit several

generations of residents or when a project is a 'one-off', or to fund Council's balance sheet. However, the risk to both current and future generations of uncontrolled borrowing is significant so Council, within its policy, manages these risks within specific borrowing limits. Performance against these limits is measured annually as a part of year-end reporting. The performances against these limits at the end of 2014/15 and over the five preceding years are shown in the following tables.

## Debt Servicing

### Proportion of Rates Revenue applied to Service Debt (External & Internal Debt)

	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Debt Servicing Proportion - actual	9.20%	8.90%	8.30%	7.50%	7.70%	6.80%
Policy limit:	16%	16%	16%	16%	16%	16%

## Rate Funded Debt per Capita

### Net Rate-funded Debt per Capita (External & Internal Debt)

	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Rate Funded Debt per Capita - actual	530	485	459	480	501	427
Policy limit:	1,000	1,000	1,000	1,000	1,000	1,000

## Debt/Income

### Net Debt as a % of total income (External & Internal Debt)

	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Net Debt % of Total Income - actual	44%	44%	37%	42%	41%	36%
Policy limit:	100%	100%	100%	100%	100%	100%

## Liquidity

### Liquidity to peak 12 month net debt

	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Liquidity % - actual	328%	385%	724%	630%	631%	886%
Policy minimum:	110%	110%	110%	110%	110%	110%

## Cashflows

This table summarises the movement of cash for the last 6 years. The net cash inflow/(outflow) for the year shows the net change in cash and bank balances from operating, investing and financing activities.

	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Net cash flows from or used in operating activities	40,936	31,899	37,069	34,623	29,964	29,690
Net cash flows from or used in investing activities	(40,200)	(28,190)	(39,666)	(29,224)	(28,697)	(29,689)
Net cash flows from or used in financing activities	(1,023)	(2,010)	(8)	(2,008)	(2,008)	(8)
<b>Net cash inflow/(outflow) for the period</b>	<b>(287)</b>	<b>1,699</b>	<b>(2,605)</b>	<b>3,391</b>	<b>(741)</b>	<b>(7)</b>

Net cash from or used in operating activities is the net of receipts from rates, interest and other revenue received, payments to suppliers, employees and interest paid.

Net cash from or used in investing activities includes purchase and sale of Property, Plant and Equipment and intangibles, and acquisition and withdrawal of investments.

Net cash from or used in financing activities is the net change in external loan and lease liabilities for the year.

Net cash inflow/(outflow) for the period is the net change in cash and cash equivalents for the year.

## Māori Contribution to Decision Making Process

Clause 35 of Schedule 10 of the Local Government Act 2002 requires that this Annual Report includes a report on opportunities provided for Māori to contribute to the decision-making process of Council. This also allows a regular information flow back to Māori about Council processes and decisions.

### Māori Consultative Committee

Liaison with the Māori community is undertaken in the first instance through the Māori Consultative Committee. The Māori Consultative Committee makes recommendations to Council on agenda items already included on the Standing Committee agendas. It also makes recommendations to the appropriate Standing Committee or Council on any other matters relevant to Council as it considers necessary. It meets six weekly, one week prior to the Council meeting.

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

At the City Services Committee Meeting on the 29 January 2014, a Decision of Council resolved that the terms of reference were to be adopted for the Māori Consultative Committee. Two representatives from Pukemokimoki Marae and two representatives from Te Taiwhenua O Te Whanganui A Orotu were appointed to the Māori Consultative Committee. A ceremony was held Wednesday 19 February 2014 to formally install Ranui Toatoa, Tiwana Aranui, Liz Ratima, Roy Pewhairangi and Ropata Te Kuru to the Committee. The first Māori Consultative Committee meeting was held straight after the ceremony.

### Council Kaumātua

This position is important to Council as it empowers all relationships between Tangata Whenua and Council through guidance and assistance to Council's decision making process. Piri Prentice was appointed Council Kaumātua at the City Services Committee meeting in the same Decision of Council as the appointment of the Māori Consultative Committee.



Biological Tricking Filter (BTF) Wastewater Treatment Plant Karakia, 2014

# Financial Statements

Statement of Comprehensive Revenue and Expenses

Statement of Financial Performance

Statement of Changes in Net Assets/Equity

Statement of Financial Position

Statement of Cash Flows

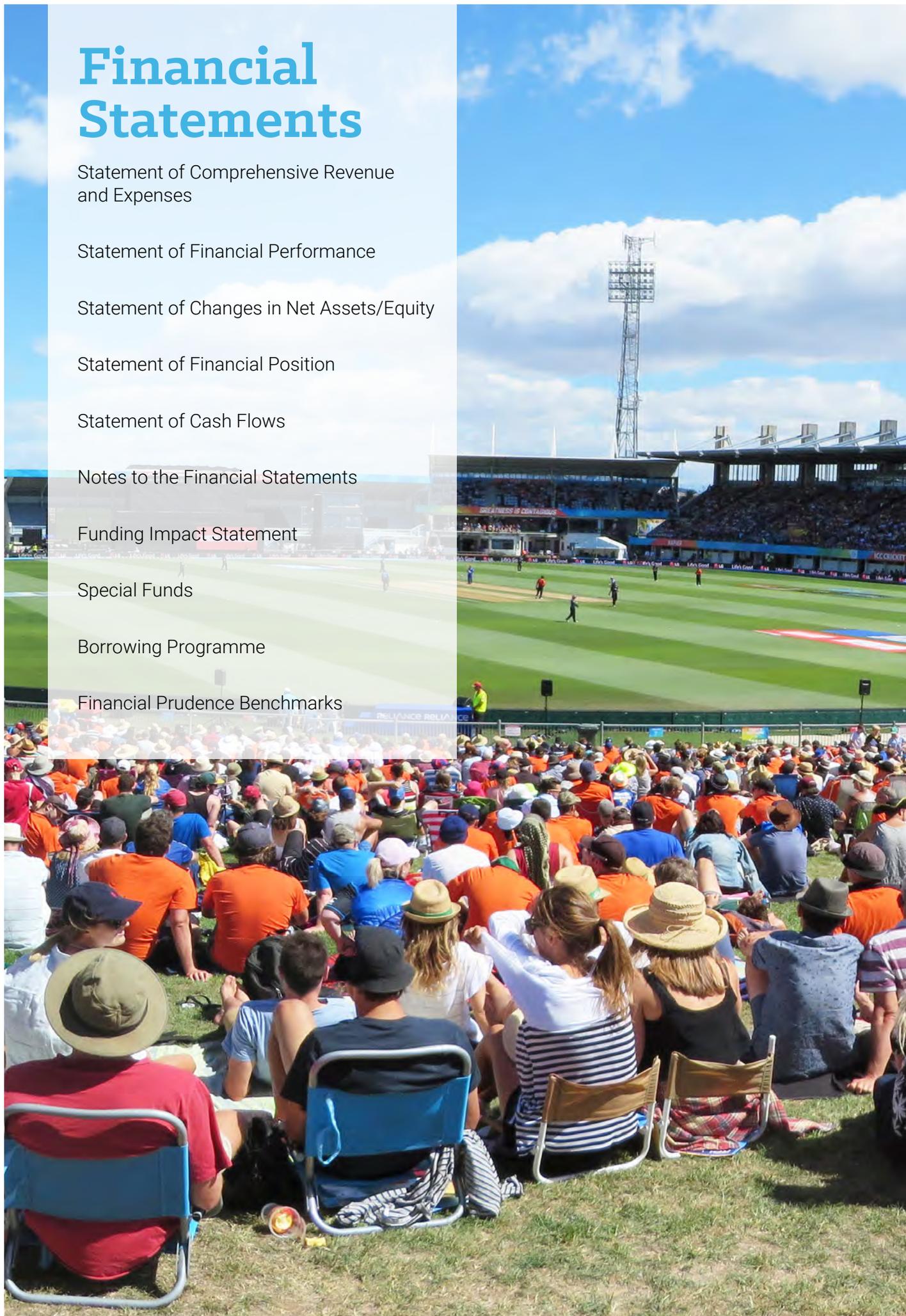
Notes to the Financial Statements

Funding Impact Statement

Special Funds

Borrowing Programme

Financial Prudence Benchmarks



# Financial Statements

## Statement of Comprehensive Revenue and Expenses

### Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Income</b>				
Rates revenue other than targeted rates for water supply	3	47,414	47,081	46,632
Finance income	9	3,550	1,500	3,284
Development and financial contributions		1,780	1,985	1,860
Subsidies and grants	4	4,446	3,792	4,781
Other revenue and targeted rates for water supply	5	35,446	34,749	33,184
Other gains/(losses)	6	20	1,098	(987)
<b>Total income</b>		<b>92,656</b>	<b>90,205</b>	<b>88,754</b>
<b>Expenditure</b>				
Employee benefit expenses	7	28,591	27,463	27,481
Depreciation and amortisation	17,18	20,921	23,013	21,299
Other expenses	8	36,752	32,236	32,125
Finance costs	9	-	-	108
<b>Total expenditure</b>		<b>86,264</b>	<b>82,712</b>	<b>81,013</b>
Operating surplus/(deficit) before tax		6,392	7,493	7,741
Share of associate surplus/(deficit)	20	296	237	102
Surplus/(deficit) before tax		6,688	7,730	7,843
Income tax expense	10	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>6,688</b>	<b>7,730</b>	<b>7,843</b>
<b>Other comprehensive revenue</b>				
Valuation gains/(losses) taken to equity	25	(2,010)	5,048	68,309
Fair value gains/(losses) through comprehensive revenue on investments		49	-	(2)
<b>Total comprehensive revenue and expenses</b>		<b>4,727</b>	<b>12,778</b>	<b>76,150</b>

The Notes to the Financial Statements on pages 29 to 74 form part of and should be read in conjunction with these financial statements.

## Statement of Financial Performance

### Statement of Financial Performance for the Year Ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Total operating revenue (Activity Cost of Service Statements)</b>				
Roading		5,877	6,045	5,503
Solid Waste		5,431	5,382	5,239
Stormwater		939	759	1,141
Sewerage		7,685	8,213	7,114
Water Supply		4,460	4,724	4,401
Recreation		3,049	2,538	2,406
Social and Cultural		4,852	5,188	5,433
City Promotion		7,443	7,438	6,101
Planning and Regulatory		4,961	4,977	4,900
Property Assets		9,026	8,313	7,992
<b>Total operating revenue</b>		<b>53,723</b>	<b>53,577</b>	<b>50,230</b>
<b>Other income (as per Statement of Comprehensive Income)</b>				
Non-targeted rates		34,450	34,211	34,397
Interest income		3,550	1,500	3,284
Rendering of services		440	596	480
Other income		493	321	364
<b>Total income</b>		<b>92,656</b>	<b>90,205</b>	<b>88,755</b>
<b>Total operating expenditure (Activity Cost of Service Statements)</b>				
Democracy and Governance		2,214	2,289	2,256
Roading		13,954	15,239	15,382
Solid Waste		5,427	5,215	5,393
Stormwater		3,731	3,908	3,620
Sewerage		7,437	7,461	6,801
Water Supply		4,007	4,304	4,038
Recreation		11,685	11,434	11,359
Social and Cultural		14,975	14,487	14,397
City Promotion		9,777	9,447	9,611
Planning and Regulatory		10,692	6,341	5,988
Property Assets		4,188	3,778	3,906
<b>Total operating expenditure*</b>		<b>88,087</b>	<b>83,903</b>	<b>82,751</b>
<b>Other expenditure (as per Statement of Comprehensive Income)</b>				
Internal expenditure		(1,836)	(2,082)	(1,777)
Rates remissions		259	183	236
Other expenses		(246)	708	(196)
<b>Total expenditure</b>		<b>86,264</b>	<b>82,712</b>	<b>81,014</b>
<b>Operating surplus/(deficit) before tax (as per Statement of Comprehensive Income)</b>				
Share of associate surplus/(deficit)	20	296	237	102
<b>Surplus/(deficit) before tax (as per Statement of Comprehensive Income)</b>				
Income tax expense	10	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>6,688</b>	<b>7,730</b>	<b>7,843</b>

\* Total interest expense as per Note 8 Finance income and finance costs is included in the cost of services expenditure above and in the Activity Statements. Social and Cultural and City Activities income and expenses TYP has been restated for comparatives.

The Notes to the Financial Statements on pages 29 to 74 form part of and should be read in conjunction with these financial statements.

## Statement of Changes in Net Assets / Equity

### Statement of Changes in Net Assets / Equity for the Year Ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
Total Net Equity balance at 1 July		1,436,537	1,436,117	1,360,387
Total comprehensive revenue for the period		4,727	12,778	76,150
<b>Total Net Equity balance at 30 June</b>	25	<b>1,441,264</b>	<b>1,448,895</b>	<b>1,436,537</b>
<b>Total comprehensive revenue and expenses attributable to:</b>				
Napier City Council		4,727	12,778	76,150
<b>Total comprehensive revenue and expenses</b>		<b>4,727</b>	<b>12,778</b>	<b>76,150</b>

The Notes to the Financial Statements on pages 29 to 74 form part of and should be read in conjunction with these financial statements.

## Statement of Financial Position

Statement of Financial Position as at 30 June 2015				
	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	11	7,255	8,233	7,262
Debtors and other receivables	12	9,804	9,582	8,783
Inventories	13	2,516	4,447	2,407
Biological assets	14	315	300	323
Other financial assets	15	75,000	8,000	70,500
<b>Total current assets</b>		<b>94,890</b>	<b>30,562</b>	<b>89,275</b>
<b>Non-current assets</b>				
Property, plant and equipment	17	1,325,517	1,382,176	1,324,124
Intangible assets	18	365	418	332
Inventories	13	1,796	2,740	3,207
Investment property	19	32,319	33,482	31,568
Investment in associates	20	6,804	4,617	4,326
Other financial assets	15	397	349	848
<b>Total non-current assets</b>		<b>1,367,198</b>	<b>1,423,782</b>	<b>1,364,405</b>
<b>Total assets</b>		<b>1,462,088</b>	<b>1,454,344</b>	<b>1,453,680</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables and other accruals	21	11,174	10,811	10,086
Employee benefit liabilities	22	3,455	3,810	3,306
Borrowings	23	4	4	8
<b>Total current liabilities</b>		<b>14,633</b>	<b>14,625</b>	<b>13,400</b>
<b>Non-current liabilities</b>				
Provisions	24	3,924	1,260	1,235
Revenue received in advance	5.1	806	780	1,040
Employee benefit liabilities	22	1,462	1,561	1,464
Borrowings	23	-	-	4
<b>Total non-current liabilities</b>		<b>6,192</b>	<b>3,601</b>	<b>3,743</b>
<b>Total Liabilities</b>		<b>20,824</b>	<b>18,226</b>	<b>17,143</b>
<b>Total Net Assets</b>		<b>1,441,264</b>	<b>1,436,118</b>	<b>1,436,537</b>
<b>Net Assets / Equity</b>				
Accumulated revenue & expenses	25	750,305	736,986	733,698
Other reserves	25	690,959	699,132	702,839
<b>Total net assets / equity</b>		<b>1,441,264</b>	<b>1,436,118</b>	<b>1,436,537</b>

The Notes to the Financial Statements on pages 29 to 74 form part of and should be read in conjunction with these financial statements.

## Statement of Cash Flows

### Statement of Cash Flows for the Year Ended 30 June 2015

	Note	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Cash flows from operating activities</b>				
Receipts from rates revenue		47,345	47,070	46,276
Interest received		3,144	1,500	3,428
Dividends received		5	-	2
Receipts from other revenue		38,837	38,585	37,411
Goods and services tax (net)		156	-	61
Payments to suppliers and employees		(59,797)	(61,605)	(57,062)
Interest paid		-	-	(152)
<b>Net cash from operating activities</b>	29	<b>29,690</b>	<b>25,550</b>	<b>29,964</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant & equipment		913	1,124	1,276
Proceeds from withdrawal of investments		95,214	17,000	118,829
Purchase of property, plant & equipment		(26,497)	(38,983)	(32,799)
Purchase of intangible assets		(199)	-	(119)
Acquisition of investments		(99,120)	(4,735)	(115,884)
<b>Net cash from investing activities</b>		<b>(29,689)</b>	<b>(25,594)</b>	<b>(28,697)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	-	-
Repayment of borrowings		(8)	(2,004)	(2,008)
Payment of finance lease liabilities		-	-	-
<b>Net cash from financing activities</b>		<b>(8)</b>	<b>(2,004)</b>	<b>(2,008)</b>
Net (decrease)/increase in cash, cash equivalents & bank overdrafts		(7)	(2,106)	(741)
Cash, cash equivalents & bank overdrafts at 1 July 2014		7,262	10,339	8,003
<b>Cash, cash equivalents &amp; bank overdrafts at 30 June 2015</b>		<b>7,255</b>	<b>8,233</b>	<b>7,262</b>

The GST (net) component of operating activities reflects the net GST paid or received to or from the Inland Revenue Department.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Notes to the Financial Statements on pages 29 to 74 form part of and should be read in conjunction with these financial statements.

# Notes to the Financial Statements

## 1 Statement of Accounting Policies

### 1.1 Reporting Entity

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

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

- Hawke's Bay Museum Trust and Hawke's Bay Local Authority Shared Services Limited (HBLASS) classified as Investments;
- Omarunui Landfill Joint Venture (36.32% share of jointly controlled asset), proportionately consolidated; and
- Hawke's Bay Airport Limited (26% share of voting rights) equity accounted.

HBLASS Limited is a limited liability company of Central Hawke's Bay District Council, Hastings District Council, HB Regional Council, Napier City and Wairoa District Council.

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

The financial statements of the Council are for the year ended 30 June 2015. The financial statements were authorised for issue by the Council on 16 September 2015.

### 1.2 Basis of Preparation

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

### Statement of Compliance

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

### Functional and Presentation Currency

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

### Adjustments

Adjustments have been made to the budget figures in the Ten Year Plan from those disclosed in this annual report. Changes have arisen due to changes to classifications

of items within the funding impact statements. These adjustments have arisen from an increased understanding and classification items to be in line with the requirements of the regulations.

### 1.3 First-time adoption of PBE Standards

These statements are the first financial statements prepared in accordance with PBE accounting standards. There are no material adjustments arising on transition to the new PBE accounting standards except as noted below.

#### Non-cash-generating assets

Under the PBE reporting framework, there is a distinction between cash generating assets and non-cash generating assets for the purposes of recognising impairment. PBE IPSAS 17 Property, Plant and Equipment defines cash generating assets as assets held with the primary objective of generating a commercial return. Non-cash generating assets are all other assets. A new standard, PBE IPSAS 21 Impairment of Non-Cash-Generating Assets, requires Council to distinguish between the two categories of assets when implementing impairment testing. No adjustments have been made to the carrying value of assets due to the adoption of these new standards.

There were no changes in accounting policy during the financial year.

### 1.4 Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Council has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Council will apply these updated standards in preparing its 30 June 2016 financial statements. The Council expects that there will be minimal or no change in applying these updated accounting standards.

### 1.5 Joint Ventures

#### Jointly Controlled Assets

The proportionate interests in the assets, liabilities, revenue and expenses of the jointly controlled assets have been incorporated into the financial statements under the appropriate headings, together with any liabilities incurred.

## 1.6 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.

## 1.7 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:

### 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 at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

### Grants and Subsidies

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

### Donated, Subsidised or Vested Assets

Donated, subsidised or vested assets are recognised when the right to receive them is established. Revenue is recognised at this time unless there are conditions attached to the asset, which require the asset to be returned if conditions are not met. A liability is recognised until the conditions are met. Where a physical asset is

acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

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

### Parking and Traffic Infringement

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

### Licences and Permits

Revenue derived from licences and permits are recognised on application.

### Residential Developments

Sales of sections in residential developments are recognised when contracts for sale are unconditional.

### 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 in the period that it relates to.

### 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 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.

### 1.8 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 profit or taxable profit or loss.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### 1.9 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 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.

### 1.10 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 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.

### 1.11 Cash and Cash Equivalents

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

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

### 1.12 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).

### 1.13 Inventories

#### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Inventory Held for Distribution

Inventories held for distribution are measured either at cost or at cost adjusted where applicable for any loss of service potential. These assets are held for distribution at no charge in the ordinary course of the Council's operations.

### 1.14 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 costs. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

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

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

separately from other liabilities in the Statement of Financial Position.

### 1.15 Investments

#### Investment in Associates

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

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

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

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

Entities are required to disclose all accounting policies that are relevant to an understanding of the financial statements. The investment in the associate is carried at cost in the Council's financial statements.

#### Subsidiaries

As at 30 June 2015 the Council had no subsidiaries.

### 1.16 Other Financial Assets

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

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

#### Financial Assets at Fair Value through Surplus or Deficit

This category has two sub categories: financial assets held for trading, and those designated at fair value through the surplus or deficit on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by

management. The policy of management is to designate a financial asset at fair value through surplus or deficit if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

After initial recognition, financial assets in this category are measured at their face value with gains or losses on re-measurement recognised in the surplus or deficit.

### Loans and Receivables

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

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

### Held to Maturity Investments

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

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

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

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. Available for sale financial assets and financial assets at fair value through surplus and deficit are subsequently carried at fair value.

### Measurement of Investments and Other Financial Assets

Available for sale financial assets and financial assets at fair value through surplus or deficit are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets are taken through other gains/

(losses) category in the Statement of Comprehensive Revenue and Expenses in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as fair value are taken through the Statement of Comprehensive Revenue and Expenses are recognised as valuation gains/(losses) in the fair value investments revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Revenue and Expenses as gains and losses from investment securities.

### Fair Value Changes

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

### Impairment of Financial Assets

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

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

#### 1.17 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date.

Changes in the fair value of any derivative instrument are recognised immediately in surplus or deficit in the Statement of Comprehensive Revenue and Expenses.

The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date.

#### 1.18 Property, Plant and Equipment

Property, Plant and Equipment consist of:

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

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

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

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.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

Work in progress is recognised at cost less impairment and is not depreciated.

Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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. Road infrastructure assets are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads) are revalued on a three yearly valuation cycle.

Land and buildings are revalued three yearly and are shown at fair value. Library books are revalued annually and shown at fair value. All other Property, Plant and Equipment is stated at historical cost less depreciation and impairment losses.

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.

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.

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:

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in the surplus or deficit. When revalued assets are sold, it is Council's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### 1.18.1 Valuation of Property, Plant and Equipment

As at 30 June 2015 Council’s Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Library Collections	Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by James Parkinson BA(Hst/PolSc) MPINZ, Director, Art + Object and performed on an annual basis. The last valuation was performed in June 2015.
Land under Roads	Land under roads was valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. Under NZ IFRS the Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued.
Land and Buildings	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using fair value. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value.
Infrastructural Road Assets	Infrastructural road assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2015. Prepared by Opus staff and reviewed by Thayalan Sivachelvan – BE (Civil), CPEng, MIPENZ, IntPE(NZ), Member of IPENZ Transportation Group.
Water, Wastewater and Stormwater Above and Below Ground Assets	Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council’s engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2014. Some above ground assets e.g. Pumps are independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2014.
Restricted Assets	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value. If there is a material difference, then the off-cycle asset classes are revalued. All restricted asset classes carried at valuation were valued.
Plant and Equipment	Valued in 1994 using market value. Additions are at cost.
Omarunui Landfill	Landfill assets comprise of land, plant and equipment and motor vehicles. All assets are valued at cost less depreciation.

### 1.19 Investment Property

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

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

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

Investment property is carried at fair value, representing open market value determined annually by external

valuers. Changes in fair values are recognised in the surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

### 1.20 Intangible Assets

#### Trademarks and Licences

Trademarks and licences have a finite useful life and are 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 3 to 5 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 3 to 5 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 3 years.

### 1.21 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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. A cash generating asset are assets held with the primary objective of generating a commercial return, all other assets are non-cash generating.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). 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.

### 1.22 Trade and Other Payables

These amounts are recorded at their face value and 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.

### 1.23 Borrowings

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

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

### 1.24 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.

### 1.25 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.

### 1.26 Financial Guarantee

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

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

### 1.27 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.

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.

## 1.28 Employee Benefits

### Wages and Salaries, Annual Leave and Sick Leave

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

### Long Service Leave and Gratuities

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

### Retirement Benefit Obligations

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

### Defined Contribution Schemes

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

### Bonus Plans

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

## 1.29 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.

## 1.30 Net Assets / Equity

Net Assets/Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Net Assets/Equity is disaggregated and classified into a number of components see Note 26.

These are:

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

### Restricted and Council Created Reserves

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

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

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

The Council's objectives, policies and processes for managing capital are described in Note 26.

## 1.31 Budget Figures

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

## 1.32 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.

### 1.33 Critical Accounting Estimates and Assumptions

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

#### Landfill Aftercare Provision

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

#### Infrastructural Assets

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

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

- Estimating any obsolescence or surplus capacity of an asset; and
- Estimating the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.

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

Experienced independent valuers perform the Council's infrastructural asset revaluations except for most above and below ground water, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations. In some cases, e.g. Pumps are independently valued by independent valuer. See Note 17.

#### Critical Judgements in applying Napier City Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2015.

#### 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 these properties are held for service delivery objectives, they have been accounted for as Property, Plant and Equipment.

## 2. Major Budget Variances

Explanations for major variations from Council's 2014/15 Annual Plan are as follows:

### 2.1 Statement of Financial Performance

#### 2.1.1 Income

Income was \$1.3m under budget compared to the 2014/15 budget and \$1.4m lower than the 2013/14 year. Significant variances to budget arise from other revenue, and other gains/(losses) classifications as follows:

##### (a) Other Revenue

Other revenue: This item was \$2.5m over budget for the 2014/15 year. The most significant variances were:

- Parklands Residential Development section sales were \$0.8m over budget for the year, and \$0.8m higher than 2013/14.
- Income for the Planning and Regulatory group was over budget by \$0.4m. Recreation business unit performance was higher than anticipated with a budget year end income variance of \$0.5m due to the ICC Cricket World Cup
- Interest income is up on budget by \$2m due to the uncertainty around interest rates and capital projects not being completed in the current year, resulting in extra money being invested.
- Vested assets are recognized through revenue when infrastructure assets are passed to Council. This is generally the result of a housing development. Vested assets from residential developments were \$1.1m below budget and \$0.2m below 2013/14. Vested assets from other assets were \$0.3m above budget for the year.

##### (b) Other Gains/(Losses)

Other gains/(losses) were \$1m below budget. Other gains/(losses) are detailed in Note 6 of these Financial Statements. The variance between actual and budget was a combination of losses on disposal of assets, revaluation of investment property and library book stock valuation variances.

Disposal of assets resulted in a variance to budget of -\$0.6m. This loss arose from the disposal of a number of Council assets during 2014/15. The amount of loss, being the difference between the book value of the asset, and the disposal value. The losses related to disposal of assets which were renewed, upgraded or surplus to requirements.

Gain on sale of assets of \$0.1m included the property free holding of land during 2014/15, and sale of livestock.

Investment property revaluation resulted in a valuation gain of \$0.7m. This was a -\$0.3m variance to budget, however property over the long term continues to be a good investment for Council.

#### 2.1.2 Expenditure

Total operating expenditure is \$1.6m below budget and \$2.4m above 2013/14 actual outcome. Significant items of variance are as follows:

##### (a) Other Expenses

Other expenses are \$3.8m higher than 2014/15 budget and \$5.5m above 2013/14 year. The variances comprised:

- Operating expenditure for the Planning and Regulatory group was \$4.3m over 2014/15 budget, and \$4.7m higher than 2013/14. This was primarily due to payments for legal fees in regards to contingent liability claims. Recreation business activity had an increase in operating costs of \$0.6m due to the costs relating to the ICC Cricket World Cup which was higher than forecast activity.

##### (b) Employee Benefit Expense

Employee benefit expense was above budget by \$1.1m due to higher than planned staffing levels for the Planning & Regulatory business unit, which is up \$0.2m as a result of increasing staffing levels to meet accreditation requirements. \$0.3m was paid out in retirement grants to staff that left during the year, along with their high accumulated annual leave and long service leave payments as a result of long standing staff leaving or retiring during the year. Bonus payments to staff relating to the completion of the Advanced Wastewater Treatment Plant of \$0.2m, and extra staff requirements for the capital work.

##### (c) Depreciation

Depreciation charges were \$2.0m below budget for the year. The most significant variance was Social and Cultural Activity Group at \$0.4m over budget, and this was mainly due to MTG Hawke's Bay being \$0.6m above which was included in the Annual Plan. Roothing depreciation was -\$2.0m lower, due to the changes in depreciation rates for 2014/15 identified through the revaluation of assets. Other budget variances were immaterial amounts.

### 2.2 Statement of Financial Position

#### 2.2.1 Current Assets

Significant variances in current assets are:

- a. The current asset portion of inventories is \$1.9m below 2014/15 budget and \$0.1m higher than 2013/14 value. The actual at 30 June 2015 budget variance reflects the work that hasn't been undertaken to prepare lots for the anticipated sales.
- b. The current portion of other financial assets consisted of cash on deposit, where the deposit is held for greater than 3 months but less than 12 months. Other financial assets under current assets needs to be read in conjunction with other financial assets under non-current assets and cashflow analysis, see Note 2.4. The higher level of current assets, which is above budget, reflects known cash requirements at 30 June. As in other commentary regarding variances, a number of projects are in progress and cash will be required for these within 12 months of balance date. Examples are Roothing projects, and the Marine Parade redevelopment.
- c. Cash and cash equivalents are down on budget by \$1.0m. This variance is due to lower than anticipated accounts payable levels at 30 June 2015, and lower Property, Plant and Equipment purchases compared to budget.

## 2.2.2 Non-Current Assets

Item	Budget 2014/15 \$m	Actual 2014/15 \$m	Variance \$m	Comment
2014/15 closing balance actual vs. budget	1,382.17	1,325.51	57	2014/15 actual was lower compared to budget forecast value due to the timing of projects
Depreciation (excluding intangibles)	-23	-20.9	2.1	Lower depreciation 2014/15 see Note 2.1.2(a)
Asset disposals	-	-4	4	Disposals not budgeted
Asset Addition Variances				
Vested Assets	2.5	1.7	0.8	No cash impact from this item – vested assets budgeted each year
Stormwater Projects	6.5	2.5	4	Project in Progress
Roading Projects	9.4	11.1	-1.7	Prior year projects completed in this year.
Infrastructure Renewals and Minor Capital	13.4	8.3	5.1	Projects in progress

Significant variances in non-current assets are:

- Property, Plant and Equipment was \$60.0m below 2014/15 budget at year end. Significant variances between Property, Plant and Equipment at 30 June 2015 and budget are outlined in the table above.
- Investment properties – refer Note 2.1.1(c.) Other Gains/Losses. Other variances arose from a lower than forecast opening balance.
- Inventory variance of \$1.1m is due to Parklands development and associated inventory being maintained at lower levels than budget due to lower average annual sales of sections.
- The non-current portion of other financial assets consisted of unlisted shares and corporate bonds, where payment is expected to be more than twelve months forward. The decrease of \$0.5m between budget for 2014/15 and actual 2014/15 other financial assets arose from a higher value of other financial assets being held in current rather than non-current. Refer also 2.2.1(c) and 2.4 - cashflow.

## 2.2.3 Current Liabilities

Significant variances in current liabilities are:

- Creditors and other payables are \$0.5m lower than anticipated in the 2014/15 budget and \$0.2m higher 2013/14 actual. The budget variance is due to the timing of project expenditure. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

## 2.2.4 Equity

Significant variances in equity are:

- Retained earnings are \$4.8m higher than budget for the 2014/15 year, due to the higher than anticipated accumulated revenue and expenses.
- Other reserves are \$6.6m under budget for the 2014/15 year. This is partly due to the timing of projects including the redevelopment of Marine Parade, which has resulted in a timing variance in reserves being held at year end. Budgets were developed in advance of a detailed work programme being completed, consequently variances are timing differences only. Opening balance for revaluation reserves and retained earnings were also lower than budget, impacting on the closing balances.

## 2.3 Statement of Movements in Equity

Major variations in the Statement of Changes in Net Assets and Equity are outlined in the following 2014/15 budget after tax surplus of \$6.4m, the transfers from revaluation reserve on disposal of Property, Plant and Equipment of -\$0.5m, offset by the higher than planned revaluation reserves at June 2014 of \$5.1m.

## 2.4 Cashflow

Total cash at year end was \$1.4m higher than budget due to lower purchases of Property, Plant and Equipment. However, investments at year end were a lot higher than budget due to timing of major capital projects.

All excess cash arising from operating and investing activities was invested in interest bearing deposits at the 2014/15 year end.

### 3. Rates Revenue

	Actual 2015 \$000	Actual 2014 \$000
Non-targeted rates	34,450	34,397
Targeted rates attributable to activities		
Water	3,861	3,683
Sewerage	6,994	6,498
Refuse and sanitation	1,779	1,725
Roading	162	162
Marketing	168	167
<b>Total revenue from rates</b>	<b>47,414</b>	<b>46,632</b>
Rates remissions	(259)	(236)
<b>Rates revenue net of remissions</b>	<b>47,155</b>	<b>46,396</b>

In accordance with the Local Government (Rating) Act 2002, rates remitted under the Council's Rate Remission Policies are recorded as expenditure and are also included under rates revenue as paid on behalf of the ratepayer.

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

### 4. Subsidies and Grants

	Actual 2015 \$000	Actual 2014 \$000
Land Transport and other Government grants	3,965	4,422
Other Grants and Donations	481	359
<b>Total grants and donations</b>	<b>4,446</b>	<b>4,781</b>

## 5. Other Revenue

	Actual 2015 \$000	Actual 2014 \$000
User charges	5,895	5,229
Regulatory revenue	2,847	2,703
Rental income from investment properties	1,465	1,336
Other rental income	4,516	4,516
Infringements and fines	981	1,006
Rendering of services	1,882	1,862
Retail and product sales	8,288	8,084
Omarunui Landfill Joint-Venture	1,949	1,935
Sales residential development	4,719	3,954
Other income	874	428
Petrol tax	372	378
Vested assets - Parklands Residential Development	758	567
Vested assets - other	895	1,184
Dividend income	5	2
<b>Total other revenue</b>	<b>35,446</b>	<b>33,184</b>

### 5.1 Revenue Received in Advance

In the 2009/10 year Council received funds from the sale of both 10 year licences' to occupy corporate boxes in the Graeme Lowe Stand at McLean Park and naming rights for the same. Further licences' to occupy other McLean Park boxes, with varying lengths of terms, have been added during the current year. Recognition of naming rights and licences to occupy as revenue to Council is spread over the life of each agreement. Consequently the equivalent of 1 year of the funds received are recognised each year as income in user charges. The remainder is included in the Statement of Financial Position within either current liabilities or non-current liabilities. The value recognised in current liabilities is the amount that will be recognised in the following financial year \$268,000 (2014: \$254,000) as revenue and any amounts that will be recognised in years later is classified and included in non-current liabilities. This amount \$805,500 (2014: \$1,040,000), is separately disclosed in non-current liabilities, as revenue received in advance.

## 6. Gains/(Losses)

	Actual 2015 \$000	Actual 2014 \$000
<b>Non-financial instruments</b>		
Gain/(loss) on revaluation of Library book stock	(176)	(96)
Gain/(loss) on revaluation of investment properties	751	278
Gain/(loss) on sale of assets	89	330
Gain/(loss) on disposal of assets	(630)	(706)
Fair value gain/(loss) on livestock	(14)	134
Impairment on vehicles	-	(927)
<b>Total gains/(losses)</b>	<b>20</b>	<b>(987)</b>

## 7. Employee Benefit Expenses

	Actual 2015 \$000	Actual 2014 \$000
Salaries and wages	28,099	27,014
Employer contributions to multi-employer defined benefit plans	613	556
Increase/(decrease) in employee benefit liabilities	(121)	(89)
<b>Total employee benefit expenses</b>	<b>28,591</b>	<b>27,481</b>

## 8. Other Expenses

	Actual 2015 \$000	Actual 2014 \$000
Audit fees - financial statement audit	125	123
Audit fees - Ten Year Plan audit	80	-
Donations	111	14
Bad debts written off	19	1
Rental expense on operating leases	68	269
Legal settlement	585	-
Other operating expenses	35,764	31,718
<b>Total other expenses</b>	<b>36,752</b>	<b>32,125</b>

## 9. Finance Income and Finance Costs

	Actual 2015 \$000	Actual 2014 \$000
<b>Finance income</b>		
<b>Interest income</b>		
Term deposits and call accounts	3,550	3,190
Local authority stock	-	94
<b>Total finance income</b>	<b>3,550</b>	<b>3,284</b>
<b>Finance costs</b>		
<b>Interest expense</b>		
Interest on external borrowings	-	108
Interest on internal borrowings	1,724	1,665
<b>Total interest expense</b>	<b>1,724</b>	<b>1,773</b>
Internal interest expense	(1,724)	(1,665)
<b>Total finance costs</b>	<b>-</b>	<b>108</b>
<b>Net finance income</b>	<b>3,550</b>	<b>3,176</b>

## 10. Tax

	Actual 2015 \$000	Actual 2014 \$000
<b>Relationship between tax expense and accounting profit</b>		
Surplus/(deficit) before tax	6,688	7,843
Tax at 28% (2014:28%)	1,873	2,196
Non-taxable income	(1,873)	(2,196)
<b>Tax Expense</b>	<b>-</b>	<b>-</b>

### Additional disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$1,612,373 (2014:\$1,527,053)

## 11. Cash and Cash Equivalents

	Actual 2015 \$000	Actual 2014 \$000
Cash at bank and in hand	4,792	4,886
Short-term deposits maturing 3 months or less from date of acquisition	-	-
Omarunui Landfill	2,463	2,376
<b>Total cash and cash equivalents</b>	<b>7,255</b>	<b>7,262</b>

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

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

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

	Actual 2015 \$000	Actual 2014 \$000
Cash at bank and in hand	4,792	4,886
Short-term deposits maturing within 3 months	-	-
Omarunui Landfill	2,463	2,376
<b>Total cash and cash equivalents</b>	<b>7,255</b>	<b>7,262</b>

Omarunui Landfill represents the Napier City Council share of the Omarunui Landfill investments at 30 June 2015.

## 12. Debtors and Other Receivables

	Actual 2015 \$000	Actual 2014 \$000
Rates receivables	755	927
Other receivables	5,141	4,399
Parklands - unconditional contracts subdivision sales	2,861	2,614
NZTA subsidy claims	1,013	841
Prepayments	34	2
<b>Total debtors and other receivables</b>	<b>9,804</b>	<b>8,783</b>
<b>Debtors and other receivables comprise of:</b>		
Receivables from non-exchange transactions - rates and grants	1,768	1,768
Receivables from exchange transaction - commercial sales	8,036	7,015
<b>Total debtors and other receivables</b>	<b>9,804</b>	<b>8,783</b>

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

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

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future repayments.

These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid after the due date for payment. If payment has not been made after the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

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

The status of receivables as at 30 June 2015 and 2014 are detailed below:

	Actual 2015 \$000	Actual 2014 \$000
Current	7,549	6,497
Past due 30 days	444	468
Past due 60 days	74	437
Past due 90 days	1,737	1,381
<b>Total receivables</b>	<b>9,804</b>	<b>8,783</b>

### 13. Inventories

	Actual 2015 \$000	Actual 2014 \$000
<b>Current portion</b>		
Inventory held for distribution	189	177
Inventory held for resale	176	186
Parklands - work in progress	2,151	2,044
<b>Total current portion</b>	<b>2,516</b>	<b>2,407</b>
<b>Non-current portion</b>		
Parklands - land under development	579	1,219
Parklands - work in progress	1,217	1,988
<b>Total non-current portion</b>	<b>1,796</b>	<b>3,207</b>

Inventory held for distribution and resale increased in 2015: \$23,430 (2014: \$3,864) as a result of stocktake adjustments. The carrying amount of inventories pledged as security for liabilities is \$nil (2014: \$nil).

The Council is currently developing land for future sale and of the costs to date (including the value of land transferred to inventory) \$1,796,000 are not expected to be recovered until after 30 June 2016.

### 14. Biological Assets

	Actual 2015 \$000	Actual 2014 \$000
<b>Biological assets changes in value</b>		
Opening value 1 July 2014	323	264
Change in value arising from changes in fair value	(14)	134
Increase in value due to natural increase/(decrease)	193	147
Increase in value due to purchases	276	295
Change in value due to sales	(463)	(517)
<b>Closing value 30 June 2015</b>	<b>315</b>	<b>323</b>

Biological Assets comprise 3,102 sheep (2014: 2,192) no cattle (2014: 36) largely held for trading.

**15. Other Financial Assets**

	Actual 2015 \$000	Actual 2014 \$000
<b>Current portion</b>		
Short-term deposits with maturities of 4-12 months	75,000	70,500
Corporate bonds	-	-
<b>Total current portion</b>	<b>75,000</b>	<b>70,500</b>
<b>Non-current portion</b>		
Term deposits with maturities of over 12 months	-	-
Unlisted shares	397	348
Corporate bonds	-	500
<b>Total non-current portion</b>	<b>397</b>	<b>848</b>

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

**Unlisted Shares - Valuation**

The fair value of the unlisted shares have been determined as follows:  
 If an active market is present for unlisted shares, the fair value of such shares is determined by their market value.  
 If an active market is absent for unlisted shares, the fair value of such shares is determined by their redemption value.

## Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

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

	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
<b>30 June 2015</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Shares	397	397	-	-
Term deposits	75,000	75,000	-	-
Corporate bonds	-	-	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-

	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
<b>30 June 2014</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Shares	348	348	-	-
Term deposits	70,500	70,500	-	-
Corporate bonds	-	-	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-

## 16. Non-current Assets Held for Sale

There is currently one non-current assets held for sale as at 30 June 2015 \$245,000 (2014: \$nil).

## 17. Property Plant and Equipment

2015	Cost/ Revaluation 1 July 2014 \$000	Accumulated Depreciation & Impairment Charges 1 July 2014 \$000	Carrying Amount 1 July 2014 \$000	Additions Vested Assets	Current Year Additions Others \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus \$000	Cost/ Revaluation 30 June 2015 \$000	Accumulated Depreciation & Impairment Charges 30 June 2015 \$000	Carrying Amount 30 June 2015 \$000
<b>Council operation assets</b>													
Land	75,597	-	75,597	-	1,034	-	-	-	-	-	76,631	-	76,631
Leasehold land	4,939	-	4,939	-	(5)	(458)	-	-	-	-	4,476	-	4,476
Buildings	65,196	-	65,196	-	1,771	(96)	2	(333)	(1,912)	(403)	66,538	(1,910)	64,628
Library books	2,509	-	2,509	-	339	(151)	236	(131)	(236)	-	2,294	-	2,294
Plant & equipment	34,126	(21,000)	13,126	-	1,175	(953)	941	(131)	(2,317)	(484)	34,217	(22,376)	11,841
Motor vehicles	5,178	(3,066)	2,112	-	783	(1,525)	1,441	-	(484)	-	4,436	(2,109)	2,327
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	225	(225)	-
<b>Total operational assets</b>	<b>187,770</b>	<b>(24,291)</b>	<b>163,479</b>	<b>-</b>	<b>5,097</b>	<b>(3,183)</b>	<b>2,620</b>	<b>(464)</b>	<b>(4,949)</b>	<b>(403)</b>	<b>188,817</b>	<b>(26,620)</b>	<b>162,197</b>
<b>Council infrastructural assets</b>													
Sewerage system other assets	142,000	-	142,000	203	810	(370)	210	(23,296)	(3,249)	-	119,347	(3,039)	116,308
Sewerage system treatment plant	7,036	-	7,036	-	4,960	-	-	23,354	(805)	-	35,350	(805)	34,545
Water system	80,828	-	80,828	103	1,200	(195)	123	19	(1,491)	-	81,955	(1,368)	80,587
Drainage network	108,511	-	108,511	786	1,268	(401)	32	414	(1,934)	(9,723)	110,578	(1,902)	108,676
Roading network	189,113	-	189,113	511	10,197	-	5,446	-	(5,448)	-	190,098	(2)	190,096
Land under roads	420,597	-	420,597	-	68	-	-	-	-	-	420,665	-	420,665
<b>Total infrastructural assets</b>	<b>948,085</b>	<b>-</b>	<b>948,085</b>	<b>1,603</b>	<b>18,503</b>	<b>(966)</b>	<b>5,811</b>	<b>491</b>	<b>(12,927)</b>	<b>(9,723)</b>	<b>957,993</b>	<b>(7,116)</b>	<b>950,877</b>
<b>Council restricted assets</b>													
Sportsgrounds	146,227	(51)	146,176	50	2,293	(51)	1	(27)	(1,148)	-	148,492	(1,198)	147,294
Grandstands & halls	8,686	-	8,686	-	48	-	-	-	(132)	-	8,734	(132)	8,602
Buildings on reserves	34,402	-	34,402	-	55	-	-	-	(953)	-	34,457	(953)	33,504
Swimming pools	11,017	-	11,017	-	43	-	-	-	(376)	-	11,060	(376)	10,684
Inner harbour	12,257	-	12,257	-	335	-	-	-	(233)	-	12,592	(233)	12,359
<b>Total restricted assets</b>	<b>212,589</b>	<b>(51)</b>	<b>212,538</b>	<b>50</b>	<b>2,774</b>	<b>(51)</b>	<b>1</b>	<b>(27)</b>	<b>(2,842)</b>	<b>-</b>	<b>215,335</b>	<b>(2,892)</b>	<b>212,443</b>
<b>Total property plant &amp; equipment</b>	<b>1,348,444</b>	<b>(24,342)</b>	<b>1,324,102</b>	<b>1,653</b>	<b>26,374</b>	<b>(4,200)</b>	<b>8,432</b>	<b>-</b>	<b>(20,718)</b>	<b>(10,126)</b>	<b>1,362,145</b>	<b>(36,628)</b>	<b>1,325,517</b>

The above carrying value is \$11,245,825 compared to 2013/14 of \$30,201,255. Items added to work in progress \$14,421,275 (2014: \$27,267,026). Completed assets transferred from work in progress \$33,376,704 (2014: \$28,313,496). The net carrying amount of plant and equipment held under finance leases is \$0 (2014: \$0). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

Reversal of accumulated depreciation includes reversal of accumulated depreciation on disposal of assets, writeback of accumulated depreciation on revaluation and adjustment of accumulated depreciation for items included in transfers and corrections.

## 17. Property Plant and Equipment

2014	Cost/ Revaluation 1 July 2013 \$000	Accumulated Depreciation & Impairment Charges 1 July 2013 \$000	Carrying Amount 1 July 2013 \$000	Additions Vested Assets	Current Year Additions Others \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus \$000	Cost/ Revaluation 30 June 2014 \$000	Accumulated Depreciation & Impairment Charges 30 June 2014 \$000	Carrying Amount 30 June 2014 \$000
<b>Council operation assets</b>													
Land	66,665	-	66,665	-	56	(635)	-	573	-	8,938	75,597	-	75,597
Leasehold land	5,123	-	5,123	-	-	(344)	-	-	-	160	4,939	-	4,939
Buildings	65,076	(2,554)	62,522	-	1,232	-	3,880	(1,377)	(1,326)	265	65,196	-	65,196
Library books	2,735	-	2,735	-	327	(163)	256	-	(256)	(390)	2,509	-	2,509
Plant & equipment	29,538	(19,288)	10,250	-	4,690	(281)	212	179	(1,924)	-	34,126	(21,000)	13,126
Motor vehicles	6,025	(2,778)	3,247	-	397	(278)	267	(39)	(555)	(927)	5,178	(3,066)	2,112
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	225	(225)	-
<b>Total operational assets</b>	<b>175,387</b>	<b>(24,845)</b>	<b>150,542</b>	<b>-</b>	<b>6,702</b>	<b>(1,701)</b>	<b>4,615</b>	<b>(664)</b>	<b>(4,061)</b>	<b>8,046</b>	<b>187,770</b>	<b>(24,291)</b>	<b>163,479</b>
<b>Council infrastructural assets</b>													
Sewerage system treatment plant	128,279	(5,513)	122,766	-	15,730	(933)	8,709	-	(3,196)	(1,076)	142,000	-	142,000
Sewerage system other assets	8,256	(652)	7,604	362	-	-	1,015	-	(363)	(1,582)	7,036	-	7,036
Water system	68,248	(2,407)	65,841	161	391	(238)	3,874	-	(1,467)	12,266	80,828	-	80,828
Drainage network	108,259	(3,505)	104,754	610	1,203	(113)	5,353	-	(1,848)	(1,448)	108,511	-	108,511
Roading network	154,988	-	154,988	618	5,660	-	7,072	29	(7,072)	27,818	189,113	-	189,113
Land under roads	420,198	-	420,198	-	399	-	-	-	-	-	420,597	-	420,597
<b>Total infrastructural assets</b>	<b>888,228</b>	<b>(12,077)</b>	<b>876,151</b>	<b>1,751</b>	<b>23,383</b>	<b>(1,284)</b>	<b>26,023</b>	<b>29</b>	<b>(13,946)</b>	<b>35,978</b>	<b>948,085</b>	<b>-</b>	<b>948,085</b>
<b>Council restricted assets</b>													
Sportsgrounds	145,996	(1,881)	144,115	-	2,532	-	3,111	8,504	(1,281)	(10,805)	146,227	(51)	146,176
Grandstands & halls	19,009	(650)	18,359	-	64	-	794	(8,803)	(144)	(1,584)	8,686	-	8,686
Buildings on reserves	33,760	(1,846)	31,914	-	143	-	2,824	975	(978)	(476)	34,402	-	34,402
Swimming pools	11,925	(706)	11,219	-	96	-	1,126	(41)	(420)	(963)	11,017	-	11,017
Inner harbour	12,969	(524)	12,445	-	137	-	792	-	(268)	(849)	12,257	-	12,257
<b>Total restricted assets</b>	<b>223,659</b>	<b>(5,607)</b>	<b>218,052</b>	<b>-</b>	<b>2,972</b>	<b>-</b>	<b>8,647</b>	<b>635</b>	<b>(3,091)</b>	<b>(14,677)</b>	<b>212,589</b>	<b>(51)</b>	<b>212,538</b>
<b>Total property plant &amp; equipment</b>	<b>1,287,274</b>	<b>(42,529)</b>	<b>1,244,745</b>	<b>1,751</b>	<b>33,057</b>	<b>(2,985)</b>	<b>39,285</b>	<b>-</b>	<b>(21,098)</b>	<b>29,347</b>	<b>1,348,444</b>	<b>(24,342)</b>	<b>1,324,102</b>

Items added to work in progress \$27,267,026 (2013: \$24,210,062). Completed assets transferred from work in progress \$28,313,496 (2013: \$20,851,157). The net carrying amount of plant and equipment held under finance leases is \$0 (2013: \$0). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

Reversal of accumulated depreciation includes reversal of accumulated depreciation on disposal of assets, writeback of accumulated depreciation on revaluation and adjustment of accumulated depreciation for items included in transfers and corrections.

**The following amounts of works under construction valued at cost are included above as at 30 June**

	30 June 2015 \$000	30 June 2014 \$000
Buildings	783	557
Buildings on reserves	32	
Drainage network	1,875	1,271
Land	258	264
Plant and equipment	72	173
Pool		
Roading network	5,781	2,752
Sewerage system	381	23,944
Sportsgrounds	1,244	1,106
Water system	820	98
<b>Total</b>	<b>11,246</b>	<b>30,165</b>

**17a. Replacement Cost of Core Infrastructural Assets**

	30 June 2015 \$000	30 June 2014 \$000
<b>Council infrastructural assets</b>		
<b>Sewerage system</b>		
- treatment plant	40,597	12,283
- other assets	208,733	229,559
Water system	130,000	128,873
Drainage network	165,976	163,044
Roading network	323,485	327,332
<b>Total infrastructural assets</b>	<b>868,791</b>	<b>861,091</b>

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

**17b. Depreciation and Amortisation Expense by Group of Activity**

	Actual 2015 \$000	Actual 2014 \$000
City Activities*	907	1,065
Recreation	1,924	2,101
Social and Cultural	2,303	1,456
Planning and Regulatory	270	236
Roading	5,514	7,127
Water Supply	1,493	1,472
Solid Waste	752	743
Stormwater	1,946	1,868
Sewerage	4,061	3,569
Property assets	390	370
Support Units	1,361	1,292
<b>Total directly attributable depreciation and amortisation by group of activity</b>	<b>20,921</b>	<b>21,299</b>

\* Previously known as City Promotions

## 18. Intangible Assets

	Cost/ revaluation 1 July 2014 \$000	Accumulated depreciation and impairment charges 1 July 2014 \$000	Carrying amount 1 July 2014 \$000	Current year additions \$000	Current year disposals \$000	Current year disposal accum \$000	Current year impairment charges \$000	Current year amortisation \$000	Revaluation Surplus \$000	Cost/ revaluation 1 July 2015 \$000	Accumulated depreciation and impairment charges 1 July 2015 \$000	Carrying amount 1 July 2015 \$000
<b>2015</b>												
<b>Computer software</b>	1,843	(1,489)	354	214	(32)	32	-	(203)		2,025	(1,660)	365
Computer software includes the cost of licenses to use software. Licences are usually rights of use of software only and may contain restrictions as to resale or transfer of the licences. There are no restrictions over the title to the Council's intangible assets providing these are used within the Council and within the conditions granted in the software licence. No intangible assets have been pledged as security for liabilities.												
<b>2014</b>												
<b>Computer software</b>	1,698	(1,308)	390	145			-	(181)		1,843	(1,489)	354

## 19. Investment Property

	Actual 2015 \$000	Actual 2014 \$000
Balance at 1 July	31,568	31,290
Additions from acquisitions	-	-
Reclassification	-	-
Fair value gains/(losses) on valuation	751	278
<b>Balance at 30 June</b>	<b>32,319</b>	<b>31,568</b>

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

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

	Actual 2015 \$000	Actual 2014 \$000
Rental income from investment property	1,465	1,336
Expenses from investment property generating income	-	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

## 20. Investments in Council Controlled Organisations

### 20.1 investment in Associates

The Council has a 26.00% interest in Hawke's Bay Airport Limited and its reporting date is 30 June.

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

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

#### Movements in the carrying amount of investments in associates

	Actual 2015 \$000	Actual 2014 \$000
Balance at 1 July	4,326	4,340
Revaluation Gains/(Losses)	2,276	-
Share of total recognised revenues and expenses	296	102
Share of dividend	(94)	(116)
<b>Balance at 30 June</b>	<b>6,804</b>	<b>4,326</b>

#### Summarised Financial Information of Associate Entities

	Actual 2015 \$000	Actual 2014 \$000
Assets	34,799	23,394
Liabilities	8,626	6,252
Revenues	4,358	4,010
Surplus/(deficit)	1,137	896
Group's interest	26.00%	26.00%

#### Associated Contingencies

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

### 20.2 Reporting

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

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

The Council has interests in two further Council Controlled Organisations (refer page 155-157).

- Hawke's Bay Local Authority Shared Services Ltd - with \$1 joint shareholding, and
- Hawke's Bay Museum Trust with no investment (associate interest)

## 21. Trade payables and other accruals

	Actual 2015 \$000	Actual 2014 \$000
Trade payables and accrued expenses	9,510	8,532
Deposits and bonds	912	823
Accrued interest	-	-
Rates in advance	752	733
<b>Total trade payables and other accruals</b>	<b>11,174</b>	<b>10,088</b>
Payables and other accruals comprise of:		
Payables from non-exchange transactions - rates	752	733
Payables from exchange transactions - commercial payables	10,422	9,355
<b>Total trade payables and other accruals</b>	<b>11,174</b>	<b>10,088</b>

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

## 22. Employee Benefit Liabilities

	Actual 2015 \$000	Actual 2014 \$000
<b>Current portion</b>		
Accrued pay	327	182
Annual leave	3,018	2,895
Retirement and long service leave	110	229
<b>Total current portion</b>	<b>3,455</b>	<b>3,306</b>
<b>Non-current portion</b>		
Retirement and long service leave	1,462	1,464
<b>Total non-current portion</b>	<b>1,462</b>	<b>1,464</b>
<b>Total employee entitlement</b>	<b>4,917</b>	<b>4,770</b>

## 23. Borrowings

	Actual 2015 \$000	Actual 2014 \$000
<b>Current portion</b>		
Secured loans	4	8
<b>Total current portion</b>	<b>4</b>	<b>8</b>
<b>Non-current portion</b>		
Secured loans	-	4
<b>Total non-current portion</b>	<b>-</b>	<b>4</b>

### Fixed Rate Debt

The Council's debt of \$4,550 has an interest rate of 0.00% (2014: \$12,350 issued at a fixed percentage rate of interest).

The Council currently has no loans secured by its Secured Trust Deed. When used, the Secured Trust Deed creates a charge over the special rate deemed to be made by the Council upon the value of all rateable property within the City of Napier.

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

### Refinancing

The Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of the Council's Ten Year Plan.

### Maturity Analysis and Effective Interest Rates

The following is a maturity analysis of the Council's borrowings (excluding finance leases, which are shown separately below). Depending on the conditions attached to the secured loans, there may be early repayment options.

	Actual 2015 \$000	Actual 2014 \$000
<b>Secured Loans</b>		
Less than one year	4	8
Weighted average effective interest rate	0.00%	0.00%
Later than one year but not more than five years	-	4
Weighted average effective interest rate	0.00%	0.00%
Later than five years		
Weighted average effective interest rate		
<b>Total</b>	<b>4</b>	<b>12</b>

### Description of Material Leasing Arrangements

The Council no longer enters into finance lease arrangements. All pre-existing arrangements have now expired.

## 24. Provisions

	Financial Guarantees \$000	Weather Tightness Provision \$000	Landfill Aftercare Provision \$000	Total \$000
<b>2015</b>				
Balance at 1 July 2014	816	-	419	1,235
Additional provisions made		2,890	83	2,973
Unused amounts reversed	(284)	-		(284)
<b>Balance as at 30 June 2015</b>	<b>532</b>	<b>2,890</b>	<b>502</b>	<b>3,924</b>
<b>2014</b>				
Balance at 1 July 2013	855	-	152	1,007
Additional provisions made	-	-	267	267
Unused amounts reversed	(39)	-	-	(39)
<b>Balance as at 30 June 2014</b>	<b>816</b>	<b>-</b>	<b>419</b>	<b>1,235</b>

### Provision for Financial Guarantees

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

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

### Provision for Weather Tightness

Building claims that contain weather tightness defects continue to be an issue for Councils within the current legal environment. Council is currently working through High Court claims relating to alleged building defects. Council has made a provision for these claims, however Court cases and settlement claims have not yet progressed to a stage where responsibility, and claim amounts, can be substantiated.

### Provision for Landfill Aftercare

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

#### Closure responsibilities:

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

#### Post-closure responsibilities:

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

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

**Capacity of the Site:**

	<b>Total Capacity (million)</b>	<b>Useful Life of Valley</b>	<b>Remaining Useful Life</b>
The landfill is divided into four valleys as below:			
Valley A - opened in December 1998, closed 2006	2.6m <sup>3</sup>	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m <sup>3</sup>	17 years	9.4 years
Valleys B & C - not yet in operation			

Estimates of the life have been made by Hastings District Council's engineers based on historical volume information. The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.5%.

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 \$76,800
- The provision reported is for the Napier City Council's share only (36.32%)

**Financial Guarantees**

		<b>Authorised 2014/15 (\$000)</b>	<b>Outstanding Amount 2014/15 (\$000)</b>	<b>Authorised 2013/14 (\$000)</b>	<b>Outstanding Amount 2013/14 (\$000)</b>
HB Sports Fishing Club*	ANZ	400	0	400	243
Maraenui Rugby & Sports Association	National Bank	90	0	90	0
Napier Sailing Club	Westpac	750	344	750	372
Omni Gymnastics Centre	Westpac	275	188	275	201
<b>Total</b>		<b>1,515</b>	<b>532</b>	<b>1,515</b>	<b>816</b>

\* Refer to Note 33

## 25. Equity

	Actual 2015 \$000	Actual 2014 \$000
<b>Retained earnings</b>		
As at 1 July	733,698	724,922
Transfers to:		
Restricted reserves	9,774	485
Transfers from:		
Asset revaluation reserve	2,057	775
Restricted reserves	(1,912)	(327)
Surplus/(deficit) for the year	6,688	7,843
<b>As at 30 June</b>	<b>750,305</b>	<b>733,698</b>
<b>Restricted reserves</b>		
As at 1 July	9,912	10,070
Transfers to:		
Retained earnings	1,912	327
Transfers from:		
Retained earnings	(9,774)	(485)
<b>As at 30 June</b>	<b>2,050</b>	<b>9,912</b>
<b>Restricted reserves consist of:</b>		
Loan redemption reserve	-	1,470
Loan funds reserves	(118)	(155)
Trusts and bequests	283	274
Advanced wastewater treatment fund (HBRC)	-	6,514
Other restricted reserves	1,885	1,809
<b>Total restricted reserves*</b>	<b>2,050</b>	<b>9,912</b>
<b>Asset revaluation reserves</b>		
As at 1 July	693,049	625,515
Revaluation gains/(losses)	(4,287)	68,309
Revaluation gains/(losses) Hawke's Bay Airport Limited	2,277	-
Transfer of revaluation reserve to retained earnings	(2,057)	(775)
<b>As at 30 June</b>	<b>688,982</b>	<b>693,049</b>

\* For full details on the restricted reserve refer to pages 76 - 80

**Asset revaluation reserves consist of:**

	Actual 2015 \$000	Actual 2014 \$000
<b>Operational assets</b>		
Land	54,767	54,767
Leasehold land	3,652	4,046
Buildings	32,163	32,143
Plant & equipment	283	293
<b>Infrastructural assets</b>		
Sewerage Treatment Plant	6,213	-
Sewerage system	109,907	116,267
Water system	66,083	66,141
Drainage network	68,829	68,617
Roading network	211,347	215,623
<b>Restricted reserves</b>		
Sportsgrounds	102,369	102,466
Grandstands and halls	2,773	2,773
Buildings on reserves	13,987	13,987
Swimming pools	5,059	5,059
Inner Harbour	9,273	9,273
Hawke's Bay Airport Authority	2,277	1,594
<b>Total asset revaluation reserves</b>	<b>688,982</b>	<b>693,049</b>
<b>Fair value through equity reserve</b>		
As at 1 July	(122)	(120)
Valuation gains/(losses) on unlisted shares taken to equity	49	(2)
<b>As at 30 June</b>	<b>(73)</b>	<b>(122)</b>
<b>Total other reserves</b>	<b>690,959</b>	<b>702,839</b>
<b>Total equity</b>	<b>1,441,264</b>	<b>1,436,537</b>

## 26. Capital Management

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

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' Funds are managed largely as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations.

Additionally, the Council has Asset Management Plans in place for major classes of assets, detailing renewal and maintenance programmes to ensure that future generations of ratepayers are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Ten Year Plan.

Napier City Council has the following Council created reserves:

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

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

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

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

## 27. Capital Commitments and Operating Leases

	Actual 2015 \$000	Actual 2014 \$000
<b>Capital commitments</b>		
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	10,036	3,794

### Operating leases as lessee

Napier City Council leases the following property in the normal course of its business:

#### Napier Community House

The Council subleases the Community House building to several organisations and groups which provide community services and support to Napier, Hastings and the wider Hawke's Bay region.

### Non-cancellable operating leases as lessee

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

	Actual 2015 \$000	Actual 2014 \$000
Not later than one year	53	92
Later than one year and not later than five years	9	-
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>62</b>	<b>92</b>

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$8,700 (2014: Zero).

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on the Council by any of the leasing arrangements.

### Operating leases as lessor

The Council leases excess building space under operating leases. The future aggregate minimum lease payments to be collected by the Council under non-cancellable operating leases are as follows:

	Actual 2015 \$000	Actual 2014 \$000
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year	198	271
Later than one year and not later than five years	48	206
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>246</b>	<b>477</b>

## 28. Contingencies

	Actual 2015 \$000	Actual 2014 \$000
Contingent Liabilities	10,500	6,500
Financial guarantees	709	699
<b>Total contingent liabilities</b>	<b>11,209</b>	<b>7,199</b>

### Financial Guarantees

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

### Weather Tightness

Council has recognised a provision for weather tightness claims (see Note 24). The Councils' maximum exposure to weather tightness claims is currently estimated at an additional \$10.5m. It is not considered likely that this liability will materialise; hence this is recognised as a contingent liability.

### Other contingencies

#### Contingent liabilities

The Council terminated a lease for office space. The lessor obtained judgement for reinstatement of the original fitout and loss of rental. An appeal was lodged in respect of this Court ruling. A provision has been included within the financial statements, pending the outcome of arbitration agreement.

#### Other contingencies

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

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

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

## 29. Reconciliation of Net Surplus after Tax to Net Cash Flow from Operating Activities

	Actual 2015 \$000	Actual 2014 \$000
Surplus/(deficit) after tax	6,414	7,843
<b>Add/(less) non-cash items</b>		
Share of associate surplus/(deficit)	(296)	(102)
Depreciation and amortisation expense	20,921	21,299
Vested assets	(895)	(1,184)
Vested assets (Parklands)	(758)	(567)
(Gains)/losses in fair value of investment property	(751)	(278)
(Gains)/losses on library book stock	176	96
(Gain)/loss on livestock	14	(134)
Other non-cash items	-	-
<b>Add/(less) items classified as investing or financing activities:</b>		
(Gains)/losses on disposal of property plant and equipment	730	1,265
<b>Add/(less) movements in working capital items:</b>		
Accounts receivable	(1,021)	(334)
Inventories	1,302	804
Biological assets	(6)	75
Accounts payable	3,875	1,204
Provisions	73	228
Revenue received in advance	(235)	(254)
Employee benefits	147	3
<b>Net cash inflow/(outflow) from operating activities</b>	<b>29,690</b>	<b>29,964</b>

### 30. Remuneration

#### Chief Executive

The current Chief Executive of the Council, appointed under section 42 of the Local Government Act 2002, received a salary of \$261,081 (2014: \$219,485).

For the year ended 30 June 2015, the total amount received by the Chief Executive including Fringe Benefit Tax as part of their remuneration package is calculated at \$288,719 (2014: \$239,290)

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

	Actual 2015 \$000	Actual 2014 \$000
<b>Cost During the Financial Year</b>		
Subscriptions	1	1

#### Elected Representatives

	Actual 2015 \$000	Actual 2014 \$000
<b>Total remuneration</b>		
<b>Mayor</b>		
Barbara Arnott	-	34
Bill Dalton	116	89
<b>Councillors</b>		
John Cocking	-	11
Kathie Furlong	-	14
Mark Herbert*	43	41
Tony Jeffery*	43	41
Rob Lutter	-	38
Dave Pipe	-	12
Faye White*	46	42
Tania Wright	-	12
Keith Price	42	40
Maxine Boag	42	39
Michelle Pyke	42	39
Annette Brosnan	37	25
Mark Hamilton	37	25
Roy Sye	37	25
Graeme Taylor	37	25
Kirsten Wise	42	25
Richard McGrath	31	-

\* Receive payment for time spent on the hearings committee

## 31. Employee Staffing Levels and Remuneration

As at 30 June 2015 the number of employees employed by Napier City Council was 532 (2014: 511)\*

### 2015 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2014/15	Other Staff Full Time Equivalent 2014/15	Total FTE's	Total Number of Employees
Less than \$60,000	218	76	294	395
\$60,000 to \$80,000	82	3	85	85
\$80,000 to \$100,000	30	2	32	32
\$100,000 to \$120,000	8	-	8	8
\$120,000 to \$140,000	6	1	7	10
\$140,000 to \$280,000	5	-	5	2
<b>Total</b>	<b>349</b>	<b>82</b>	<b>431</b>	<b>532</b>

### 2014 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2013/14	Other Staff Full Time Equivalent 2013/14	Total FTE's	Total Number of Employees
Less than \$60,000	214	64	278	373
\$60,000 to \$80,000	89	1	90	91
\$80,000 to \$100,000	30	-	30	30
\$100,000 to \$120,000	5	-	5	5
\$120,000 to \$160,000	6	-	6	6
\$160,000 to \$280,000	6	-	6	6
<b>Total</b>	<b>350</b>	<b>65</b>	<b>415</b>	<b>511</b>

For the purposes of this disclosure, full time staff are based on 40 hours per week. Full time equivalent staff include those personnel receiving salaries, wages and casual staff, and have been calculated on a full time equivalent basis, as at 30 June 2015. The budget 2014/15 full time equivalent staff was 450 (2014: 470). The variance is due to fluctuating seasonal staff requirements who were not employees at 30 June 2015.

The variance between 2014 and 2015 can be attributed to general replacements only recruited to enable the organisation to deliver services. Napier City Council currently employs a number of staff in regional shared services roles, and costs are recovered on a shared services arrangement.

The average salaries (excluding key personnel as noted in Note 36) for 2015 was \$42,222 (2014: \$42,092).

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

Elected members are excluded from this disclosure.

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

## 32. Severance Payments

For the year ended 30 June 2015, the Council made 5 (2014: 1) severance payments to employees were \$5,000, \$9,000, \$10,000, \$13,500 & \$30,000 (2014: \$13,000).

NOTE: severance payments are those outside contractual obligations and do not include redundancy payments. (i.e. golden handshakes)

### 33. Events After the Balance Sheet Date

Settlement of the purchase of the boat ramp from Hawke's Bay Fishing Club was completed in July 2015.

### 34. Financial Instrument Risks

	Actual 2015 \$000	Actual 2014 \$000
<b>Financial instrument categories</b>		
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	7,255	7,262
Debtors and other receivables	9,804	8,783
Other financial assets		
Term deposits	75,000	70,500
<b>Total loans and receivables</b>	<b>92,059</b>	<b>86,545</b>
<b>Held to maturity</b>		
<b>Other financial assets</b>		
Local authority stock	-	-
Corporate bonds	-	500
<b>Total held to maturity</b>	<b>-</b>	<b>500</b>
<b>Fair value through equity</b>		
Unlisted shares	397	348
<b>Total fair value through equity</b>	<b>397</b>	<b>348</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	14,065	10,086
Secured loans	4	12
<b>Total financial liabilities at amortised cost</b>	<b>14,069</b>	<b>10,098</b>

## Financial Instrument Risks

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

### Market Risk

#### Price risk

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

#### Currency risk

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

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

#### Fair value interest rate risk

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

#### Cash flow interest rate risk

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

### Credit risk

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

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

## Credit quality of financial assets

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

	Actual 2015 \$000	Actual 2014 \$000
<b>Counterparties with credit ratings</b>		
<b>Cash at Bank</b>		
AA- (Others)	7,255	7,262
<b>Total cash at bank</b>	<b>7,255</b>	<b>7,262</b>
<b>Term deposits</b>		
AA- (Others)	63,000	54,500
A+	12,000	16,000
<b>Total term deposits</b>	<b>75,000</b>	<b>70,500</b>
<b>Counterparties without credit ratings</b>		
Local authority stock	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

## Liquidity Risk

### Management of Liquidity Risk

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

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

Napier City Council has an overdraft facility of \$300,000 (2014: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2015 was \$0 (2014: \$0). Napier City Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$476,000 in funds as at 30 June 2015 (2014: \$242,000).

## Contractual Maturity Analysis of Financial Liabilities

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More Than 5 Years \$000
<b>2015</b>						
Creditors & Other Payables	14,065	14,065	14,065	-	-	-
Secured Loans	4	4	4	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	532	532	532	-	-	-
<b>Total</b>	<b>14,601</b>	<b>14,601</b>	<b>14,601</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>2014</b>						
Creditors & Other Payables	10,086	10,086	10,086	-	-	-
Secured Loans	12	12	8	4	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	816	816	816	-	-	-
<b>Total</b>	<b>10,914</b>	<b>10,914</b>	<b>10,910</b>	<b>4</b>	<b>-</b>	<b>-</b>

## Contractual Maturity Analysis of Financial Assets

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less than 1 year \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
<b>2015</b>						
Cash & cash equivalents	7,255	7,255	7,255	-	-	-
Debtors & other receivables	9,804	9,804	9,804	-	-	-
Other financial assets						
Term deposits	75,000	77,743	77,743	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
<b>Total</b>	<b>92,059</b>	<b>94,802</b>	<b>94,802</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>2014</b>						
Cash & cash equivalents	7,262	7,262	7,262	-	-	-
Debtors & other receivables	8,783	8,783	8,783	-	-	-
Other financial assets						
Term deposits	70,500	72,801	72,801	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	500	605	26	26	553	-
<b>Total</b>	<b>87,045</b>	<b>89,451</b>	<b>88,872</b>	<b>26</b>	<b>553</b>	<b>-</b>

### Sensitivity analysis

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

#### Interest rate risk

	2015 \$000				2014 \$000			
	-50 Profit	bps Equity	100 Profit	bps Equity	-50 Profit	bps Equity	100 Profit	bps Equity
Financial assets								
Cash and cash equivalents	(36)	-	73	-	(36)	-	73	-
Other financial assets								
Term deposits	(375)	-	750	-	(353)	-	705	-
Local authority stock	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	(3)	-	5	-
<b>Total</b>	<b>(411)</b>	<b>-</b>	<b>823</b>	<b>-</b>	<b>(392)</b>	<b>-</b>	<b>783</b>	<b>-</b>

### Explanation of interest rate risk sensitivity

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

The sensitivity has been calculated based on a shift in interest rates of -50bps/+100bps (2013 -50bps/+100bps).

### Term loans

At 30 June 2015 Napier City Council had \$nil of floating rate debt (2014 \$nil). Therefore a movement in interest rates of plus 100 bps or minus 50 bps has no effect on interest expense.

## 35. Derivative Financial Instruments

As at 30 June 2015, Napier City Council's current and non-current investments and borrowings have all been negotiated at fixed interest rates for fixed terms (2014 \$nil).

Council's foreign exchange policy requires that all foreign denominated commitments over NZ\$100,000 equivalent are hedged using forward foreign exchange contracts, once expenditure is approved. At 30 June 2015, Council's forward foreign exchange contracts totalled EUR€nil or NZ\$nil (2014: EUR€nil or NZ\$nil).

## 36. Related Party Transactions

Related party transactions with subsidiaries, associates, or joint ventures

The Council has significant influence over Hawke's Bay Museums Trust. The Council also has a 36.32% share in the Omarunui Landfill joint venture and has significant influence over Hawke's Bay Airport Limited due to its 26% ownership.

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

	Actual 2015 \$000	Actual 2014 \$000
<b>Hawke's Bay Museums Trust (HBMT)</b>		
Grants paid to HBMT	427	420
Services provided to HBMT	808	808
<b>Hawke's Bay Local Authority Shared Services Ltd (HBLASS)</b>		
Initial Shareholding	1	1
Share of Expenses paid to HBLASS	21	23

### Transactions with key management personnel

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

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

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2014: \$nil).

### Key management personnel compensation

	FTE 2015	FTE 2014	Actual 2015 \$000	Actual 2014 \$000
Elected members remuneration	12	12	595	577
Senior management remuneration (includes Chief Executive, Mayor and key management personnel)	11	9	1,896	1,581

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

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

### 37. Joint Venture

The Council's interest in the Omarunui Landfill is accounted for as a joint venture with jointly controlled assets. The Council's 36.27% interest in the joint venture are as follows:

	Actual 2015 \$000	Actual 2014 \$000
Current assets	2,463	2,376
Non-current assets	3,899	4,134
Non-current liabilities	501	418
Income	2,357	2,335
Income (NCC sales eliminated)	(400)	(400)
Expenses	1,045	1,094
Depreciation	518	501

#### Joint venture commitments and contingencies

There are no capital commitments and contingent liabilities arising from involvement in the joint venture (2014: \$nil).

# Funding Impact Statement (Whole of Council)

## Financial Overview

### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000	AP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	34,450	34,211	34,397	33,995
Targeted rates (other than targeted rates for water supply)	12,964	12,869	12,235	12,140
Subsidies and grants for operating purposes	4,157	2,345	4,084	2,394
Fees, charges and targeted rates for water supply	18,912	18,894	17,879	18,979
Interest and dividends from investments	3,555	1,502	3,285	1,502
Local authorities fuel tax, fines, infringement fees, and other receipts	14,876	13,305	13,554	19,419
<b>Total operating funding (A)</b>	<b>88,914</b>	<b>83,126</b>	<b>85,434</b>	<b>88,429</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	62,450	59,514	59,370	61,445
Finance costs	-	-	108	141
Other operating funding applications	277	185	237	178
<b>Total applications of operating funding (B)</b>	<b>62,727</b>	<b>59,699</b>	<b>59,715</b>	<b>61,764</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>26,187</b>	<b>23,427</b>	<b>25,719</b>	<b>26,665</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	289	1,447	697	2,395
Development and financial contributions	1,779	1,985	1,860	1,879
Increase/(decrease) in debt	(8)	1,894	(2,008)	1,039
Gross proceeds from sale of assets	913	177	1,276	6,784
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,973</b>	<b>5,503</b>	<b>1,825</b>	<b>12,097</b>
<b>Application of capital funding</b>				
<b>Capital expenditure</b>				
- to meet additional demand	1,132	7,761	685	5,251
- to improve the level of service	13,834	6,589	22,105	14,079
- to replace existing assets	11,533	15,396	10,412	14,965
Increase (decrease) in reserves	182	(816)	(5,644)	4,162
Increase (decrease) of investments	2,479	-	(14)	305
<b>Total application of capital funding (D)</b>	<b>29,160</b>	<b>28,930</b>	<b>27,544</b>	<b>38,762</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(26,187)</b>	<b>(23,427)</b>	<b>(25,719)</b>	<b>(26,665)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

# Special Funds

## Reserve Funds

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

Council's Reserve Funds are classified into three categories:

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

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

Council Created Reserves						
Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
Advanced Wastewater Treatment Establishment Fund	Accumulation of Advanced Wastewater Levies collected from Napier ratepayers along with interest earned on these funds.	Wastewater	3,049	(6,513)	5,269	1,805
Ahuriri Beautification Fund	Derived from the Beautification rate for properties located at the Ahuriri Shopping Centre.	Roading	(3)	(14)	14	(3)
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	185	(25)	15	175
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	(5,684)	(10,122)	7,370	(8,436)
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	-	(168)	168	-
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	(94)	-	-	(94)
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control.	Animal Control	(437)	(669)	729	(377)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
Financial and Development Contributions	Collected from financial and 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	(10,614)*	(2,516)	1,276	(11,854)
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	(22,897)*	(9,949)	7,220	(25,626)
Plant & Equipment Renewals	This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles.	All Activities	(3,317)	(539)	465	(3,391)
Keep Napier Beautiful	Originally derived from surplus revenue in Keep Napier Beautiful project. Currently credited with annual grant for garden competition and used for competition expenses and administration costs.	Reserves	(1)	-	-	(1)
Marine Parade Disability Hoist	Derived from fundraising carried out by Mr N Bains for the purchase a disability hoist for the Marine Parade Pool.	Marine Parade Pools	(3)	-	-	(3)
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	(2)	-	-	(2)
MTG Hawke's Bay	Funds collected from donations and government grants for the Museum Redevelopment Project.	MTG Hawke's Bay	(165)	(629)	279	(515)
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	(385)	-	32	(353)
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	(2,328)	(148)	(95)	(2,571)
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities for areas where there is public metered parking.	Parking	(6,473)	(2,448)	1,554	(7,367)
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	(602)	-	(98)	(700)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	51	(191)	209	69
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	(17,917)	(4,367)	2,731	(19,553)
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements.	Roothing	337	-	89	426
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	(1,280)	-	(114)	(1,394)
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	(68)	(133)	129	(72)
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	(14,046)	(640)	4,841	(9,846)
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	(802)	(1,949)	1,102	(1,649)
Reserve Subdivision of Land	Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process.	Reserves	(1,506)	(99)	(46)	(1,651)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
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	(1,408)	(2,240)	1,898	(1,750)
<b>Total Council Created Reserves</b>			<b>(86,531)</b>	<b>(43,483)</b>	<b>35,142</b>	<b>(94,873)</b>

\* Changes in the Reserves opening balances do not tie back to prior years accounts due to the additional funding added to the infrastructure asset renewal account and the reserve fund formally known as financial contributions.

### Restricted Reserves

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
Advanced Wastewater Treatment Establishment Fund (HB Regional Council Distribution)	Established in 1999/2000 by a special distribution from HBRC for advanced treatment of wastewater. The funds are held in separate investments.	Wastewater	(6,514)	-	6,514	-
Endowment Land Account	Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land.	Property Holdings	(1,052)	(1)	(48)	(1,101)
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	(757)	(1,862)	1,836	(783)
Loan Reserve	Established to manage internal loan requirements.	Corporate	(1,315)	(37)	1,470	118
<b>Total Restricted Reserves</b>			<b>(9,638)</b>	<b>(1,900)</b>	<b>9,772</b>	<b>(1,766)</b>

Bequests and Trust Funds						
Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2014 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2015 \$000
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)	Community Planning	(30)	-	-	(30)
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	(140)	-	(6)	(146)
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	(21)	-	(1)	(22)
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	(4)	(1)	-	(5)
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.	Community Planning	(48)	-	-	(48)
Morecroft Bequest	To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect.	Sportsgrounds	(12)	-	(1)	(13)
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	(20)	(12)	12	(20)
<b>Total Bequests Trust Funds</b>			<b>(275)</b>	<b>(13)</b>	<b>4</b>	<b>(284)</b>

## Borrowing Programme

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>New loans</b>			
- Rate funded	3,168	4,905	3,768
- Growth funded	-	1,017	-
- Non rate funded	98	431	132
	3,266	6,353	3,900
less repayments (net)	(6,615)	(2,748)	(4,386)
	(3,349)	3,605	(486)
Opening public debt	36,795	50,651	37,281
Gross Public Debt	33,446	54,256	36,795
Internal funding	(33,442)	(54,252)	(36,783)
<b>Net Public Debt</b>	<b>4</b>	<b>4</b>	<b>12</b>

Internal Borrowing	Actual 2015 \$000	Borrowed 2014/15	Repaid 2014/15	Actual 2014 \$000	Interest Paid
City Activities	2,060	-	(176)	2,236	116
Planning and Regulatory	2,938	98	(67)	2,907	151
Property	867	-	(37)	904	68
Recreation	1,330	-	(75)	1,405	73
Roading	6,562	3,168	(138)	3,532	184
Sewerage	1,395	-	(34)	1,429	89
Social and Cultural	2,655	-	(4,476)	7,131	147
Solid Waste	304	-	(119)	423	22
Stormwater	6,688	-	(263)	6,951	361
Water Supply	172	-	(6)	178	9
Loan Redemptions	8,471	-	(1,216)	9,687	504
<b>Total Internal Borrowing</b>	<b>33,442</b>	<b>3,266</b>	<b>(6,607)</b>	<b>36,783</b>	<b>1,724</b>

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

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

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

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

# Financial Prudence Benchmarks

## Local Government (Financial Reporting and Prudence) Regulations 2014

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations 2014) were developed to:

- Assist in identifying local authorities where further enquiry is warranted in relation to their financial management; and
- Promote prudent financial management by local authorities

Under section 10 of the Regulations 2014, Napier City Council (the Council) must provide the following benchmarks for the 2014 financial year in the annual report to 30 June 2015:

- Rates affordability benchmarks
- Debt affordability benchmarks
- Balanced budget benchmark
- Essential services benchmark
- Debt servicing benchmark
- Debt control benchmark; and
- Operations control benchmark

The Council has elected the early adoption of the disclosure requirements of the benchmarks for 2014/15 plus the four preceding years to provide better information for the community.

The Local Government Act 2002 section 101A requires local authorities, as part of their Ten Year Plan, prepare and adopt a financial strategy that includes a statement that quantified limits on rates, rate increase and borrowings.

### Rates Affordability Benchmarks

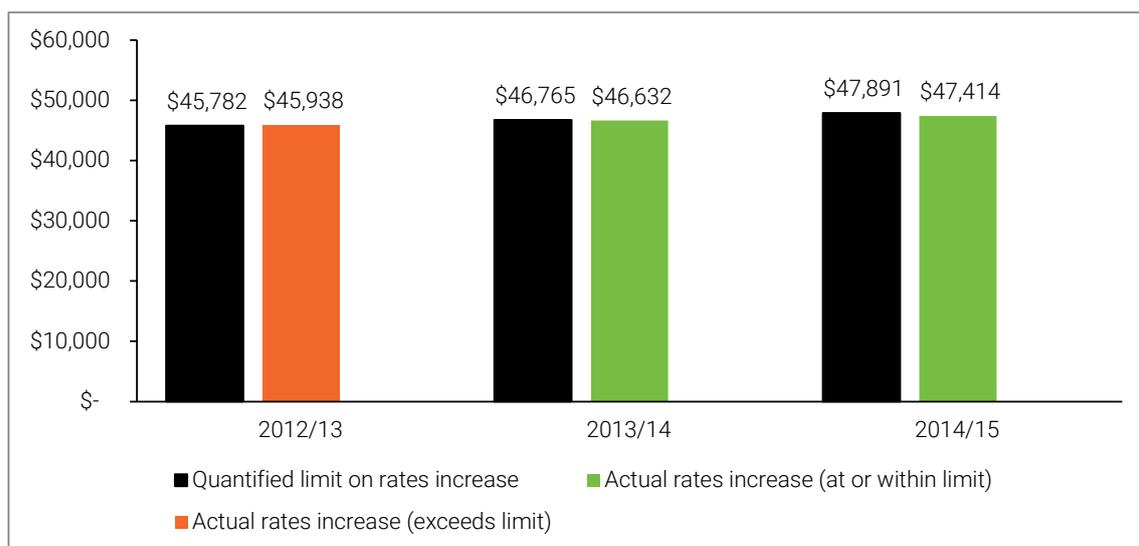
Under section 17 of the Regulations 2014, Council must disclose actual rates income to quantified limit on rates, and actual rates increase to quantified limit on rates increase. The Regulations 2014 state that a local authority meets the rates affordability benchmarks if actual rates income is equal or less than the Council's quantified limit on rates, and the actual rates increase for the year is equal or less than the Council's quantified limit on rates increase.

As per the Regulations 2014, the rates affordability benchmarks for 2013/14 and 2014/15 are based on Council's financial strategy adopted in the 2012 to 2022 Ten Year Plan that states:

Council undertakes to limit rates rises, excluding growth, to no more than 1.1% per annum above CPI (consumer price index).

In 2013/14, for the purpose of calculating the rates affordability benchmarks, planned rates income is quantified by a 1.8% increase (30 June 2013 CPI of 0.7% plus 1.1%) on 2012/13 rates income. In 2014/15, the Council met its rates affordability benchmark whereby actual rates income of \$47,414,000 did not exceed the quantified limit of \$47,891,000 that was based on a quantified increase of 2.7% (CPI 30 June 2014 1.6% plus 1.1%), see graph 1.

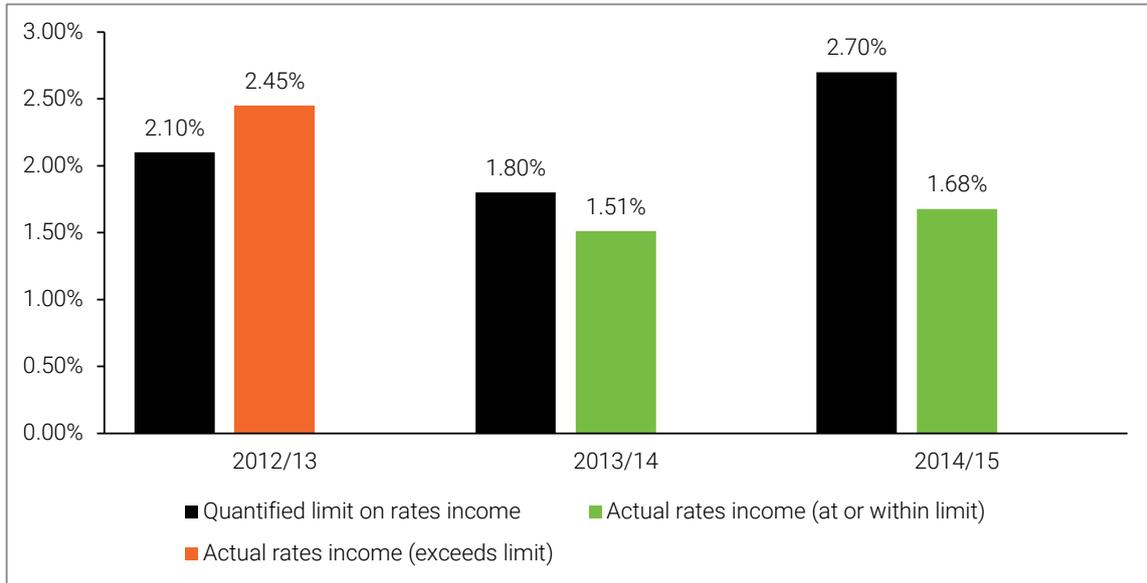
**Graph 1: Rates Affordability - Rates Income to Planned Rates Income, 2012/13 to 2014/15**



The Regulations 2014 were applied to the calculation of the quantified percentage increases for 2013/14 and 2014/15. In 2013/14, the actual rates increase of 1.51% was below the quantified limit of 1.80% (30 June 2013 CPI of 0.7% plus 1.1%). As noted above, the rates set in 2013/14 was an increase of 1.51% based on an estimated CPI of 3.3%.

The Council met its rates affordability benchmark for quantified rates percentage increase in 2014/15 whereby the actual rates percentage increase of 1.68% did not exceed the quantified increase of 2.70% (CPI 30 June 2014 1.60% plus 1.1%), see graph 2.

**Graph 2: Rates Affordability - Actual Percentage Rates Increase to Planned Percentage Increase, 2012/13 to 2014/15**



The rates indicator of actual rates dollars per rating unit was \$1,873 per rating unit in 2014/15 (2013/14: \$1,848).

**Debt Affordability Benchmarks**

Under section 18 of the Regulations 2014 Council must disclose its actual performance in relation to the debt affordability by comparing actual borrowing with each quantified limit on borrowing.

The Regulations 2014 state that a local authority meets the debt affordability benchmarks for a year if actual borrowing is within each of the Council’s quantified limits of borrowing.

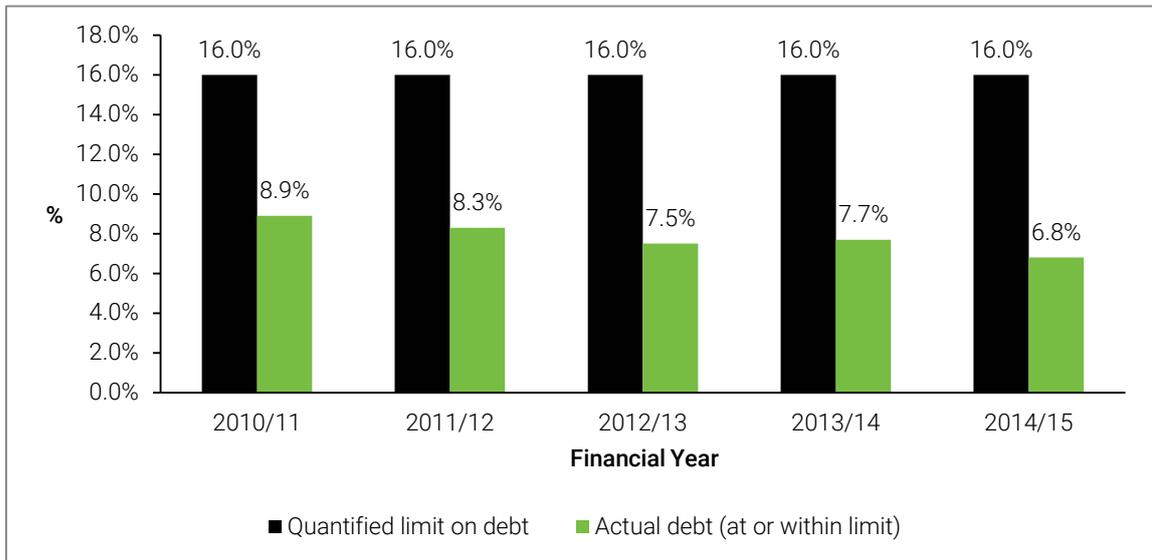
The Council’s financial strategy in its 2012 to 2022 Ten Year Plan included three limits in relation to debt:

- The proportion of rates revenue applied to service debt (external and internal debt) would not exceed 16%
- Net debt as a percentage of total income will not exceed 100%; and
- Net rate funded debt per capita will not exceed \$1,000

In line with the above limits, the calculation of Council’s performance for the debt affordability ratios relating to cost of debt servicing and rate funded debt per capita have been based on both internal and external debt and are based on rate funded debt only; growth funded and non-rate funded debt have been excluded.

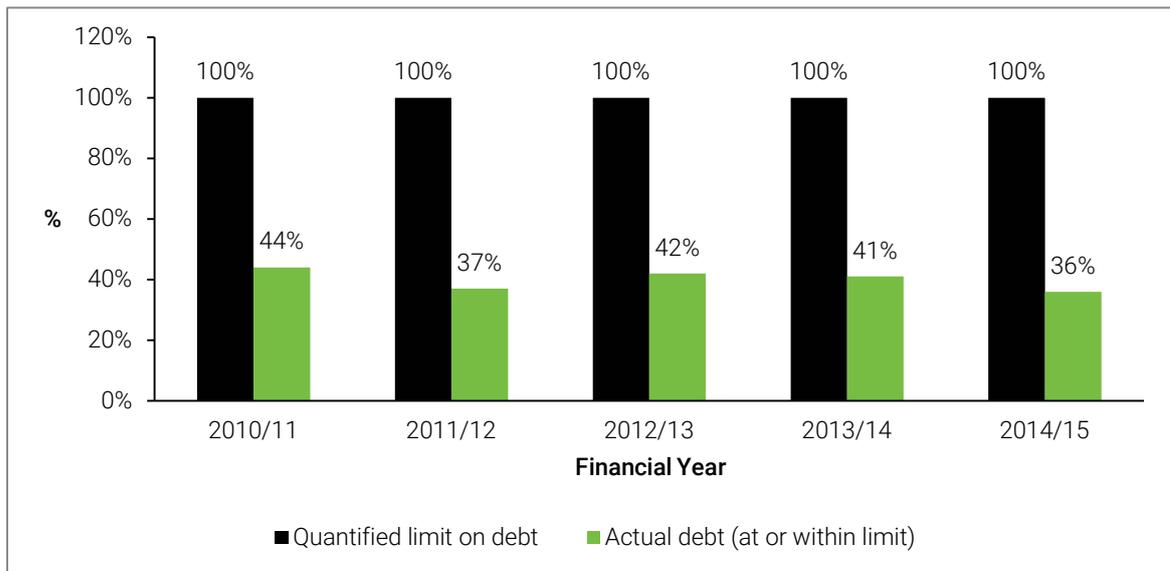
The Council met its debt affordability benchmark of cost of servicing rate funded debt not exceeding 16% in 2014/15 and the four preceding years, see graph 3.

**Graph 3: Debt Affordability - Cost of Servicing Rate Funded Debt, 2010/11 to 2014/15**



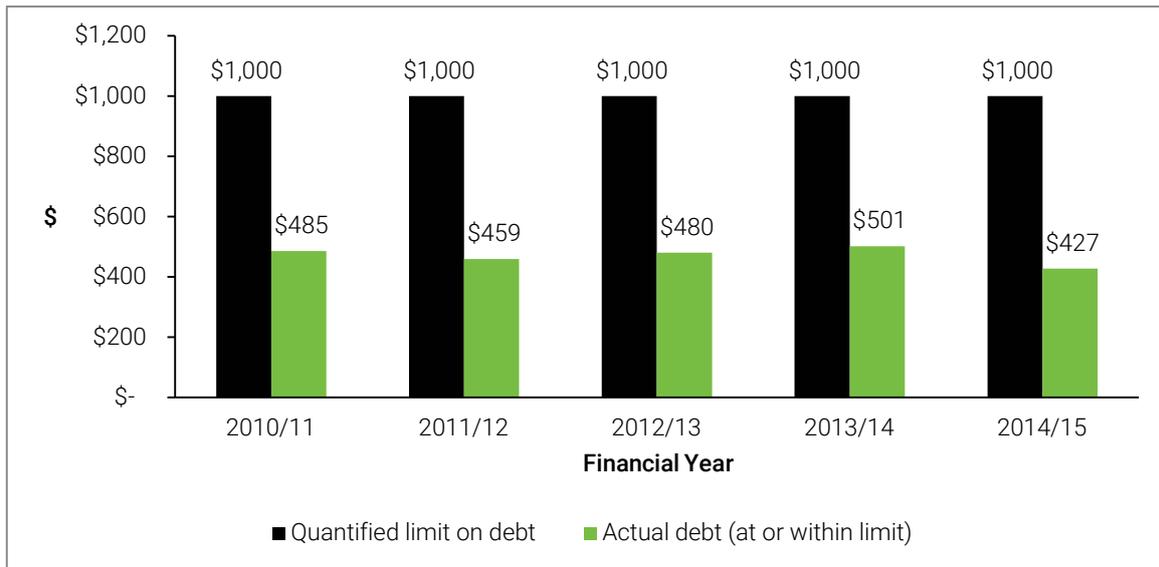
The Council met its debt affordability benchmark of net debt as a percentage of total income not exceeding 100% in 2014/15 and the four preceding years, see graph 4.

**Graph 4: Debt Affordability – Net Debt as a percentage of total income, 2010/11 to 2014/15**



The Council met its debt affordability benchmark of net debt per capita not exceeding \$1,000 per capita in 2014/15 year and the four preceding years, see graph 5.

**Graph 5: Debt Affordability - Net Debt \$ per Capita, 2010/11 to 2014/15**

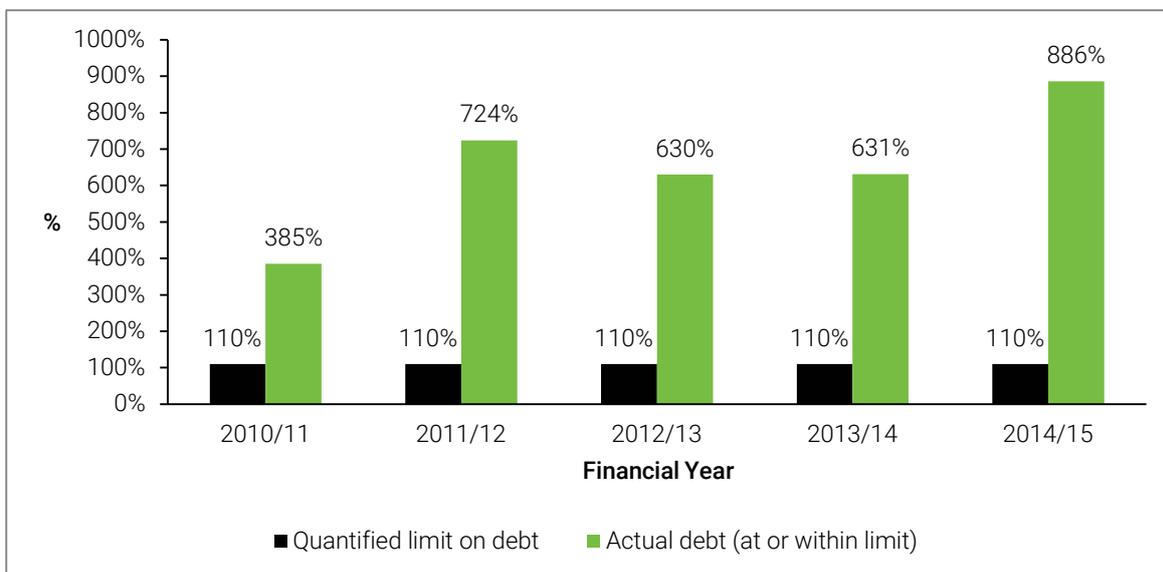


Under the Council’s Liability Management Policy 2009, the Council set an additional limit for managing borrowing which stated that:

Liquidity (term debt plus committed bank facilities and liquid available financial investments) to peak 12 month net debt must be at least 110%.

The Council met its debt affordability benchmark of liquidity to 12 month debt being over 110% in 2014/15 and the four preceding years, see graph 6.

**Graph 6: Debt Affordability - Liquidity to 12 month net debt, 2010/11 to 2014/15**



Due to Council attaining negative net debt each year, the debt indicator of actual net debt per rating unit was \$2,573 financial assets exceeding financial liabilities per rating unit in 2014/15 (2013/14: \$2,436).

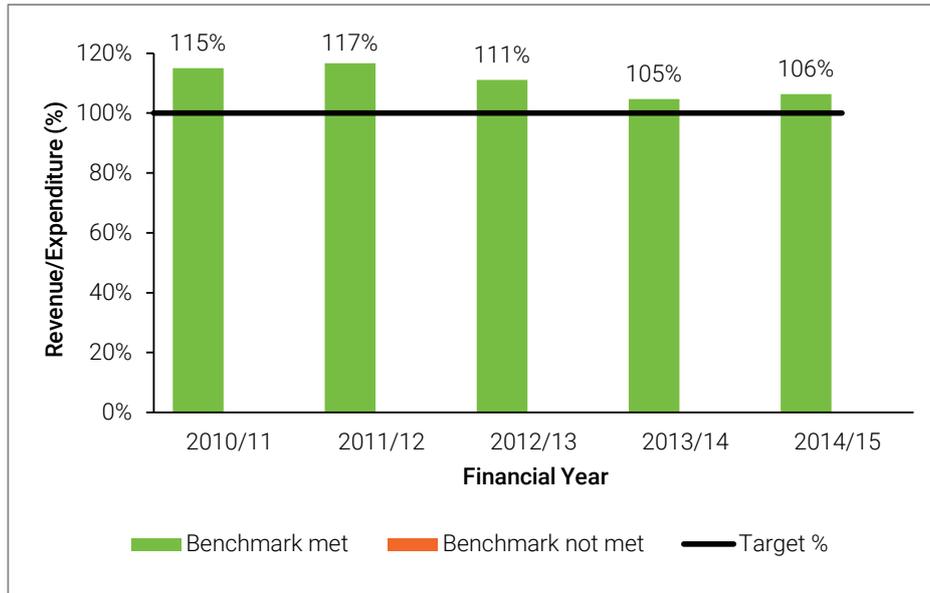
### Balanced Budget Benchmark

Under section 19 of the Regulations 2014 Council must disclose its actual performance in relation to the balanced budget benchmark. Performance is portrayed as the percentage of revenue to operating expenses.

The Regulations 2014 state that a local authority meets the balanced budget benchmark if its revenue (excluding development contributions, financial contributions, vested

assets, gains on derivative financial instruments and revaluations of Property, Plant and Equipment) exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of Property, Plant and Equipment). The Council met the balanced budget benchmark in 2014/15 and the four preceding years, see graph 7.

**Graph 7: Balanced Budget Benchmark - Operating revenue to operating expenses, 2010/11 to 2014/15**



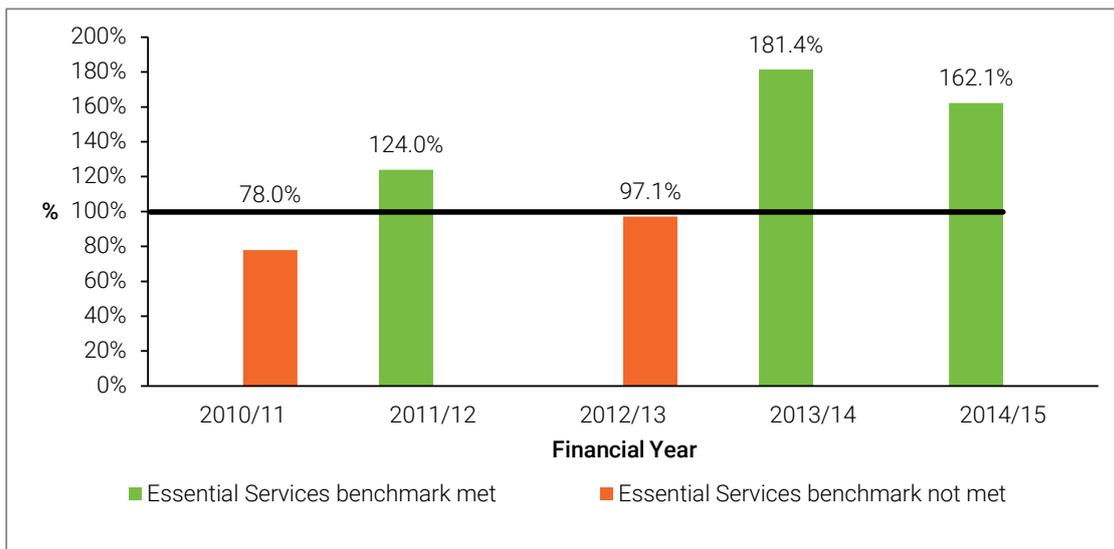
### Essential Services Benchmark

Under section 20 of the Regulations 2014, Council must disclose its actual performance in relation to the essential services benchmark. Performance is portrayed as a percentage of revenue to operating expenses.

The Regulations 2014 state that a local authority meets the essential services benchmark if its capital expenditure on network services for the year equals or is more than depreciation of network services for the year.

The Council met the essential services benchmark in 2011/12, 2013/14 and 2014/15 with capital expenditure on network services exceeding the network services' depreciation. In 2010/11 and 2012/13 Council did not meet this benchmark, see graph 8.

In 2010/11, capital expenditure of \$10.5m was exceeded by \$13.5m depreciation for the year, due primarily to \$2.5m of planned Rooding projects being carried forward to future years. In 2012/13, capital expenditure of \$13.6m being exceeded by \$14m depreciation, due primarily to the timing of Water supply projects that the Council plans to complete in future years. Due to the nature of capital projects, timing differences are evident in 2011/12, 2013/14 and 2014/15, when Council completed carried forward work from prior years so had greater capital expenditure versus depreciation.

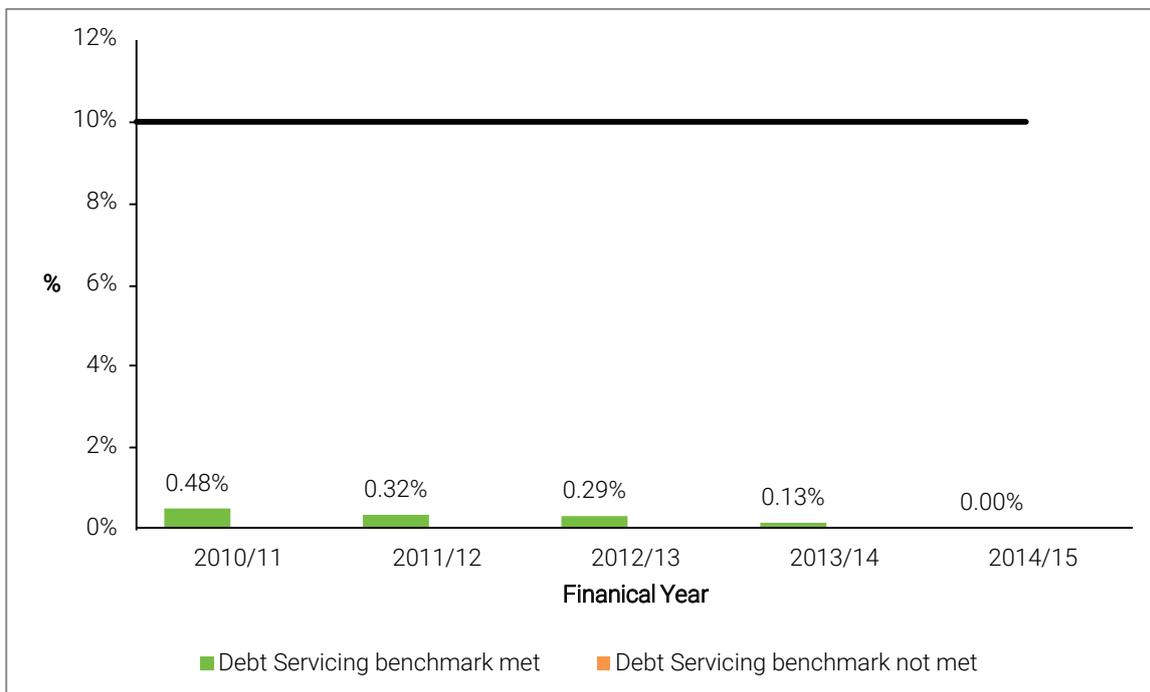
**Graph 8: Essential Services Benchmark - Capital expenditure to depreciation, 2010/11 to 2014/15**

### Debt Servicing Benchmark

Under section 21 of the Regulations 2014, Council must disclose its actual performance in relation to the debt servicing benchmark. Performance is portrayed as a percentage of borrowing costs to revenue.

The Regulations 2014 state that the Council meets the debt servicing benchmark if borrowing costs for the

year are equal or less than 10% of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of Property, Plant and Equipment). The Council met this benchmark for 2014/15 and the four preceding years, see graph 9.

**Graph 9: Debt Servicing Benchmark - Borrowing costs to operating revenue, 2010/11 to 2014/15**

### Debt Control Benchmark

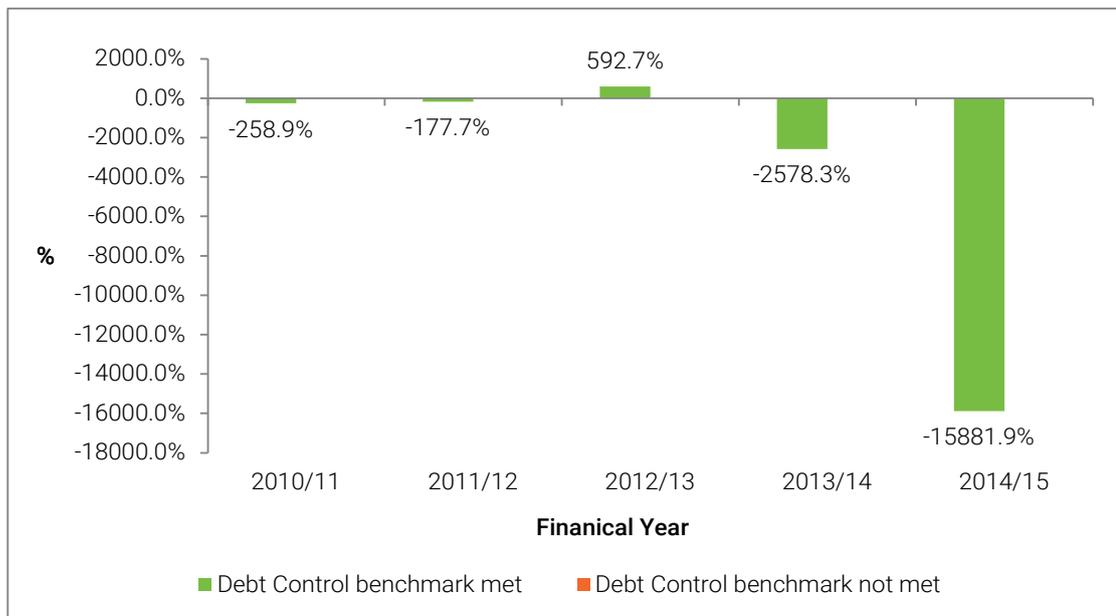
Under section 22 of the Regulations 2014 Council must disclose its actual performance in relation to the debt control benchmark. Performance is portrayed as a percentage of actual net debt to planned net debt. Net debt is defined as financial liabilities less financial assets.

In the 2009 to 2019 and 2012 to 2022 Ten Year Plans, Council planned to have greater financial liabilities than financial assets (net debt) at the end of 2010/11, 2011/12, 2012/13 and 2014/15.

The increased financial assets gained in 2009/10 have been maintained for future capital expenditure that is yet to occur. Therefore in 2010/11, 2011/12, 2013/14 and 2014/15, Council had actual negative net debt at the end of the year, and so, exceeded its planned net debt each year. This resulted in Council achieving the debt control benchmark each year with a minus result.

In 2012/13 Council planned to have negative net debt (at the end of year). The Council met the debt control benchmark for 2014/15 and the four preceding years, see graph 10.

**Graph 10: Debt Control Benchmark - Actual Net Debt to Planned Net Debt, 2010/11 to 2014/15**



**Operations Control Benchmark**

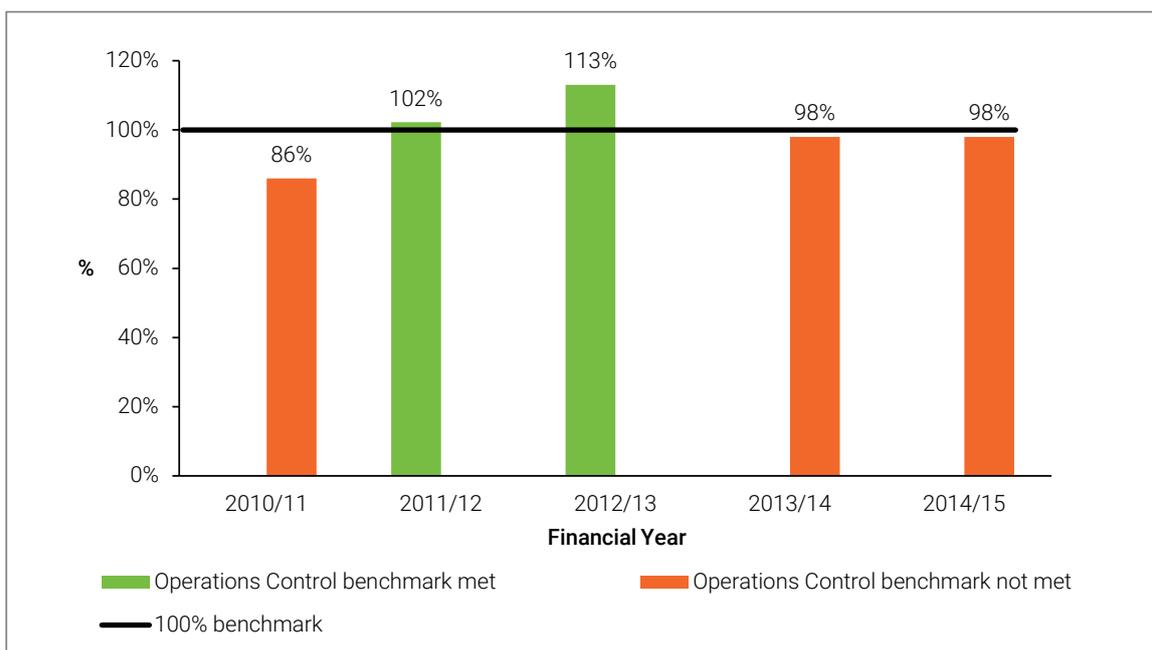
Under section 23 of the Regulations 2014 Council must disclose its actual performance in relation to the operations control benchmark. Performance is portrayed as a percentage of actual net cash flow from operations to planned net cash flow from operations.

The Regulations 2014 state that a local authority meets the operations control benchmark for a year if actual net cash flow from operations equals or is greater than planned net cash flow from operations. The Council met the operations control benchmark in 2011/12 and 2012/13 with actual net cash flow from operations exceeding planned.

In 2010/11 the Council's net cash flow from operations was \$31.9m which was 86% of the planned \$36.9m and in 2013/14 the Council's net cash flow from operations was \$30m which was 98% of the planned \$30.5m. In 2014/15, the Council's net cash flow from operations with \$29.6m which was 98% of the planned \$30m.

In both 2010/11, 2013/14 and 2014/15, the other revenue generated from property sales was less than planned so Council did not meet the operations control benchmark in these years, see graph 11.

**Graph 11: Operations Control Benchmark - Actual Net Operating Cash Flow to Planned Net Operating Cash Flow, 2010/11 to 2014/15**



## Independent Auditor's Report

### To the readers of Napier City Council's annual report for the year ended 30 June 2015

The Auditor-General is the auditor of Napier City Council (the City Council). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the City Council that comprise:
  - the statement of financial position as at 30 June 2015 on page 27;
  - the statement of comprehensive revenue and expenses, statement of changes in net assets/equity and statement of cash flows for the year ending 30 June 2015 on pages 24, 26 and 28;
  - the funding impact statement of the City Council on page 75;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 107 to 151; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 25 and 29 to 74;
- the statement of service provision (referred to as performance results) of the City Council on pages 102 to 148 and the funding impact statements in relation to each group of activities of the City Council on pages 103 to 149, and
- the disclosures of the City Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 82 to 88.

In addition, the Auditor-General has appointed me to report on whether the City Council's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 81;
  - reserve funds on page 76 to 80;
  - each group of activities carried out by the City Council on pages 101 to 151;
  - remuneration paid to the elected members and certain employees of the City Council on page 66;

- employee staffing levels and remuneration on page 67; and
- severance payments on page 67;
- rating base units on page 7; and
- insurance of assets on page 7;
- a report on the activities undertaken by the City Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council’s decision-making processes on page 22; and
- a statement of compliance signed by the mayor of the Council, and by the City Council’s chief executive on page 4.

## Opinion

### Audited information

In our opinion:

- the financial statements of the City Council on pages 24 to 74:
  - present fairly, in all material respects:
    - the City Council’s financial position as at 30 June 2015;
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand.
- the funding impact statement of the City Council on page 75, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council’s annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 107 to 151, present fairly, in all material respects, by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council’s long-term plan or annual plan.
- the performance results of the City Council on pages 102 to 148:
  - presents fairly, in all material respects, the City Council’s levels of service for the year ended 30 June 2015, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan;
    - the reasons for any significant variances between the actual service and the expected service; and

- complies with generally accepted accounting practice in New Zealand.
- the funding impact statements in relation to each group of activities of the City Council on pages 103 to 149 present fairly, in all material respects, by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan.
- the disclosures on pages 82 to 88 represent a complete list of required disclosures and accurately reflects the information drawn from City Council's audited information.

### **Compliance with the other requirements of schedule 10**

The City Council's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 16 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance results. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City Council's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;

- determining the appropriateness of the reported performance results within the Council’s framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the City Council’s compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

### **Responsibilities of the Council**

The Council is responsible for preparing:

- financial statements and performance results that:
  - comply with generally accepted accounting practice in New Zealand;
  - present fairly the City Council’s financial position, financial performance and cash flows;
  - present fairly its service performance, including achievements compared to forecast;
- a funding impact statement that presents fairly the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council’s annual plan;
- funding impact statements in relation to each group of activities that presents fairly by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council’s long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that presents fairly by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council’s long-term plan or annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council's responsibilities arise under the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the Other Requirements, the audit of the City Council's 2015-25 Long Term Plan and an independent assurance review of the City Council's Debenture Trust Deed, we have no relationship with, or interests, in the City Council.



S B Lucy  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington New Zealand



## Activity Groups

Mandatory Non-Financial Performance Measures

Contribution of Activity Groups to Community Outcomes

Democracy and Governance

Roading

Solid Waste

Stormwater

Sewerage

Recreation

Social and Cultural

City Activities

Planning and Regulatory

Property Assets

Support Units



# Mandatory Non-Financial Performance Measures

The following Mandatory Non-Financial Performance Measures have been gazetted under S261B of the Local Government Act 2002 and has been reported in the Annual

Report for the year ended 30 June 2015 for information purposes.

## Roading

Mandatory Measures	Actual 2015
1. The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	-2
2. The average quality of ride on the sealed road network, as measured by the Smooth Travel Exposure Index	85%
3. The % of footpaths within a Territorial Authority District that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authorities relevant document (such as its annual plan, activity management plan, asset management plan, annual works program or Ten Year Plan)	77 Footpath Faults for the year ending 30 June 2015
4. The % of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the long term plan.	Information not available at this time data captured for 2014/15 for testing. Will be ready for 2015/16
5. The % of sealed local road network that is resurfaced	5%

## Stormwater

Mandatory Measures	Actual 2015
1. a) The number of flooding events that occur in a territorial authority district	None
b) For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system)	None
2. Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of,	
a) abatement notices	None
b) infringement notices	None
c) enforcement orders; and	None
d) convictions received by the territorial authority in relation to those resource consents.	None
3. Number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	14 per 22,790 connections = 0.61 per 1000
4. The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site	No flooding events YTD

## Sewerage

Mandatory Measures	Actual 2015
1. Compliance with the territorial authority's resource consents for discharge from its sewerage system, measured by the number of,	
a) abatement notices	Zero
b) infringement notices	Zero
c) enforcement orders; and	Zero
d) convictions received by the territorial authority in relation to those resource consents	Zero
2. The total number of complaints received by the territorial authority about any of the following;	
a) sewerage odour	2
b) sewerage system faults	20
c) sewerage system blockages; and	10
d) the territorial authority's response to issues with its sewerage system,	1
expressed per 1000 connections to the territorial authorities sewerage system.	33
3. Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured;	
a) attendance time; from the time that the territorial authority receives notification to the time that service personnel reach the site ; and	Achieved
b) resolution time; from the time that the territorial authority receives notification to the time that the service personnel confirm resolution of the blockage or other fault.	Achieved
4. The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	Achieved

## Water Supply

Mandatory Measures	Actual 2015
1. The extent to which the local authority's drinking water supply complies with;	
a) part 4 of the drinking water standards (bacteria compliance criteria), and	Not Met*
b) part 5 of the drinking water standards (protozoal compliance criteria)	Not Met*
2. The % of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this)**	22%
3. The total number of complaints received by the local authority about any of the following;	
a) drinking water clarity	18 per 25,276 connections = 0.71 complaints per 1,000 connections
b) drinking water taste	
c) drinking water odour	
d) drinking water pressure or flow	
e) continuity of supply; and	
f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	
4. The average consumption of drinking water per day per resident within the territorial local authority district	473L per day
5. Where the local authority attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured;	
a) attendance for urgent call outs; from the time that the local authority receives notification to the time that service personnel reach the site; and	< 1 hr
b) resolution of urgent call outs; from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	< 2 hrs
c) attendance for non urgent call outs; from the time that the local authority receives notification to the time that service personnel reach the site; and	damage < 2 hrs, leak 10 days
d) resolution of non urgent call outs; from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	damage < 2 hrs, leak 10 days

\* The Taradale and City distribution zones complied with the Drinking Water Standards. However, the Bay View distribution zone technically did not comply due to the time between samples exceeding the limit on one occasion.

\*\* The real water loss will be calculated using a water balance, over a 12 month period, using the most recent customer water meter reading data. Unmetered water use will be assessed in terms of the methodology outlined in the Water New Zealand document 'Benchmarking of Water Losses in New Zealand'.

## Contribution of Activity Groups to Community Outcomes

Community outcomes provide a longer-term perspective on the development of Napier City and provide the Napier City Council with a framework for contributing to these community aspirations through Council activities. The nine Community Outcomes for Napier City are as follows:

Napier City Community Outcomes	Indicator
A lifetime of good health and wellbeing	Health
Safe and secure communities	Safety
An environment that is appreciated, protected and sustained for future generations	Sustainability
Transport infrastructure and services that are safe, effective and integrated	Transport
A strong, prosperous and thriving economy	Economy
Strong leadership	Leadership
Supportive, caring and inclusive communities	Community
Safe and accessible recreational facilities	Recreation
Communities that value and promote their unique culture and heritage	Cultural

Council considers that meeting its service level targets constitutes its major role as a contributor to the progress of Community Outcomes for the 2014/15 year. The following table details the main contributions of the Activity Groups to the Community Outcomes.

Activity Group	Community Outcomes	Rationale
Democracy and Governance	Strong leadership	Through Democracy and Governance Council provides a democratic and consultative system of decision making. The Council, consisting of a Mayor and twelve Councillors, is elected three yearly. Through its structure of Committees, Sub-Committees, Working Parties and Forums, Council carries out the requirements of the Local Government Act 2002 and other related legislation.
Roading	Transport infrastructure and services that are safe, effective and integrated	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Solid Waste	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Stormwater	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Sewerage	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Water Supply	A lifetime of good health and wellbeing	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Recreation	Safe and accessible recreational facilities An environment that is appreciated, protected and sustained for future generations A strong, prosperous and thriving economy	Recreational facilities are a requirement for healthy urban environments as these offer the community a range of recreational choices and enhance the social and cultural wellbeing of the community. Because there is little or no economic return for an alternative provider Council is the only viable option to provide these facilities.

Activity Group	Community Outcomes	Rationale
Social And Cultural	Safe and accessible recreational facilities Communities that value and promote their unique culture and heritage Supportive, caring and inclusive communities Safe and secure communities A lifetime of good health and wellbeing	Social and Cultural activities are provided to enhance the social and cultural wellbeing of the community. However, this comes at an economic cost.
City Activities	A strong, prosperous and thriving economy	City Activities are undertaken to support the economic wellbeing of the community through the promotion of tourism and visitors to the city.
Planning and Regulatory	Communities that value and promote their unique culture and heritage Safe and secure communities An environment that is appreciated, protected and sustained for future generations A lifetime of good health and wellbeing Transport infrastructure and services that are safe, effective and integrated	There is a statutory requirement for a number of these activities. However, all activities within this group are to ensure the environmental, cultural and social wellbeing of the wider community.
Property Assets	A strong, prosperous and thriving economy	Due to the nature of Council's activities and due to historic decisions made by previous authorities Council will hold land in various forms on behalf of the whole community. This separate activity provides professional management of these resources.

# Democracy and Governance

## Scope

The Democracy and Governance Group comprises:

### Democracy and Governance

Mayor and six Councillors elected by the City as a whole

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

Through Democracy and Governance, Council provides a democratic and consultative system for decision making. The Council, consisting of a Mayor and 12 Councillors, is elected three yearly. Through its structure of Committees, Subcommittees, Working Parties and Forums, Council carries out the requirements of the Local Government Act 2002 and other related legislation.

## Key Issues

In June 2015 the Local Government Commission (LGC) issued a final proposal for reorganising Hawke's Bay local government.

The proposal is to establish a single new council for Hawke's Bay, called Hawke's Bay Council, with five local boards sharing decision making and representing the interests of the region's varied communities. If implemented, it will replace the Napier City, Wairoa District, Hastings District, Central Hawke's Bay District, and Hawke's Bay Regional Councils.

A petition has been submitted to the Commission and a poll will be carried out across region to either confirm or reject the proposal. This poll will be carried out on 15 September and the results of this poll will be binding.

## Performance Results 2014/15

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of Council Meeting cycles			7 cycles with the following Council and Standing Committee Meetings:
	Council (including Extraordinary) 14	7 cycles	Council (including Extraordinary) 11
	City Services 8		City Services 7
	Finance Committee 6		Finance Committee 7
	Community Development 4		Community Development 5
	Regulatory 7		Regulatory 7
	Maori Consultative 9		Maori Consultative 6
	City Development 5		City Development 6
	Audit and Risk 2		
	LTCCP & Annual Plan 6		LTCCP & Annual Plan 1
2. All significant issues as defined by the significance policy are subject to public consultation	<p>Public Consultation for 2014/15:</p> <ul style="list-style-type: none"> <li>- Long Term Plan 2015-2025</li> <li>- City Vision - A series of targeted and ongoing consultation with a range of stakeholders including the Napier Business Association; Design Workshops with key stakeholders; in terms of a redevelopment proposal for Ossian Street a Business Park Ideas session; and in terms of a proposal to temporarily close part of Emerson Street between Clive and Memorial Squares with retailers and the Farmers Market organisers.</li> <li>- Whakarire Ave Groyne - An information evening with directly affected residents regarding options for coastal mitigation works.</li> </ul>		Report on all consultation carried out
3. Percentage of residents satisfied with the Sufficiency of Public Information in the NRB Public Opinion Survey	72%	80%	70%

## Funding Impact Statement (Democracy and Governance)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	TYP 2015 \$000	Actual 2014 \$000	TYP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,214	2,232	2,256	2,177
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges and overhead recoveries	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>2,214</b>	<b>2,232</b>	<b>2,256</b>	<b>2,177</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	-	-	-	-
Finance costs	-	-	-	-
Internal charges and overheads applied	2,214	2,232	2,256	2,177
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,214</b>	<b>2,232</b>	<b>2,256</b>	<b>2,177</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<b>Capital expenditure</b>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	-	-	-	-
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	-	-	-	-

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

# Roading

## Scope

The Roothing Group comprises:

- 363km of Roads (100% sealed)
- 306km Urban Standard Roads (approximately 10% not constructed to Council's current urban standards)
- 57km Rural Roads (70% requiring widening to cope with current traffic volumes)
- 46.4km State Highways
- 5,441 sumps and manholes to be cleaned
- 480km of kerb and channel to be swept

The City's road network provides accessibility to Napier residents and visitors within a safe, clean and aesthetic environment. The services cover the installation and maintenance of the physical components; carriageways, footpaths, steps, ramps, traffic and pedestrian bridges and structures, road and amenity lighting, drainage, traffic services and safety (e.g. street furniture, traffic lights, signage), as well as the planning, management and amenity and safety maintenance to ensure the system is clean, safe and able to cope with future needs.

## Key Issues

### Roothing Projects

#### Key works for 2014/15:

Roothing I.A.R. – ongoing works with unspent budget carried forward into future years.

**Roothing Capital Projects (Bulk Funded):** Ongoing projects throughout the City. Work during 2014/15 included the completion of the Browning Street roundabout, construction of a large kerb extension on Herschell Street for the siting of the new kowhai sculpture and the completion of the Breakwater Road car park redevelopment.

**Transportation Proposals:** Long term budget provision to cater for growth of the City. The construction of the Ford

Road extension and the Prebensen Drive four laning has been partially funded from this category. Also advanced land purchase has been undertaken to facilitate future works.

**Prebensen Drive Four Laning:** Even though subsidy for this project was unable to be obtained Council has decided to progress this project for completion later in 2015 using Transportation Proposal funding.

**CBD Upgrade:** The second stage of the Hastings Street upgrade from Albion Lane to Tennyson Street has been commenced and will be completed by November 2015. The third stage of the Hastings Street redevelopment is expected to commence in 2016.

**Cycleway Projects:** Various short sections of paths to provide improved connectivity with the overall cycling network have been completed.

### Reduced NZTA Funding

As a result of the Government's revised targets for the Land Transport Programme, subsidy levels for maintenance and renewal works for the three years from 2012/13 to 2014/15 were reduced in line with previous years. The Council has carefully reprioritised its works programmes, particularly between renewal and maintenance, to minimise any adverse effect of this shortfall in funding.

### Increase in Mass and Dimensions for Trucks

Council has been working with NZTA and their consultants to monitor the effects of the increased mass and dimension of higher productivity trucks on parts of the network. Initial indications are that the effect on straight sections of road is likely to be minimal (less than 5% increase in maintenance and renewal) largely because the increased tonnage per vehicle is expected to result in fewer vehicles on the road and the weight is generally spread over more axles. The effects on high stress areas however, (intersections and tight bends) could be more pronounced because of the additional shear forces generated by the additional axle loadings.

## Performance Results 2014/15

### Roading

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of Injury crashes in Napier City	82 - this was a 14% reduction	Reduce by 4% on previous year	95
2. Average roughness of sealed roads. (NAASRA – National Association of Australian State Road Authorities. Ratings: 70 considered smooth, 150 considered rough.)	98.3	Less than 100 NAASRA	94
3. Percentage of residents satisfied with Roads in the NRB Public Opinion Survey	88%	87%	93%
4. Percentage of residents satisfied with Footpaths in the NRB Public Opinion Survey	82%	82%	86%
5. Rating cost per rateable property	\$556	\$665	\$395

**Funding Impact Statement (Roading)**
**Financial Overview**
**Summary of Revenue and Financing Mechanisms**

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	TYP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	8,444	11,708	9,867	11,101
Targeted rates (other than targeted rates for water supply)	162	163	162	163
Subsidies and grants for operating purposes	3,438	1,979	3,274	1,888
Fees, charges and targeted rates for water supply	134	40	144	38
Internal charges and overhead recoveries	302	851	249	843
Local authorities fuel tax, fines, infringement fees, and other receipts	421	385	481	385
<b>Total operating funding (A)</b>	<b>12,901</b>	<b>15,126</b>	<b>14,177</b>	<b>14,418</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	7,574	7,667	7,356	7,226
Finance costs	-	-	-	-
Internal charges and overheads applied	1,167	1,746	1,149	1,637
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,741</b>	<b>9,413</b>	<b>8,505</b>	<b>8,863</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>4,160</b>	<b>5,713</b>	<b>5,672</b>	<b>5,555</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	1,523	-	1,464
Development and financial contributions	1,211	1,227	823	978
Increase (decrease) in debt	3,245	-	310	1,450
Gross proceeds from sale of assets	(2)	-	35	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,454</b>	<b>2,750</b>	<b>1,168</b>	<b>3,892</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	347	2,238	56	2,186
- to improve the level of service	4,768	399	1,223	390
- to replace existing assets	5,451	5,968	4,939	7,218
Increase (decrease) in reserves	(1,952)	(142)	622	(347)
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>8,614</b>	<b>8,463</b>	<b>6,840</b>	<b>9,447</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(4,160)</b>	<b>(5,713)</b>	<b>(5,672)</b>	<b>(5,555)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	5,514	8,170	7,127	7,388

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

## Capital Expenditure

### Roading

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
Roading I.A.R.	4,555	4,190	3,645
Roading Gifted Vested Assets	511	1,175	619
Roading Capital Projects (bulk funded)	1,075	1,914	1,431
CBD Development	408	-	460
Taradale Traffic Projects	407	-	132
Jervois Road Footpath	2	-	5
Cycleway Projects	4	-	84
Transportation Proposals*	16	2,146	11
Transport Study Projects*	2,701	-	47
Prebensen Drive 4 Laning*	1,058	-	343
Meeanee Road/Guppy Road Upgrade	-	-	15
Gloucester Street Widening	262	-	1
Roading Property Purchases	70	-	44
Minor Capital Items	8	-	-
	<b>11,077</b>	<b>9,425</b>	<b>6,837</b>

\* Prebensen Drive currently in progress, and will be completed by November 2015. (Prebensen Drive also funded by Transportation project funds)

# Solid Waste

## Scope

The Solid Waste Group comprises:

- Domestic refuse collection
- Kerbside recycling
- Litter control
- Redclyffe Transfer Station
- Omarunui Landfill Joint Venture

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

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

A kerbside recycling service for residential properties is provided fortnightly. Litter bins and drums are located throughout the City and serviced as required. Council's Refuse Transfer Station at Redclyffe accepts most domestic, garden and building waste. Separated recyclables excluding plastics can be dropped off free of charge.

The Omarunui Landfill is the final disposal point for waste generated by the combined populations of Hastings District and Napier City. It is jointly owned by the Hastings District (63.68%) and Napier City (36.32%) Councils and is managed on a day to day basis by the Hastings District Council.

## Key Issues

Napier disposed of 15,949 tonnes of refuse during the 2014/15 year at the landfill from the domestic collection, the Transfer Station and litter bin collections. The kerbside recycling collection diverted 2,964 tonnes of waste from landfill and a further 5,467 tonnes was diverted through recycling initiatives at the Redclyffe Transfer Station.

Markets for mixed plastics are still tough. The contamination levels of the collected plastic recyclables need to be very low in order to market them. This is very important for Councils and recycling businesses throughout New Zealand and Napier is no exception. Napier's kerbside recycling collection has continued to divert plastics from landfill as the contamination levels are manageable. The Refuse Transfer Station at Redclyffe however has stopped accepting plastics due to contamination.

More than 750 litter bins and drums are a real asset for the city and help the community to keep Napier litter free. Initiatives in various areas of the city have increased the number of bins and the corresponding servicing which can be up to three times per day. A project to capture location and asset data and the development of a system to maintain this will increase the manageability.

Napier has continued to be active in the waste minimization and education space. The annual Recycling Day and Hazmobile hazardous waste collection day are examples of this. Acceptance and diversion of paint and waste oil at the transfer station and household battery collection in the libraries have continued to be successful. The Waste-Aware education programme delivered through the National Aquarium of New Zealand is still popular and was completed by 968 full term students during the 2014/15 year.

In the 2013/14 year Napier City Council and Hastings District Council formed a joint steering committee to investigate long term alternative solutions to landfilling. As the current landfill area will be full in about 10 years the Councils are taking the opportunity to consider waste management alternatives. The project which is entering its stakeholder engagement stage is called 'Waste Futures' and will help the councils to compare the Omarunui landfill extension with other options and identify the way forward.

## Performance Results 2014/15

### Solid Waste

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Weekly household kerbside waste collection	100%	100%	100%
2. Transfer Station open for 362 days per year	100%	100%	100%
3. Waste to Landfill per capita	271.89 kg per capita	Less than 306kg	279.81 kg per capita
4. Refuse Diversion Rate	25.5%*	31%	25.8%
5. Compliance with resource consent parameters	100%	100%	100%
6. Education and waste reduction promotion programmes in place	968	1,000 students per annum	739 students
7. Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey	91%	92%	92%
8. Percentage of residents satisfied with Control of Litter, Graffiti, and Vandalism in the NRB Public Opinion Survey	91%	87%	91%
9. Cost per rateable property	\$216	\$222	\$216

\* Refer to Key Issues

## Funding Impact Statement (Solid Waste)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	535	454	568	447
Targeted rates (other than targeted rates for water supply)	1,779	1,980	1,725	1,929
Subsidies and grants for operating purposes	198	173	176	173
Fees, charges and targeted rates for water supply	1,505	1,619	1,403	1,576
Internal charges and overhead recoveries	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	1,949	2,028	1,935	1,981
<b>Total operating funding (A)</b>	<b>5,966</b>	<b>6,254</b>	<b>5,807</b>	<b>6,106</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,414	4,572	4,415	4,468
Finance costs	-	-	-	-
Internal charges and overheads applied	260	234	234	236
Other operating funding applications	1	-	1	-
<b>Total applications of operating funding (B)</b>	<b>4,675</b>	<b>4,806</b>	<b>4,650</b>	<b>4,704</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>1,291</b>	<b>1,448</b>	<b>1,157</b>	<b>1,402</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	15	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	337	454	307	831
Increase (decrease) in reserves	969	994	850	571
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,306</b>	<b>1,448</b>	<b>1,157</b>	<b>1,402</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(1,291)</b>	<b>(1,448)</b>	<b>(1,157)</b>	<b>(1,402)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	752	792	743	733

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## Capital Expenditure

### Solid Waste

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
Omarunui Development - Valley D	262	169	267
Omarunui Development - Plant	15	54	16
Omarunui Development - Forestry	-	2	-
Omarunui Development - Valleys B and C	12	119	6
Solid Waste I.A.R.	48	92	18
	<b>337</b>	<b>436</b>	<b>307</b>

# Stormwater

## Scope

The Stormwater Group comprises:

- 226km Stormwater Mains
- 58km Open Drains
- 13 Pump Stations (Napier City Council and Hawke's Bay Regional Council managed)

Council provides and maintains a stormwater disposal system for the 13 separate drainage areas or catchments in the City, aiming to minimise the effects of flooding. The system, serving approximately 97% of the City's population, consists of open drains, stormwater mains and pump stations, with about 75% of the City reliant on pumped systems for stormwater drainage.

## Key Issues

### Napier CBD

The construction of 195m of 2 metre diameter pipe from the Marine Parade beach to the corner of Tennyson and Hastings Street which commenced in 2012/13 has now been completed.

The construction of the outfall and associated viewing platform is expected to be completed by the end of the year.

The extension of the new stormwater main from Albion Street to connect to the 2 metre diameter pipe which has been laid in Tennyson Street is well underway. These works will provide for future stages of the pipeline to continue from the intersection further along Hastings Street towards Shakespeare Road, and down Tennyson Street towards Milton Road.

### Taradale

The initial part of these works involve the installation of approximately 1,000m of new stormwater main from the Spriggs Crescent Drain to the intersection of Osier and Gloucester Streets where it will connect into the existing pipelines at this location in order to provide for the increase of capacity for the drainage of the surrounding catchment. These works will also include the extension of the existing Spriggs Crescent Drain along the reserve adjacent to Perry Crescent, a distance of 250m. Works for this first stage are expected to be completed by the end of 2015.

## Marine Parade Outfalls

The continual egression of the beach crest along Marine Parade has the effect of covering over the stormwater pipe outfalls along this section of the coastline.

Works are well underway to extend the Dalton Street outfall located alongside the old Marineland site. Relaying of the outfall at a higher grade from the road edge to the outlet will raise its level sufficiently above the beach gravels to allow for its free discharge under most conditions.

Future works will include the extension of other stormwater outfalls along the Marine Parade beach.

## Stormwater Pump Stations

The Onehunga pump station constructed in 1964 serves the Petane and Atherfold catchments of Bay View. In order to restore the catchments pumping capacity, and overcome a number of existing operational concerns a new pump will be installed alongside the existing pump station.

There have been a number of recent issues at the Sale Street pump station relating to the control system which during rain events has proven to be problematic, and caused damage to the pumps and the variable speed drive. Works are underway for the upgrading of the control system which will provide a means of pump station operation management and monitoring in order to overcome these issues.

The Georges Drive pump station has undergone recent structural upgrade works, and the fitting of a new 70kW submersible stormwater pump. It is proposed that the last of the remaining non-submersible pumps be replaced, and the original switchboard upgraded.

The total pumping availability measure failed to meet target due to remedial works being carried out by the HBRC on a pump at the County Drain Pump Station and the NCC undertaking works for the replacement of one of the pumps at the Purimu Pump Station.

The Napier City Council has now completed works at the Purimu Pump Station. Once the HBRC have the pump at the County Drain Pump Station (expected within the next few weeks) the total pumping availability will be restored to 100%.

## Performance Results 2014/15

### Stormwater

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Reported number of properties inundated during events smaller than a 1 in a 50 year return period	0	0	0
2. Percentage time total pumping capacity available to prevent flooding. (Pumping capacity maintained at an average of 95% when pumps out of service for maintenance.)	96%*	97%	96%
3. Compliance with requirements of resource consents for quality and volume	100%	100%	100%
4. Percentage of residents satisfied with Stormwater in the NRB Public Opinion Survey	89%	87%	92%
5. Cost per hectare drained	\$1,376	\$1,451	\$1,341

\* Refer to Key Issues

## Funding Impact Statement (Stormwater)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	3,005	3,115	2,911	3,044
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges and overhead recoveries	62	226	51	223
Local authorities fuel tax, fines, infringement fees, and other receipts	42	65	40	63
<b>Total operating funding (A)</b>	<b>3,109</b>	<b>3,406</b>	<b>3,002</b>	<b>3,330</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,037	1,121	1,059	1,061
Finance costs	-	-	-	-
Internal charges and overheads applied	810	903	744	864
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,847</b>	<b>2,024</b>	<b>1,803</b>	<b>1,925</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>1,262</b>	<b>1,382</b>	<b>1,199</b>	<b>1,405</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	224	415	535	346
Increase (decrease) in debt	74	-	186	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>298</b>	<b>415</b>	<b>721</b>	<b>346</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	242	1,697	164	-
- to improve the level of service	991	4,100	694	3,020
- to replace existing assets	437	477	345	521
Increase (decrease) in reserves	(110)	(4,477)	717	(1,790)
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,560</b>	<b>1,797</b>	<b>1,920</b>	<b>1,751</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(1,262)</b>	<b>(1,382)</b>	<b>(1,199)</b>	<b>(1,405)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	1,946	2,120	1,868	1,906

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## Capital Expenditure

### Stormwater

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
Upgrading Stormwater Catchments	604	808	352
Stormwater I.A.R.	187	458	74
Stormwater Gifted Vested Assets	786	448	610
CBD Stormwater Upgrade*	220	1,017	242
Taradale Stormwater Upgrade*	109	2,034	67
Georges Drive Drain	-	13	-
Purimu Replacement Pump	100	-	186
Drain Improvements	50	59	50
Upgrade Taipo Stream	3	35	-
Te Awa Stormwater Pond*	342	1,627	164
Georges Drive Replacement Pump	10	-	5
Extend Marine Parade Outfalls	73	-	29
Ford Road Stormwater Main	72	-	33
Overland Drain	-	-	1
	<b>2,556</b>	<b>6,499</b>	<b>1,813</b>

\* Taradale and CBD and Te Awa Stormwater projects currently in progress and will be underway in 2015/16.

# Sewerage

## Scope

The Sewerage Group comprises:

### Wastewater

- 44 Pump Stations
- 380km Wastewater Mains
- Milliscreen Plant (Awatoto)
- 1,500m Marine Outfall
- 93% of Napier’s population serviced by reticulation system

Council provides and maintains a safe domestic and industrial sewage collection, screening and disposal system to maintain the community’s health. Properties are currently being connected to Stage 1 of the Bay View system.

## Key Issues

### Commissioning of Wastewater Treatment Plant

Construction of Napier’s Biological Trickling Filter (BTF) plant was completed on time and under budget using high quality materials and equipment. The project was 10 years in the planning and was constructed in less than two years and at a cost of \$28m, which was funded by a rated levy.

The BTF plant was built alongside the existing milliscreening plant at Awatoto. The wastewater treatment upgrade provides a secondary treatment

process including grit removal and biological treatment process for domestic effluent, which follows the milliscreening process commissioned in 1991. The plant was commissioned at the end of August 2014 and the design allows for other treatment stages to be added in future if needed.

Napier City Council managed the project, which was one of the largest Council projects to date. Equipment and specialist products were procured from all over the globe as well as from around New Zealand. Numerous Hawke’s Bay suppliers and contractors played an important role in assembling, constructing and installing the BTF plant.

The plant has been in continuous operation since this time with the treatment process meeting and often surpassing expectations. A post implementation review has been carried out and the findings will be actioned where appropriate

### Planned Key Infrastructure Projects

Work is now underway on resolving several of the key issues identified in the 2015 Wastewater Asset Management Plan. Work planned for 2015/2016 includes refurbishment of the 1,100m of DN900 reinforced concrete sewer trunk main in Riverbend Road, cleaning of the industrial pumping main, condition assessments of sewer pump stations and renewal options for the Tamatea pumping main. Options will be considered for reviewing the condition of the marine outfall. The outcomes from this work will help to refine renewal options for this critical asset, which is expected to require replacement in 2025 – 2030.

## Performance Results 2014/15

### Sewerage

Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of reticulated properties that are unable to dispose of wastewater, due to stormwater infiltration, for longer than 6 hours	Zero	Zero	1
2. Blockage resulting in overflow	Zero	Zero	Zero
3. Compliance with requirements of resource consents for quality and volume	100%	100%	100%
4. Number of complaints relating to odour	2*	Zero	1
5. Percentage of residents satisfied with Wastewater in the NRB Public Opinion Survey	93%	90%	92%
6. Cost per m <sup>3</sup> of wastewater	\$0.71	\$0.90	\$0.74
7. Cost per km of wastewater mains	\$19,637	\$22,470	\$18,634
8. Cost per rateable property	\$296	\$326	\$275

\* Complaints followed up and corrective action taken, including removal of illegally dumped refuse and increase in odour dosing rates.

## Funding Impact Statement (Sewerage)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	-	-	-	-
Targeted rates	6,994	7,840	6,498	6,542
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	379	457	415	447
Internal charges and overhead recoveries	49	84	40	83
Local authorities fuel tax, fines, infringement fees, and other receipts	200	-	-	-
<b>Total operating funding (A)</b>	<b>7,622</b>	<b>8,381</b>	<b>6,953</b>	<b>7,072</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,406	2,336	2,314	2,244
Finance costs	-	-	-	-
Internal charges and overheads applied	1,003	1,358	959	1,125
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,409</b>	<b>3,694</b>	<b>3,273</b>	<b>3,369</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>4,213</b>	<b>4,687</b>	<b>3,680</b>	<b>3,703</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	41	104	125	82
Increase (decrease) in debt	-	-	-	673
Gross proceeds from sale of assets	27	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>68</b>	<b>104</b>	<b>125</b>	<b>755</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	14	-
- to improve the level of service	5,161	-	15,047	2,642
- to replace existing assets	658	2,164	672	2,085
Increase (decrease) in reserves	(1,538)	2,627	(11,928)	(269)
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>4,281</b>	<b>4,791</b>	<b>3,805</b>	<b>4,458</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(4,213)</b>	<b>(4,687)</b>	<b>(3,680)</b>	<b>(3,703)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	4,061	4,592	3,569	3,610

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**Capital Expenditure**

**Sewerage**

	<b>Actual 2015 \$000</b>	<b>AP 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Capital Expenditure</b>			
Sewerage I.A.R.	398	1,085	472
Milliscreen I.A.R.	81	253	46
Sewerage Pump Station I.A.R.	108	229	151
Sewerage Gifted Vested Assets	203	602	362
Wastewater Outfall I.A.R.	52	509	-
Advanced Sewerage Treatment*	5,161	-	15,045
Taradale Road Pump Station and Main	-	-	14
Other Wastewater Projects	19	-	6
	<b>6,022</b>	<b>2,678</b>	<b>16,096</b>

\* Advance Sewerage Treatment project completed in 2014/15. Funded from reserves carried forward from prior years.

# Water Supply

## Scope

The Water Supply Group comprises:

- 9.8 million m<sup>3</sup> water consumed annually
- 10 wells
- 10 ground water and 8 booster Pump Stations
- 8 reservoir sites
- 30 million litres storage facilities
- 472km mains
- 93% of Napier's population serviced by reticulation system

Council provides a water supply system for the supply of potable water as well as for firefighting purposes. Water is drawn from the Heretaunga Plains aquifer, is free from harmful contamination and no water treatment is required. It is reticulated to the Napier urban area and to Bay View. Council has a programme in place to manage the usage of water, a precious natural resource, to minimise wastage and shortages.

## Key Issues

The district has experienced an extended summer which often results in days with very high water consumption. Once again the public responded well to the media campaign to use water carefully and the system coped well.

Construction of the new source well in Awatoto began in June with testing of the well and construction of the pump station expected to be complete by the end of December 2015.

Most of the preliminary and investigative work required before letting a contract for the construction of the second tank at the Taradale reservoir site was completed and it is expected that tenders for the work will be called in July 2015.

Work on upgrading the water reticulation in Hastings Street is well underway, with the work being done in conjunction with the road reconstruction. The reticulation upgrade work will carry over into the next financial year. The Hastings Street project is part of a long term programme, which is nearing completion, to upgrade the capacity of the CBD water reticulation.

Another significant water main upgrade carried out during the year was Marine Parade from Warren Street to Ellison Street. This upgrade was required to improve capacity to meet firefighting requirements and was scheduled to ensure completion before a major upgrade of the Warren Street-Marine Parade intersection.

Much of the water reticulation renewal focus this year was on replacing service connections. The galvanised iron connections used in the older parts of the city are being steadily replaced ahead of footpath renewals and, in other areas, long copper connections are being replaced by rider mains and short connections. Between them, galvanised iron and long copper service connections have the highest maintenance requirement of all service connections. The focus on service connection renewals will be ongoing for some years.

## Performance Results 2014/15

### Water Supply

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Compliance with requirements of Resource Consent conditions	100%	100%	100%
2. Water quality adherence to Drinking Water Standards for NZ 2005 (revised 2008)	Not Met*	100%	100%
3. Percentage of water mains > 100mm in diameter cleaned	17%	20%	21.3%
4. No fire hydrants reported by NZ Fire Service not meeting code of practice pressure and flow requirements	Zero	Zero	Zero
5. Percentage of residents satisfied with Water Supply in the NRB Public Opinion Survey	95%	90%	95%
6. Cost per m <sup>3</sup> of water	\$0.41	\$0.46	\$0.41
7. Cost per km of water mains	\$8,465	\$9,673	\$8,721
8. Operating cost per rateable property	\$167	\$178	\$167

\* The Taradale and City distribution zones complied with the Drinking Water Standards. However, the Bay View distribution zone technically did not comply due to the time between samples exceeding the limit on one occasion.

**Funding Impact Statement (Water Supply)**
**Financial Overview**
**Summary of Revenue and Financing Mechanisms**

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	-	-	-	-
Targeted rates (other than targeted rates for water supply)	3,861	4,064	3,683	3,780
Subsidies and grants for operating purposes	-	-	-	-
Fees, charges and targeted rates for water supply	501	518	486	506
Internal charges and overhead recoveries	45	116	37	115
Local authorities fuel tax, fines, infringement fees, and other receipts	7	12	7	12
<b>Total operating funding (A)</b>	<b>4,414</b>	<b>4,710</b>	<b>4,213</b>	<b>4,413</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,882	2,264	1,966	2,144
Finance costs	-	-	-	-
Internal charges and overheads applied	678	754	636	726
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,560</b>	<b>3,018</b>	<b>2,602</b>	<b>2,870</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>1,854</b>	<b>1,692</b>	<b>1,611</b>	<b>1,543</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	60	155	160	121
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>60</b>	<b>155</b>	<b>160</b>	<b>121</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	145	2,273	2	860
- to improve the level of service	67	126	-	123
- to replace existing assets	989	743	391	725
Increase (decrease) in reserves	713	(1,295)	1,378	(44)
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,914</b>	<b>1,847</b>	<b>1,771</b>	<b>1,664</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(1,854)</b>	<b>(1,692)</b>	<b>(1,611)</b>	<b>(1,543)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	1,493	1,576	1,472	1,428

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

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

## Capital Expenditure

### Water Supply

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
Water Pipes I.A.R.	746	600	269
Water Pump Stations I.A.R.	125	90	33
Water Meters I.A.R.	2	22	1
Capital Upgrade Associated with I.A.R.	146	121	77
Water Supply Gifted Vested Assets	103	221	161
Awatoto Trunk Main	45	2,179	-
Upgrade Water Supply Control System	37	-	4
New Well - Awatoto	84	-	2
New Reservoir Taradale	16	-	-
Minor Capital	-	-	6
	<b>1,304</b>	<b>3,233</b>	<b>553</b>

# Recreation

## Scope

### Sportsgrounds

- 15 sports parks (213 hectares)
- Major facilities – McLean Park Complex, Park Island, Nelson Park and Tareha Park

Sportsgrounds are provided throughout the City to cater for a range of recreational and sporting needs.

### Napier Aquatic Centre

- Indoor facilities (heated) – 5 lane 25m pool, 6 lane 25m pool, 15m learner’s pool, 2 toddler pools, 2 spa pools, 2 water slides

A comprehensive aquatic facility providing educational and recreational programmes, and a range of outdoor activities including water jets and toys, a flying fox, volleyball courts, barbeque areas, shaded areas, and a general playground.

### Marine Parade Pools

- 4 heated outdoor pools
- 5 spa pools

A complex with a range of heated pools and spas managed under contract.

### Reserves

- 36 neighbourhood parks, 46 greenbelt reserves, 9 foreshore reserves and 9 public gardens
- 75m<sup>2</sup> recreational reserves per residential lot (target)

A range of passive recreation facilities providing a network of open spaces and formal gardens of a high standard throughout the City.

### Inner Harbour

- 95 berths

An area of wharves and catwalks in Ahuriri providing berths for commercial and recreational vessels, and popular for recreational fishing.

## Key Issues

### Sportsgrounds

#### Sportsgrounds Development

The Park Island Master Plan was completed in early 2013 and sets in place the future boundaries and layout of the Park Island sports complex. This Master Plan has initiated a process to significantly expand and enhance the City’s open space and outdoor sports facilities. Over the next 20 to 30 years, the Council will work with sports organisations and other stakeholders to turn the master plan into a reality. Recent works that has been undertaken:-

- Park Island Master Plan Sportsgrounds zoning has been included in Council’s District Plan (plan change 10, which the sportsgrounds zoning was part of was advertised on the 7 December 2013 and submissions, closed 14 February 2014. No submissions were received; therefore the sports zone became operative)
- Improvements to traffic management along Clyde Jeffery Drive were completed
- A Contract is to be let for a pathway around the base of the cemetery hills
- Rebranding and design of Park Island signage has been completed and signage manufactured. Signage to be installed shortly
- Earthworks have commenced on the northern hub to bring existing ground level up to finish level and to prepare the site for sports fields
- Hawke’s Bay Regional Council has completed design work and is preparing to go to contract to realign and rehabilitate a section of the Taipo Stream adjacent to the existing hockey fields, and consequently to support the establishment of hockey’s third artificial turf at Park Island
- Construction of a new central administration building for Central Football Federation has been completed

### Sport and Active Recreation Strategy

The Council continued to work in partnership with other councils in the region, regional sports organisations and Sport Hawke’s Bay and adopted the ‘Hawke’s Bay Regional Sports Facilities Plan’.

### Cricket World Cup

The Council in conjunction with Cricket World Cup 2015 hosted three World Cup matches at McLean Park.

### Napier Aquatic Centre

The Enclosure Building Upgrade work has been put on hold until detailed seismic assessments have been completed for all the buildings in the complex.

### Reserves

#### Whakarire Avenue Breakwater and Westshore Beach Reprofilng

Recently the design aspects of the Whakarire have undergone a review. A modified design is currently being prepared after which the Resource Consent process will recommence. The granting of a consent and subsequent construction of a breakwater would stabilize the southern end of the beach and enable subsequent re-profilng of Westshore Beach to enhance the aesthetics of the beach and make it more user friendly. The construction of a breakwater would also enable more houses to be taken out of the coastal hazard zone.

### Reconstruction of the historic Art Deco skating rink on Marine Parade

The existing Art Deco skating rink on the Marine Parade (in front of the Soundshell) has over time deteriorated to such an extent that it is now badly cracked and visually compromised. Council Design and Services Department staff have undertaken investigations into a number of the logistical aspects associated with the selection of the correct pigments for the concrete and removal of the old rink, reconstruction of the sub-base and re-pouring of the existing Art Deco concrete pattern is expected to commence around April of 2016.

### Botanical Gardens restoration

The final stage of an upgrade of existing infrastructural items associated with the Botanical Gardens is currently underway. This involves the re-construction of the lower pathway and seating at the bottom entrance to the garden.

### Marine Parade Development

Council has been investigating options for the future development of the current Marineland site and the car park area to the north of Marineland. Work is proceeding on development of an option for a world class roller sports venue, an adjacent interactive water-play recreation area (Reef Garden), a replacement car park, and a grassed amphitheatre linked to the southern end of the sunken gardens.

A feasibility study of options for the development of the site has been completed and a business case for this option is in progress but has yet to be approved by Council. The cost of this redevelopment option is estimated at \$5.7m. Should the project proceed, funding has been identified for \$5.7m, which will not impact rates.

### Other Projects

Budget for the Marine Parade Landscaping and Planting and Landscaping projects was included in past years. Unspent budgets for Reserves I.A.R. and Passive Recreation Reserves will be carried forward into next year to be used on these projects in the future.

### Inner Harbour

An Engineering Survey of Inner Harbour Assets was undertaken in November 2014. Two major structures West Quay and Nelson Quay are in excess of 80 years and survivors of the 1931 earthquake. West Quay is generally sound however pile top repairs are recommended in 10 years' time. Nelson Quay has obvious signs of deterioration and it is recommended that the repair of pile tops be carried out within a 5 to 10 year timeframe.

Funding of approximately \$4m has been provided in the 2015/16 Ten Year Plan to cater for renewal work.

Dredging of the channel was completed in October 2013 and it is anticipated that further dredging will not be required for a further 3-4 years from that date.

## Performance Results 2014/15

### Sportsgrounds

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Sportsgrounds area per 1,000 residents	3.6 ha	3.5ha	3.7 ha
2. Number of sportsgrounds suitable for hosting national and regional outdoor events	3	Minimum of 3	3
3. Number of sportsgrounds suitable for hosting premiere international and national outdoor sporting events	1	Minimum of 1	1
4. Percentage of residents satisfied with Parks and Sportsfields in the NRB Public Opinion Survey	89%	90%	87%
5. Operating Cost per rateable property	\$195	\$170	\$165
6. Operating cost per hectare	\$22,993	\$20,244	\$19,559

### Napier Aquatic Centre

Performance Measures	Actual 2015	2014/15 Targets	Actual 2014
1. Napier Aquatic Centre accredited as meeting Poolsafe standards	Audit completed NAC assessed as pool safe 100%	100%	100%
2. Water quality adherence rate to NZ Water Treatment Standards 5826:2010	96%	100%	100%
3. Number of users	204,000	204,000	182,623
4. Percentage of residents satisfied with Pools in the NRB Public Opinion Survey	61%	82%	56%
5. Operating cost per rateable property	\$92	\$92	\$94

### Reserves

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Recreational land per residential lot	69m <sup>2</sup> *	75m <sup>2</sup>	77.06m <sup>2</sup>
2. Complaints per annum	9	<60	5
3. Number of playgrounds	32	32	32
4. Playground accidents per annum	0	<10	1
5. Annuals propagated and planted throughout the city, to achieve aesthetic appeal	223,180	195,000	173,340
6. Percentage of residents satisfied with Public Gardens, Street Beds and Trees in the NRB Opinion Survey	96%	95%	96%
7. Cost per rateable property	\$143	\$158	\$144
8. Operating cost per hectare of Reserve	\$9,041	\$9,971	\$9,072

\* The ratio of recreational land to residential lots will decrease as additional lots or infill occurs without an increase in the available recreational reserves.

### Inner Harbour

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of berths provided	98 berths	98 berths	98 berths
2. Maximum time between Depth Soundings of the Inner Harbour	Dredging completed October 2013 along with post dredging depth surveys. Dredging is carried out to a sufficient depth to ensure dredging is only required every 3 to 4 years. Next soundings are intended to be carried out late 2015	18 months	Soundings taken August 2012. Dredging completed October 2013 along with post dredging depth surveys

## Funding Impact Statement (Recreation)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	7,847	7,631	7,179	7,846
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	3	24	39	24
Fees, charges and targeted rates for water supply	2,060	1,495	1,514	1,466
Internal charges and overhead recoveries	83	208	70	206
Local authorities fuel tax, fines, infringement fees, and other receipts	762	698	661	632
<b>Total operating funding (A)</b>	<b>10,755</b>	<b>10,056</b>	<b>9,463</b>	<b>10,174</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	7,961	7,305	7,598	7,180
Finance costs	-	-	-	-
Internal charges and overheads applied	1,875	2,061	1,729	1,752
Other operating funding applications	8	2	-	2
<b>Total applications of operating funding (B)</b>	<b>9,844</b>	<b>9,368</b>	<b>9,327</b>	<b>8,934</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>911</b>	<b>688</b>	<b>136</b>	<b>1,240</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	224	358	192	290
Increase (decrease) in debt	-	3,503	-	1,571
Gross proceeds from sale of assets	-	-	311	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>224</b>	<b>3,861</b>	<b>503</b>	<b>1,861</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	398	1,886	449	1,342
- to improve the level of service	1,265	1,550	1,312	510
- to replace existing assets	1,008	2,512	824	1,968
Increase (decrease) in reserves	(1,536)	(1,399)	(1,946)	(719)
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,135</b>	<b>4,549</b>	<b>639</b>	<b>3,101</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(911)</b>	<b>(688)</b>	<b>(136)</b>	<b>(1,240)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group depreciation and amortisation</b>	<b>1,924</b>	<b>2,444</b>	<b>2,101</b>	<b>2,179</b>

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

**Capital Expenditure**
**Recreation**

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
<b>Sportsgrounds</b>			
Sportsgrounds I.A.R.	178	328	95
McLean Park Harris Stand Retrofitting	277	-	71
McLean Park Light Tower Upgrade	12	-	170
McLean Park Sky TV Infrastructure Extension	26	-	-
RGC Events Centre	-	-	41
Park Island Bond Field Extension	396	-	341
Park Island Expansion*	-	1,707	-
Extension of Suburban Sportsgrounds	-	-	480
Sportsgrounds Minor Capital	19	-	27
<b>Napier Aquatic Centre</b>			
Napier Aquatic Centre I.A.R.	81	158	58
Demolish and Restore Olympic Pool	37	-	43
Napier Aquatic Centre Enclosure Building	-	980	-
<b>Reserves</b>			
Reserves I.A.R.	249	517	251
Marine Parade Landscaping	37	-	485
Marine Parade Playground	-	-	7
Marine Parade Development Projects	42	-	14
Reserves, Pathways, Linkages	-	1,361	-
Hardinge Road Erosion	134	213	-
Perfume Point Reserve Beach Landscaping	134	105	-
Passive Recreation Reserves	-	102	-
Reserves Gifted Vested Assets	50	102	-
Tree Planting Programme	116	69	63
Playground Equipment	89	55	-
Botanical Gardens Restoration	25	-	133
Westshore Beach Reprofiling	-	431	-
Whakarire Ave Groyne	-	-	24
Clive Square Lighting Project	224	-	-
Planting and Landscaping	-	-	108
Relocate Nursery	-	351	-
Taradale Skate Bowl	100	-	-
Reserves Minor Capital	-	-	37
<b>Inner Harbour</b>			
Inner Harbour Facilities Renewals	59	158	137
Boat Ramp	276	-	-
Napier Skate Park			
Napier Skate Park Development	160	-	-
	<b>2,721</b>	<b>6,637</b>	<b>2,585</b>

\* Park Island Expansion relates to earthworks for next stage of Park Island Masterplan. Work to be completed in 2015/16.

# Social and Cultural

## Scope

### Libraries

- 2 Libraries – Napier and Taradale
- 37,000 members

Libraries offer free-to-all services and a stimulating and pleasant environment. Services include recreational, educational, historical, genealogical, cultural and current affairs material. Online facilities, digital literacy, reading and outreach programmes are also available.

### Napier Municipal Theatre

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

Venue key features include:

- Theatre seating capacity of 993 on two levels – Stalls and Dress Circle
- Pan Pac Foyer for exhibits, functions and conferences
- Bar and kiosk facility
- Technical capability and support

The Pan Pac Foyer is home to the Ticketing Box Office, where event and concert bookings can be made for local and national ticketed events.

### MTG Hawke's Bay (Museum Theatre Gallery Hawke's Bay)

Arts, cultural and museum facilities and a regional archive are provided by the MTG Hawke's Bay and Century Theatre. The regional collection of heritage, art and artifacts are managed under an agreement with the Hawke's Bay Museums Trust.

### Community Planning

Community planning provides support for Napier's community and voluntary sector through advice, information and financial support. In addition, strategies and policies are developed in collaboration with key stakeholders and community to help address social issue and emerging trends. Policies, projects and activities are delivered across a broad range of areas including community safety, youth development, positive ageing, arts and culture, recreation, health, community facilities and funding

### Halls

- 5 casual hire facilities, 2 leased facilities

Council provides a range of facilities with a good geographic spread for recreational, community or leisure activities at affordable prices.

### Retirement and Rental

- 303 retirement flats in 9 villages - all 1 bedroom
- 72 rental flats in 3 villages - mostly 2 bedrooms

Flats are provided for people with special housing needs, low assets, and low income, with the emphasis on providing for the welfare of the tenants. Council flats are in high demand with the average occupancy rate exceeding 97%.

### Cemeteries

- 6 cemeteries - 4 operational and 2 historic

with comprehensive areas for burials, ash interments, and ash scattering. Recently Council implemented a complete audit of all cemetery records and as each individual cemetery is completed these records are then loaded onto the Council's website so that they are available for genealogical enquiries.

The crematorium for the Hawke's Bay region, located in Hastings, is owned and operated by Hastings District Council.

### Public Toilets

- 44 toilet facilities

Public toilets are provided in key areas generally related to tourism, recreation and shopping activities. Facilities are cleaned and inspected daily with the emphasis on hygiene, safety and mitigation of graffiti.

A renewal programme to replace several of the older toilet blocks is being implemented during 2015/2016.

### Emergency Management

- 1 Emergency Operations Centre (EOC)
- 1 Mobile Emergency Operations Centre - satellite based to ensure data communications in a major disaster
- 9 Civil Defence Centres (sites are pre-designated but may not be used)
- 2 Centre Activation Teams (CAT) established and mobile (Volunteers)
- 1 Communications Team established and mobile (Volunteers)
- 1 Satellite Team established and mobile (Volunteers)
- 1 Light Rescue Team – not yet established but in set up stage (Volunteers)

Emergency Management combines council staff, volunteers, other organisations and agencies to facilitate a response to emergencies in Napier. Integration of policies and planning as a region is coordinated by the Hawke's Bay Civil Defence Emergency Management Group (HBCDEM Group).

## Key Issues

### Libraries

Library members and other visitors are increasingly accessing the Libraries in a different way, and for different reasons, than has been the established tradition. Examples are the use of the library buildings as community hubs for informal meetings; increased use for study; the burgeoning public internet and email service; literacy and digital literacy support; and programmes for both children and adults. Remote access through the Libraries' website is being increasingly used to renew Library loans online; search the catalogue to place online reservations; to research using the online subscription databases; and to borrow online e-Books and audio-books.

During spring 2015/16 a redevelopment programme at Napier Library will include a total interior repaint, carpet replacement, new furniture and the redevelopment of the roof garden space. Napier Library is being considered as one option for the storage of MTG Hawke's Bay archives.

### MTG Hawke's Bay (Museum Theatre Gallery Hawke's Bay)

Community satisfaction with MTG Hawke's Bay has nearly doubled in the past year but we want to continue to improve.

Engaging the community is a critical issue for MTG, and the museum is actively responding to community requests, such as the demand to increase the number of objects on display and provide exhibitions that engage our local audience.

The quality and professionalism of exhibitions has significantly increased with the redevelopment and sets a new benchmark for visitor expectations.

Community interest in the Century Theatre is high and making sure it is used to its full capacity is something staff have prioritised.

Work continues on finding additional space for collection storage. While the basement has been filled, staff are looking at other spaces in the building to see if they can be used for storage. Collection standards are also being reviewed so that sustainability and fiscal responsibility are being considered alongside collection management ideals.

### Community Planning

Population changes present challenges in the medium to long term. Demand will come from both the ageing population and youth.

Funding sources continue to decline for community organisations but demand for their services is on the increase. Council will continue to offer support, resources and advice to organisations, both at individual levels and in group settings.

Safety continues to be identified as a key concern for Napier residents. Work is continuing to strengthen our neighbourhoods by encouraging better connections within them. Council also support community based organisations such as Neighbourhood Support, Napier Community Patrols and the Napier Safety Trust which contribute to making Napier a safer community.

### Halls

A seismic assessment of the Memorial Square building undertaken in April 2013 identified structural issues and the building requires strengthening to bring it up to a satisfactory level of New Building Standards. The building was vacated and remains closed to the public. Further investigation into costs and the scope of work required is yet to be completed. Budget for the reconfiguration of the building for a Community Hub has been included in the 2015-25 Long Term Plan; this does not include costs for strengthening work.

Other assessments of Community Halls are at various stages of completion. There may also be structural issues identified with these buildings.

Minor refurbishment of the entrance way, kitchen and toilets in the Greenmeadows East Community Hall was completed through the building maintenance programme.

The Taradale Community Rooms seismic assessment identified no issues. The rooms are in need of some minor refurbishment and this will be added to the existing building maintenance programme.

### Retirement and Rental

During the 2014/15 year the underfloor insulation was brought up to current standards and has been completed at Henry Charles Village.

New letterboxes, fencing and some paving to accommodate pedestrians and scooters were installed at Greenmeadows East. Fencing and paving will continue in 2015/16. New roofs have been put on at Otatara Village and Henry Charles Village. Work is being undertaken on porches at Henry Charles Village based on the asset management plan. Ongoing replacement of old aluminum windows at Oriel Place is programmed for when flats are vacant. A project to upgrade Coventry Avenue car parking, paving, lighting and landscaping has started and work will continue into 2015/16.

The Pensioner Housing Upgrade reserve is being used to improve kitchen and bathroom ventilation and at the same time renew bathroom fixtures and fittings. To date all of the bathrooms have had ventilation installed and the majority of bathrooms that require vanities have been upgraded. An investigation into options for kitchen ventilation will commence in 2015/16.

### Cemeteries

#### Cemetery Extension

In order to accommodate the future burial and ash interment requirements for Napier city the undeveloped portion of the Western Hills Cemetery will need to be designed and constructed. Design work is well underway with a final concept plan ready by late 2015. Once stage one (the design) has been completed then stage 2 (the construction) can begin. It is anticipated that construction work will commence in early 2016.

### Emergency Management

Napier City Council works with the HBCDEM Group to implement the regional plan in its own area of responsibility and works closely with surrounding local authorities to ensure a seamless transition between areas in a disaster.

Current legislation, particularly the Civil Defence Emergency Management Act 2002, continues to be in need of review due to significant national events. This may place additional requirements on Council in the future. Part of this has been carried out and the new Coordinated Incident Management Structure (CIMS) has been released by central government and is now in force. This has placed additional re-structure requirements on the Council to ensure compliance in a multi-agency activation for a disaster.

This year there has been one successful Siren test with a leveling off in levels of preparedness as indicated by the surveys but an increase in the number of people hearing the sirens due to the addition of an extra siren at Ahuriri. A number of minor changes proposed in the previous annual report have been implemented ensuring a more robust and agile response capability within the Emergency Management sector:

1. Emergency Management Information System (EMIS).
  - a. This has allowed for faster passage of information for Local Controllers and allows the Regional Group and Ministry of Civil Defence Emergency Management (MCDEM) to 'view' our situation and co-ordinate a response to assist the Local Authority
  - b. This system also allows for the rapid input of welfare needs from the live Civil Defence Centres into the system, allowing for the Welfare Manager and their team to faster coordinate a welfare response
2. Two Emergency Management Operation Centres (EOC). One fully established and one mobile, able to be set up where required to best respond to a disaster.
  - a. This project continues with only minor purchases to be made to complete the project. The contract with the connection supplier is working well. The addition of two satellite phone systems for the Controller and Emergency Management Officer further enables the organisation to respond.
  - b. The 'Mobile EOC' will also be deployed to assist with the Centre Activation Team in the event it is not required for the EOC function.
3. Following a gap analysis around light rescue the volunteer structure has once again been amended to allow for the establishment of a light rescue team, which will be a Hawke's Bay asset. It is intended the team will have two squads, HB North (Napier based) and HB South (Hastings based), which will allow for rapid deployment in the event of requirement. This project is in its infancy.

## Performance Results 2014/15

### Libraries

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Percentage of Napier City residents who are active borrowers (two year average)	38%	39%	35%
2. New stock items per 1,000 residents (incl electronic)	354	>350	243
3. Percentage of residents satisfied with the Library Service in the NRB Public Opinion Survey	84%	85%	85%
4. Total cost per door and web entry	\$5	\$7	\$5
5. Rating cost per rateable property	\$136	\$130	\$129

### Napier Municipal Theatre

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Visitor and local entries to facility	90,607**	98,000*	87,918
2. Number of hire days for theatrical and cultural events	181	163	180
3. Operating cost per entry	\$13	\$12	\$12
4. Rating cost per rateable property	\$27	\$25	\$25

\* Calculation basis for the TYP was inappropriate and has been changed for the Annual Plan 2014/15 which was adopted by Council on 18 June 2014

\*\* The number of hire days for theatrical and cultural events were up but despite this, number of patrons at events has dropped. This is due to the quantity of available touring shows and patrons' discretionary income

**MTG Hawke's Bay (Museum Theatre Gallery Hawke's Bay)**

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Visitor and local entries to MTG Hawke's Bay	117,388*	150,000***	125,155
2. Number of events per annum	105	12	58
3. Number of collection items lost or damaged	0	0	0
4. Number of exhibitions per annum	17	12	15
5. Percentage of residents satisfied with Hawke's Bay Museum and Art Gallery (including Century Theatre) in the NRB Public Opinion Survey	43%	80%	27%
6. Operating cost per entry	\$38**	\$6	\$35
7. Rating cost per rateable property	\$121	\$79	\$89

\* Refer to Key Issues

\*\* Wage costs are \$200k over budget due to restructuring costs and extra costs on depreciation due to timing of capitalising of the building

\*\*\* Calculation basis for the TYP was inappropriate and has been changed for the Annual Plan 2014/15 which was adopted by Council on 18 June 2014

**Community Planning**

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of local community events coordinated	17	68	67
2. Number of youth forums coordinated per annum			
3. Minimum number of community based crime reduction strategies supported	4	4	4
4. Number of community training and networking meetings facilitated per annum	7	20	28
5. Satisfaction rating of attendees at workshops	100%	95%	96%
6. Number of community organisations receiving information via email 4 times per year	126	120	186
7. Percentage of residents with Safety Day in the NRB Public Opinion Survey	97% of respondents feel safe in during the day in their neighbourhoods and CBD*	96%	97% of respondents feel safe in their homes during the day, 95% of respondents feel safe in their neighbourhoods during the day, 96% of respondents feel safe in the CBD during the day
8. Percentage of residents satisfied with Safety Night in the NRB Public Opinion Survey	94% of respondents feel safe in their homes after dark, 79% of respondents feel safe in their neighbourhoods after dark, 59% of respondents feel safe in the CBD after dark	61%	94% of respondents feel safe in their homes after dark, 66% of respondents feel safe in their neighbourhoods after dark, 32% of respondents feel safe in the CBD after dark
9. Operating cost per rateable property	\$50	\$58	\$58

## Halls

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of Halls	6	6	5
2. Customer satisfaction that the service provided meets acceptable standards	99%	95%	90%
3. Average rating cost per Hall	\$27,453	\$44,760	\$48,823

## Retirement and Rental Housing

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Village Coordinators available during normal working hours and on call for emergencies after hours	100%	100%	100%
2. Inspections per unit per year			
• Retirement Flats – fortnightly [welfare]	100%	100%	100%
• Rental Flats – annually [maintenance]	100%	100%	100%
• Retirement – annually [maintenance]	100%	100%	100%
3. Occupancy rate of Retirement and Rental Housing	Year to date Occupancy rates: Retirement = 98.50% Rental = 97.8%	97%	98% retirement flats, 97% rental flats

## Cemeteries

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Cemeteries records are well maintained and accessible	90%	Online cemetery records system available 90% of the time	90%
2. Cemeteries are well maintained and provide a quiet environment for visitors	0	< 10 complaints per annum	Zero
3. Interment and Burial spaces are available on request	100%	100%	100%
4. Percentage of residents satisfied with Cemeteries in the NRB Public Opinion Survey	77%	80%	77%
5. Operating cost per rateable property	\$25	\$24	\$22

## Public Toilets

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Public toilets cleaned daily	100%	100%	100%
2. Percentage of residents satisfied with Public Toilets in the NRB Public Opinion Survey	72%	80%	78%
3. Operating cost per rateable property	\$33	\$33	\$29

**Emergency Management**

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Public Warning Systems are in place	88.1% of population receive warnings	80% of population receive warnings	6 April 2014 - 88% heard the sirens
2. Population prepared in accordance with national guidelines for an emergency event	53% of population has a survival kit	60% of survey respondents have an emergency kit	April 2014 - 87% had emergency kits
3. Percentage of residents satisfied with Civil Defence Organisation in the NRB Opinion Survey	71%	75%	72%

## Funding Impact Statement (Social and Cultural)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	8,905	8,367	8,854	7,856
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	403	353	455	353
Fees, charges and other than targeted rates for water supply	2,287	2,904	2,210	2,836
Internal charges and overhead recoveries	2,254	1,968	2,328	1,923
Local authorities fuel tax, fines, infringement fees, and other receipts	2,458	2,417	2,298	2,361
<b>Total operating funding (A)</b>	<b>16,307</b>	<b>16,009</b>	<b>16,145</b>	<b>15,329</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,147	9,240	9,678	9,023
Finance costs	-	-	-	-
Internal charges and overheads applied	5,773	5,417	5,591	5,303
Other operating funding applications	6	-	-	-
<b>Total applications of operating funding (B)</b>	<b>14,926</b>	<b>14,657</b>	<b>15,269</b>	<b>14,326</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>1,381</b>	<b>1,352</b>	<b>876</b>	<b>1,003</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	697	619
Development and financial contributions	20	48	25	39
Increase (decrease) in debt	-	-	2,571	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>20</b>	<b>48</b>	<b>3,293</b>	<b>658</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	-	-
- to improve the level of service	700	40	2,999	39
- to replace existing assets	934	1,579	1,155	1,226
Increase (decrease) in reserves	(233)	(219)	15	396
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>1,401</b>	<b>1,400</b>	<b>4,169</b>	<b>1,661</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(1,381)</b>	<b>(1,352)</b>	<b>(876)</b>	<b>(1,003)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	2,303	2,193	1,456	1,939

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

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

**Capital Expenditure**

**Social and Cultural**

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
<b>Libraries</b>			
Library Stock	343	502	342
Minor Capital Items	34	-	14
Napier Municipal Theatre			
NMT Minor Capital	26	29	23
<b>Museum, Theatre, Gallery, Hawke's Bay</b>			
MTG Building	271	-	2,708
MTG Minor Capital	24	27	262
<b>Halls</b>			
Seismic Upgrades Meeanee Memorial Hall and King George Hall	290	-	-
Halls Minor Capital	-	-	26
<b>Community Advice</b>			
Crime Prevention Through Environmental Design	22	-	181
Art Deco Sculpture	81	-	-
Marine Parade Pump Track	288	-	-
Marine Parade Freedom Camping Carpark	32	-	-
Maraenui Community Centre	4	-	-
Minor Capital Items	4	-	-
<b>Retirement and Rental Housing</b>			
Retirement Flats Minor Capital	107	274	228
Rental Flats Minor Capital	20	45	9
<b>Cemeteries</b>			
Cemeteries I.A.R.	30	86	49
Western Hills Extension	-	247	4
Other Cemeteries Projects	-	12	4
<b>Public Toilets</b>			
Public Toilets I.A.R.	40	110	166
New Toilet Programme	-	38	96
<b>Emergency Management</b>			
Emergency Management Minor Capital	18	-	43
	<b>1,634</b>	<b>1,370</b>	<b>4,155</b>

# City Activities

## Scope

### City Business and Promotion

- Council is working in collaboration with all other Hawke's Bay Councils to develop a Regional Economic Development Strategy
- Council promotes Napier via a city marketing programme and its support to the Napier and Taradale business associations
- Sister City relations – Tomakomai (Japan), Lianyungang (China) and Victoria (Canada)
- Grants to key local tourism organisations

Art Deco is an important tourism feature of the city and Council assists the Art Deco Trust in its promotion of Art Deco in Napier by way of a contract for service.

### War Memorial Conference Centre

The Napier War Memorial Conference Centre located on the northern end of Napier's Marine Parade with views from Mahia Peninsular to Cape Kidnappers, offers a high quality full service conference and event venue.

Located in the Napier War Memorial Conference Centre foyer is the extended Memorial Roll of Honour and the Eternal Flame. The original War Memorial Hall was built by public subscription in 1956. It was renovated and enlarged in 1995 to continue as a living, working memorial befitting those Napier citizens who served and died in the Second World War conflict.

### National Aquarium of New Zealand

The National Aquarium is one of the premier Hawke's Bay tourist attractions and is uniquely situated on Napier's foreshore on Marine Parade. It is designed to be a centre of education, entertainment and cultural experience.

The facility consists of a large building which houses the display tanks, laboratory and exhibits, exhibition/functions area along with areas for retail souvenir sales, a café, education rooms, pump and service rooms and administration offices.

Services provided include general admissions to the public, education programmes for schools, tours, diving and swimming with the sharks, photograph opportunities, sleepovers, birthday parties, functions, special events, retail souvenir sales and a café.

### Napier i-SITE Visitor Centre

Napier i-SITE Visitor Centre on Marine Parade is part of the NZ Visitor Information Network and offers information and booking services including accommodation, attractions, activities, itinerary planning and advice, gifts, souvenirs, stamps and phone cards, local events and entertainment information, maps, guides and books.

### Par2 Mini Golf

Consists of two 18 hole themed miniature golf courses and a club house situated next to the Napier i-SITE Visitor Centre on Marine Parade providing entertainment for all ages. Services include group rates, family passes and hireage for special events

### Kennedy Park Resort

Kennedy Park Resort Napier provides a range of accommodation, dining and leisure facilities. It holds Qualmark five and four plus star awards for the standard of its park facilities and accommodation and a Qualmark Enviro Gold award for its environmental sustainability. The park covers approximately 5.7 hectares of land offering 91 built accommodation units, 92 powered sites and 78 unpowered sites. Facilities include a restaurant and bar; conference room; communal kitchen; heated swimming pool; playground including large jumping pillow, gym, TV lounges and games room.

## Key Issues

### War Memorial Conference Centre

Currently some spaces within the venue are being over-stretched to meet the demand and change of expectations of the conference/event industry. This inhibits our ability to cater for conferences up to 320 delegates which is seen as the optimum size for Napier and continues to risk our service levels.

The key areas are:

- Lack of suitable exhibition space
- Size of dining space
- Layout of kitchen area
- Number of breakout areas

A seismic assessment of the War Memorial Conference Centre has rated the building as 20-25% new Building Standard (NBS) and is therefore earthquake prone. The capacity of the building is not to exceed 300 people at any one time until strengthening work has been completed.

### National Aquarium of New Zealand

Future demand is forecast to remain at similar levels to those currently being experienced. It is essential that ongoing reinvestment continues, to maintain visitor interest. Without the displays and exhibitions being upgraded, future demand would be increasingly difficult to maintain or grow. Management will continue to work on new exhibitions, ensuring they keep up with environmental trends and technology, and abreast of new developments to keep repeat visits as high as possible and to attract new visitors.

The Aquarium must stay affordable for locals and keep a family focus or a drop off in revisits may occur.

The education delivery demands are dependent on Ministry of Education requirements and any curriculum changes.

The Reception / Ticketing area has issues to ensure payment at entry. Staff are not able to control large numbers of visitors at one time and during these times the current reception layout allows visitors to access the facility. Allowing visitor access to the Café and Gift Shop area only also needs to be addressed. This is currently being addressed through building alterations.

**Kennedy Park Resort**

Like all Holiday Parks in New Zealand, demand for Kennedy Park Resort Napier is seasonal in nature. Market forces that are constraining demand for accommodation include seasonality (where most revenue is earned in the peak summer season), a predicted growth in international visitor numbers but a reduction in their daily expenditure, competition from other New Zealand regions and within Hawke’s Bay.

Other issues include:

- Capacity constraints in the peak season where, on 30 days per annum, Kennedy Park is full
- There is a trend away from caravan and tent sites toward staying in built accommodation in holiday parks in both New Zealand and Australia
- The ongoing need for building maintenance in order to provide visitors with quality experiences and value for money
- Growing visitation and revenue will also require consideration of the provision of facilities that are less weather dependent in order to generate growth outside the peak summer season e.g. indoor facilities

**Performance Results 2014/15**

**City Business and Promotion**

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Growth in business numbers	No material change in business numbers noted	To be reported	No material change in business numbers noted
2. Number of visitor nights in commercial accommodation	560,128*	615,000	522,772
3. Cruise ship visitor numbers	94,497*	95,000	85,437
4. Percentage of residents satisfied with Council’s Policies to Promote Job Opportunities in the NRB Public Opinion Survey	32%	80% Target based on excluding "don't know"	35%
5. Percentage of residents satisfied with Tourism Promotion in the NRB Public Opinion Survey	87%	88%	84%
6. City GDP per capita	\$35,322	To be reported	\$36,394

\* Refer to Scope

**War Memorial Conference Centre (WMCC)**

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Maintain Qualmark Venue 4 star rating	Rating Maintained	Rating maintained	4
2. Number of National and International hires	290	290	270
3. Rates cost per hire	\$1,323	\$1,329	\$1,560

## National Aquarium of New Zealand

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of visitors	124,939	99,000	113,804
2. Days Open	364	364	364
3. Rating cost per visitor	\$10	\$10	\$10
4. Rating cost per rateable property	\$122	\$114	\$118

## Napier i-SITE Visitor Centre

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of visitors through the centre	258,954*	310,000	265,851
2. Opening hours per days	Minimum 8 hrs / 364 days	Minimum 8 hrs / 364 days	Open a minimum of 8 hours for 364 days
3. i-SITE revenue per visitor	\$3	\$2	\$2
4. Rating cost per visitor	\$1.60	\$1.30	\$1.50

\* Impacted by lower than forecast visitor numbers including ship visitors

## Par2 MiniGolf

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Visitor Admissions per annum	38,671	39,700	37,624
2. Revenue per admission	\$8	\$9	\$8
3. Rating cost per visitor	\$0.00	\$0.15	\$1.96
4. Return on Assets	20%	13%	20%

## Kennedy Park Resort

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Overall number room nights booked	23,905	25,000	23,104
2. Return on Assets	6%	6%	4%

**Funding Impact Statement (City Activities)**
**Financial Overview**
**Summary of Revenue and Financing Mechanisms**

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	1,469	1,548	1,651	1,524
Targeted rates (other than targeted rates for water supply)	168	175	167	171
Subsidies and grants for operating purposes	115	117	140	117
Fees, charges and targeted rates for water supply	7,051	7,785	6,678	7,609
Internal charges and overhead recoveries	55	75	59	73
Local authorities fuel tax, fines, infringement fees, and other receipts	112	52	47	51
<b>Total operating funding (A)</b>	<b>8,970</b>	<b>9,752</b>	<b>8,742</b>	<b>9,545</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	7,578	7,946	7,268	7,762
Finance costs	-	-	-	-
Internal charges and overheads applied	1,344	1,389	1,336	1,376
Other operating funding applications	3	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,925</b>	<b>9,335</b>	<b>8,604</b>	<b>9,138</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>45</b>	<b>417</b>	<b>138</b>	<b>407</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	42	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	-	-
- to improve the level of service	55	-	-	-
- to replace existing assets	305	417	183	407
Increase (decrease) in reserves	(273)	-	(45)	-
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>87</b>	<b>417</b>	<b>138</b>	<b>407</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(45)</b>	<b>(417)</b>	<b>(138)</b>	<b>(407)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	907	1,183	1,065	1,107

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The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

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

## Capital Expenditure

### City Activities

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
Capital Expenditure			
<b>War Memorial Conference Centre</b>			
WMC Minor Capital	18	18	15
WMC Upgrade	55	-	-
<b>National Aquarium of NZ</b>			
NANZ Minor Capital	48	20	81
NANZ Plant and Equipment	-	34	-
<b>Par2 MiniGolf</b>			
Par 2 MiniGolf Minor Capital	-	6	-
Napier i-SITE Visitor Centre			
i-SITE Minor Capital	3	12	2
<b>Kennedy Park</b>			
Kennedy Park Renewals	171	188	60
Kennedy Park Minor Capital	65	120	25
	<b>360</b>	<b>398</b>	<b>183</b>

# Planning and Regulatory

## Scope

### Planning Policy

Planning Policy helps citizens and their elected officials craft a broad strategic vision for community growth and change, which addresses fundamental issues such as housing affordability, job creation and ecological viability. Planning Policy also collaborates with other government agencies, local businesses, stakeholder and residents' groups to build support for managing and developing the natural, built and human environments in a sustainable way with an equitable outcome for all interest groups. The need to balance environmental sustainability with meeting the current and future needs of multiple stakeholders is the main objective of Planning Policy and the mechanism to achieve this is ultimately embodied within the District Plan.

### Resource Consents

Council ensures that development of the City is within the Resource Management Act and the policies of the District Plan through Regulatory Consents. This includes assessing Resource Consents and Land Information Memorandum, assessing resource applications for land subdivisions and an annual environmental programme to gauge the effectiveness of Council's environmental management policies. Also covered are enforcement and compliance functions to ensure compliance with Resource Consent conditions and the investigation of activities to ensure they comply with the District Plan. The team also provides an information and advisory service, via email, telephone and direct contact with customers.

### Building Consents

The core functions of Council's Building Consents Division comprise processing building consent applications, inspecting building work on site, issuing code compliance certificates at the completion of building work and auditing building warrants of fitness. Additional to the core functions the Building Consents Division also provide advice and information to the public on building related issues, investigate complaints relating to building matters, carry out enforcement action when required and monitor fencing of swimming pool requirements.

### Environmental Health

Council deals with the environmental problems of noise, smoke, smell and refuse pollution through its Environmental Health Services through investigation and enforcement under a range of Acts. Licenses are processed for premises selling alcoholic products and they receive regular inspection. Food premises are inspected or audited for food safety. Hairdressers, offensive trades, camping grounds, skin piercing, mobile shops, funeral directors and street occupations all receive regular checks. Also covered are public health investigations and advice on environmental and any other health matters and nuisances such as vermin, pests and fire hazards.

### Animal Control

Animal Control ensures that all animals within the City are under appropriate control. Dogs represent the primary area of activity and must all be registered. Emphasis is placed on responsible dog ownership, education and classification of dogs and owners in line with the provisions of the Dog Control Act 1996.

### Parking Services

- Public Parking Spaces: CBD – 2,499; Taradale – 339

Parking areas are provided in the Central Business District and Taradale Shopping Centre as well as the smaller commercial areas of the city, with long and short term spaces providing parking to meet reasonable public expectations. In addition to fees from parking meters, car park ticket machines and leased spaces, parking is funded through a levy on rates on commercial and retail properties in Napier and Taradale and other smaller suburban shopping and commercial areas. Monitoring and enforcement of parking bylaws ensures equitable use.

### Key Issues

#### Planning Policy

Current work plan is to:

- Issue Council decisions on submissions to Plan Change 10, update the District Plan so that it incorporates all of the final provisions of Plan Change 10; and resolve any appeals on Councils decisions on the submissions.
- Report on comments received to the draft plan change relating to the Mixed Use Zone;
- Reorganise and rationalise the electronic filing records of the Policy Department in order to be compatible with the new EDRMS proposed for the whole of Council.
- Review the projections of the Heretaunga Plains Urban Development Strategy (HPUDS) following the 2013 census and if necessary implement the recommendations as per directions and priorities agreed to by the Implementation Committee of the joint participating Councils'.
- Work as part of the Core TAG team advising the joint committee of the (HDC, HBRC and NCC) for the Coastal Hazard Strategy for the coastline (Cape Kidnappers to Tangoio) as to the issues, options, implications, processes and potential solutions available within the strategy.
- Develop an urban design master plan ('City Vision') applicable to the commercial heart of the city (CBD, Port and Ahuriri), that will enrich and enliven all who live, work and visit Napier. This will be achieved by providing:-
- A strategic approach to planning for the next 30 years

- A quality design direction that eliminates ad hoc decision making
- A guide to economic, cultural, heritage (Art Deco) and social opportunities
- Keep the District Plan updated in a timely manner in terms of all relevant decisions and resolutions that change its contents.
- Respond to all relevant policy issues as, and when, required, when they potentially impact on Council policies and/or operations (e.g. plan changes to the Hastings District Plan, Hawke's Bay Regional Plans, NOR for designations, National Environmental Standards etc.)
- Provide general policy advice as and when required.
- Respond to, and process, Private Plan Change requests on the Napier District Plan.

### **Building Consents**

The main issues affecting the Building Consents activity are the need to maintain accreditation as a Building Consent Authority in order to carry out our core functions, legislative changes that have the potential to impact on future demand for the activity and the potential of shared services with neighbouring territorial authorities. As a result of this there has been an increase in staff and accreditation costs.

To calculate the performance measure we have only included costs that are related to the development of a building consent, i.e. up to the point of issuing the final code of compliance certificate.

### **Environmental Health**

There is new legislation covering the sale of liquor. A lot of work has already been completed towards implementation of the Sale and Supply of Alcohol Act 2012 and associated regulation. Officers have begun work on a joint Local Alcohol Policy with Hastings District Council and a District Licensing Committee has been appointed. The Food Act 2014 has become law and officers are working towards implementation of the Act when it comes into force in early 2016.

### **Animal Control**

Council's focus on identification of unregistered dogs has meant that registration numbers have increased and the amount charged for registration has been held steady. The on-going approach of imposing penalty fees on non-compliant owners has also resulted in higher levels of compliance. Council has undertaken active door to door checking of various areas within Napier to ensure people maintain a compliant approach to caring for and registering their dogs.

New Dog Agility track is being installed at Park Island with another planned within the secure dog training enclosure of Riverside Park.

The focus of animal control is towards education, including school and kindergarten visits, the All Ears Programme and community education.

### **Parking Services**

Provision of parking within the city has been reviewed, in light of the proposed Marine Parade redevelopment and the potential loss of parking spaces that will entail. Work has begun on developing a comprehensive parking strategy for the whole of the city that provides a framework for making future strategic decisions in a consistent, objective and logical manner.

# Performance Results 2014/15

## Planning Policy

Measures	Actual 2015	Targets 2015	Actual 2014	
1. Ensure the integrity of the District Plan is maintained through strategic reviews.	An implementation committee for the joint Heretaunga Plains Urban Growth Study (NCC, HDC and HBRC) has been established with an agreed terms of reference and work is on-going. Napier City Council has introduced a first stage of changes (as part of Plan Change 10) that recognise the importance of HPUDS and strengthen existing provisions to ensure the objectives of HPUDS are given effect to. The Core TAG group has met recently and is investigating the scoping of joint projects for Housing for the Elderly; Intensification Toolkit and Collaboration on Housing affordability. Work is ongoing.	Report on progress	An implementation committee for the joint Heretaunga Plains Urban Growth Study (NCC, HDC and HBRC) has been established with an agreed terms of reference and work is on-going. HBRC has changed the Regional Policy Statement via Plan Change 4 to their Regional Resource Management Plan and in response Napier City Council has introduced a first stage of changes (as part of Plan Change 10) that recognise the importance of HPUDS and strengthen existing provisions to ensure the objectives of HPUDS are given effect to.	
	The strategy 'Greening Napier: A Framework for Street & Pathway Greening Initiatives', has now been completed with all available funds spent. The project focused initially on the significant transport corridors around the city with an additional phase focusing on the CBD.			Phase 1, 2, 3 & 4 of the strategy "Greening Napier: A Framework for Street & Pathway Greening Initiatives", have been completed with the significant transport corridors now largely completed. An additional phase focusing on the CBD is underway. Carlyle Street has been completed with planting undertaken in 1.5 x 1.5 metre containers. Tennyson Street and Hastings Street will follow.
	The district plan harmonisation project between Napier City and Hastings District Councils (with the aim of harmonising plan provisions where practicable while retaining a place based planning approach within the district plans) has largely been completed with decisions on submissions having now been issued.		Report on progress	A district plan harmonisation project is underway between Napier City and Hastings District Councils with the aim of harmonising plan provisions where practicable while retaining a place based planning approach within the district plans. Napier's main focus is on incorporating the Ahuriri Subdistrict Plan into the Napier District Plan, Natural hazards, Network Utilities, Activities on the Surface of Water, Planning Maps, Signage, Hazardous Substances, Noise, Transport, and the appropriate permitted baseline for various land use activities applying within the Rural Environments. Both Councils have formally notified their Proposed Plans (Plan Change 10 in terms of Napier) with submissions closing on 14 February 2014 and a summary of those submissions being publicly notified on 26 April 2014 seeking further submissions.
	Decisions on Plan Change 10 (whose primary focus is on harmonising plan provisions with Hastings District Council, wherever practicable), were issued on 24 June 2015. The statutory process and legal timeframes were complied with.			
	A review of the Mixed Use Zone in Ahuriri (Review of the Effectiveness of the Ahuriri Mixed Use Zone – September 2013) is now on hold, while work on the City Vision is progressing, recognising the need for strategic alignment.	Report on progress	A review of the Mixed Use Zone in Ahuriri (Review of the Effectiveness of the Ahuriri Mixed Use Zone – September 2013) is completed and reported to Council. The report is a holistic review investigating how effective the Mixed Use Zone is at managing land uses within the zone and makes recommendations how the zone provisions could be improved to manage those land uses and avoid or reduce conflict between activities. A draft plan change is now being prepared in line with the recommendations from the report and will be reported through to Council shortly.	

Measures	Actual 2015	Targets 2015	Actual 2014
2. Manage District Plan modifications within legal requirements.	Plan Change 10 whose primary focus is on harmonising plan provisions with Hastings District Council, wherever practicable, was publicly notified on 7 December 2013 with the submission period closing on 14 February 2014 and the further submission period closing on 9 May 2014. Officer recommendations on submissions are currently being prepared and will be considered by Hearings Commissioners shortly. The statutory process and legal timeframes commenced on notification of the plan change and are currently within the statutory timeframes.	Report on progress	Plan Change 10 whose primary focus is on harmonising plan provisions with Hastings District Council, wherever practicable, was publicly notified on 7 December 2013 with the submission period closing on 14 February 2014. A summary of those submissions has now been prepared and was publicly notified on 26 April 2014 seeking further submissions with the further submission period due to close on 9 May 2014. The statutory process and legal timeframes commenced on notification of the plan change.
3. Cost per rateable property	\$29	\$26	\$24

## Regulatory Consents

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Land Information Memorandums to be processed within the statutory time frame of 10 working days	100% (348 out of 348 with a 5 day average processing time)	100%	100% (337 out of 337 with 6 day average processing time)
2. Response rate to complaints	94% (15 out of 16 Complaints investigated within 3 days)	All urgent complaints are investigated within 3 days.	100% of complaints investigated within 3 days (14 out of 14)

## Building Consents

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Audit 20% of all buildings (100% over 5 years) requiring building warrants of fitness registered from owners of buildings, subject to code of compliance schedule	21.11%	20%	20.05%
2. Maintain Building Consent Authority (BCA) accreditations	Accreditation maintained	Accreditations maintained	Accreditation Maintained
3. Process building consents within 20 working days	Year to date = 90% processed within 20 working days (1046 out of 1158)*	100%	100% processed within 20 working days (1,715 out of 1,715)
4. Process code of compliance certificates within 20 working days	Year to date = 100% processed within 20 working days (1228 out of 1228)	100%	100% processed within 20 working days (1,700 out of 1,700)
5. Rates cost per building consent	\$562*	\$410	\$132

\* Refer to Key Issues

### Environmental Health

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Proportion of all food premises inspected twice per year (including re-checking) and non-food premises inspected once per year	100%	100%	100%
2. Number of water samples taken compared to number of the National Standard	175%	165%	181.25%
3. Requests for swimming pool fencing inspections initiated within 10 working days	100%	100%	100%
4. Percentage of residents satisfied with Noise Control in the NRB Public Opinion Survey	85%	80%	86%
5. Operating cost per rateable property	\$24	\$27	\$26

### Animal Control

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of service requests/Number of licensed dogs	54%	41%	48.7% 45.0%
2. Number of licensed dog owners (to become licensed an owner must demonstrate that they are responsible)	17.6%	22.5%	15.8%
3. Percentage of residents satisfied with Animal Control in the NRB Public Opinion Survey	80%	75%	82%
4. Rating cost per rateable property	\$10	\$8	\$4

### Parking Services

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. CBD parking occupancy rate (off street and on street)	61%	< 75%	61%
2. Taradale parking occupancy rate (off street and on street)	62%	< 75%	50%
3. Percentage of residents satisfied with Parking in the Inner City in the NRB Public Opinion Survey	68%	60%	66%
4. Percentage of residents satisfied with Parking in the Suburbs in the NRB Public Opinion Survey	70%	80%	60%

## Funding Impact Statement (Planning and Regulatory)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	2,597	2,264	2,236	2,210
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees, charges and targeted rates for water supply	4,014	3,954	3,831	3,916
Internal charges and overhead recoveries	245	132	141	128
Local authorities fuel tax, fines, infringement fees, and other receipts	1,041	985	1,069	983
<b>Total operating funding (A)</b>	<b>7,897</b>	<b>7,335</b>	<b>7,277</b>	<b>7,237</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	5,105	3,664	3,460	3,575
Finance costs	-	-	-	-
Internal charges and overheads applied	2,672	2,511	2,432	2,460
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>7,777</b>	<b>6,175</b>	<b>5,892</b>	<b>6,035</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>120</b>	<b>1,160</b>	<b>1,385</b>	<b>1,202</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	(7)	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	-	555
- to improve the level of service	198	-	482	-
- to replace existing assets	42	127	187	176
Increase (decrease) in reserves	(120)	1,033	709	471
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>120</b>	<b>1,160</b>	<b>1,378</b>	<b>1,202</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(120)</b>	<b>(1,160)</b>	<b>(1,385)</b>	<b>(1,202)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	270	422	236	408

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

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

**Capital Expenditure**  
**Planning and Regulatory**

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
<b>Building Consents</b>			
Property Information Electronic Data Management	93	-	70
Minor Capital Items	28	-	-
<b>Animal Control</b>			
Dog Agility Track	80	60	-
Minor Capital Items	21	-	122
<b>Parking Services</b>			
Accessway Vautier Street / Raffles Street Precinct	4	-	251
Parking Equipment Replacement	3	102	162
Minor Capital Items	11	20	64
	<b>240</b>	<b>182</b>	<b>669</b>

# Property Assets

## Scope

### Lagoon Farm

The 350 hectare farm is situated on the south side of the Ahuriri Estuary. Activities are currently limited to maintaining pasture for sheep. A quarter acts as a flood ponding area during unusual and extreme weather events.

As residential or business park development occurs, farming operations will reduce. The farming operation has already been impacted upon by construction of the Prebensen Drive extension, which bisects the farm. As these activities progressively impact on the farm operations, it is likely that Council will cease to operate Lagoon Farm as a commercial farm, and consider other options.

### Parklands Residential

The Council's Parklands Residential Development on 120 hectares of former Lagoon Farm land will provide over 400 residential sections for sale during the period 2012-2022. The development area includes land for expansion of the Park Island sports ground, which is now underway. The rate of residential development will be driven by market demand.

### Property Holdings

Leasehold Land Portfolio:

- Investment Property Portfolio – 76
- Residential – 25

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

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

### Key Issues

#### Lagoon Farm

A steady year with relatively good weather conditions. The farm returned a small loss. The loss incurred this financial year is partly as a result of a decrease in unit livestock values from the previous financial year end.

### Parklands Residential

The market continues to be relatively steady with a moderate take up of sections (31 lots in the last financial year). Council has limited its development work to reflect the market.

### Property Holdings

#### Lagoon Farm Business Park

Council has approval for a District Plan change for the Business Park zone. Planning is still in progress regarding staged development of the area.

### Earthquake Prone Buildings

In recent years national awareness and involvement in the processes around determining of earthquake prone buildings under the Building Act and the resulting strengthening has grown considerably. The Government has become directly involved and is currently working towards national direction under the determinations made by the Canterbury Earthquake Commission. While we are currently experiencing some uncertainty around the Government policy, owners and developers of buildings in Napier have proactively continued to have their buildings assessed in accordance with the Council's policy and numerous buildings have now been strengthened in accordance with the Building Act. Napier still faces a serious conflict with its Art Deco building heritage. The uniqueness of the City is tied to the 1931 earthquake and the Art Deco redevelopment that occurred in the decade following. The City actively promotes protection of this heritage and in general building owners and developers have a well-established record of endorsing and honouring protection and redevelopment of this historic building stock rather than demolition and building new. Because of the age and the building technology of the 1930's, these buildings are becoming difficult if not impossible to insure fully. This in itself will become an issue for future Councils in Napier. There may be future budgetary impacts arising from this conflict for the Council.

Council is continuing with seismic assessments on Council owned buildings. Funding for required strengthening work will be prioritised based on risk and the importance of buildings.

## Performance Results 2014/15

### Lagoon Farm

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Net operating position	-\$39,824*	\$17,133	\$69,736

\* Refer to Key Issues

### Parklands Residential

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. Number of Lots created	30	64	27 lots created
2. Number of Lots sold	31		26 lots sold

### Property Holdings

Performance Measures	Actual 2015	Targets 2015	Actual 2014
1. All freeholding requests handled in accordance with Council policy	100%	100%	100%
2. Buildings comply with Building Act and Health & Safety Act and hold current warrant of fitness certificates	100%	100%	100%
3. Return on Assets	17%	7%	6%

## Funding Impact Statement (Property Assets)

### Financial Overview

#### Summary of Revenue and Financing Mechanisms

	Actual 2015 \$000	LTP 2015 \$000	Actual 2014 \$000	LTP 2014 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	-	-	-	-
Targeted rates (other than targeted rates for water supply)	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees, charges and targeted rates for water supply	329	475	538	464
Internal charges and overhead recoveries	1,640	1,673	1,610	1,636
Local authorities fuel tax, fines, infringement fees, and other receipts	7,679	13,855	6,889	13,482
<b>Total operating funding (A)</b>	<b>9,648</b>	<b>16,003</b>	<b>9,037</b>	<b>15,582</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	3,876	7,211	3,710	7,078
Finance costs	-	-	-	-
Internal charges and overheads applied	1,562	2,300	1,436	2,269
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,438</b>	<b>9,511</b>	<b>5,146</b>	<b>9,347</b>
<b>Surplus/(deficit) of operating funding (A - B)</b>	<b>4,210</b>	<b>6,492</b>	<b>3,891</b>	<b>6,235</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	289	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	711	212	821	6,784
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,000</b>	<b>212</b>	<b>821</b>	<b>6,784</b>
<b>Application of capital funding</b>				
<b>Capital expenditure*</b>				
- to meet additional demand	-	-	-	444
- to improve the level of service	590	-	187	-
- to replace existing assets	9	-	103	-
Increase (decrease) in reserves	4,611	6,704	4,422	12,575
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding (D)</b>	<b>5,210</b>	<b>6,704</b>	<b>4,712</b>	<b>13,019</b>
<b>Surplus/(deficit) of capital funding (C - D)</b>	<b>(4,210)</b>	<b>(6,492)</b>	<b>(3,891)</b>	<b>(6,235)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group depreciation and amortisation	390	483	370	406

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act. The FIS is intended to make the sources and applications of Council funds more transparent manner than might be the case if only the usual GAAP financial statements were provided.

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that have been used.

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

**Capital Expenditure**

**Property**

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
<b>Property Holdings</b>			
Property Purchases	201	-	-
Art Centre Building	267	-	25
Council Chambers and Weatherproofing	-	-	78
Minor Capital Items	131	-	187
	<b>599</b>	<b>-</b>	<b>290</b>

## Support Services

Council has a number of Cost Centres of a corporate or support nature. These cost centres provide the technical and support services necessary for the function of Council's activities.

Costs of the support services are reallocated to activities either as overheads based on the support each activity receives, or recharged direct on a usage basis.

Support Units include the Services Depot unit, which provides the support for the Utilities and Reserves divisions including a store and mechanical workshop. Design Services provides scientific and technical services to other Council departments ensuring the community receives engineering services of maximum quality and safety.

### Capital Expenditure

#### Support Services

	Actual 2015 \$000	AP 2015 \$000	Actual 2014 \$000
<b>Capital Expenditure</b>			
Replacement of Mobile Plant and Vehicles	1,102	668	765
Software Replacement and Upgrades	26	40	18
PC and Printer Replacements	62	70	56
Corporate IT Network	8	13	138
Technology Equipment Renewals	136	576	139
General Provision Minor Capital	69	69	352
	<b>1,403</b>	<b>1,436</b>	<b>1,468</b>



# Appendices

Council Controlled Organisations

Glossary of Terms



# Appendices

## Council Controlled Organisations

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

### Hawke’s Bay Airport Limited

#### Policies and Objectives Regarding Ownership and Control

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

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

#### Nature and Scope of Activities

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

HBAL will pursue the following strategy:

- Provide smart and efficient airport and terminal facilities that encourage use by airlines, aviation businesses, passengers and the businesses that serve these groups.

- In the normal course of managing the airport, HBAL will seek to obtain an appropriate commercial rate of return on its assets and keep its costs to a minimum consistent with provision of an airport and terminal facilities and meeting safety and other regulatory standards.
- In conjunction with our airline partners HBAL will explore innovative ways to increase passenger numbers and improve aviation revenue.
- HBAL will actively pursue new approaches and opportunities to maximise concessions and rental income.
- HBAL will proactively develop and secure innovative opportunities for property development on its land.

#### Performance Targets

Performance targets for Hawke’s Bay Airport Limited for the year ended 30 June 2015. The key objectives, performance targets and performance results (as reflected in the Company’s Annual Report for 2014/15) are:

#### Objective 1 – Deliver sustainable growth in revenue and earnings

Financial Performance Targets	Target 2014/15	Actual 2014/15
Landing Charges	2,327,398	2,338,514
Other Revenue	2,100,453	2,005,798
Total Revenue	4,427,851	4,344,312
Other Revenue % of Total	47.4%	46.2%
Profit Before Income Tax	1,269,167	1,792,227
Profit After Tax	911,000	1,290,403
Dividend	364,400	360,000

#### Objective 2 – Complete Stage 1 of the Business Park

**Target:** Stage 1 roading completed and first tenants in place.

**Result:** Target met

#### Objective 3 - Provide appropriate infrastructure to meet future needs

**Target:** Plans in place for redevelopment of the terminal and car parks when passenger numbers exceed 500,000. Master plan completed, consultation comments and appropriate action is underway.

**Result:** Development of plan completed.

#### Objective 4 - Deliver a high level of customer service to all airport users

**Target:** Continuing improvement as measured by a customer satisfaction survey undertaken every two years

**Result:** Customer survey undertaken.

## Hawke's Bay Museums Trust

### Policies and Objectives Regarding Ownership and Control

The Trust is a Council Controlled Organisation as three of the five member Board are Council nominees.

Hawke's Bay Museums Trust (HBMT) is classified as an associate entity for financial reporting purposes.

The objectives of the Trust are:

- To hold and protect the regional collection for the people of Hawke's Bay
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay
- To advance and promote cultural heritage and arts through the use of the collection
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council
- To oversee collection development through the regulation of the acquisition and disposal of collection items
- To manage the bequests vested in the Trust in a way which maximises benefit to the collection

### Nature and Scope of Activities

#### Protection

- a. Storage - appropriate storage to accepted Museum Industry Standards (MIS).
  - i. Pest Control
  - ii. Storage Media
  - iii. Shelving
  - iv. Air Quality
- b. Security - appropriate security to accepted MIS.
  - i. Alarm Systems (Burglary, fire)
  - ii. Alarm Monitoring
  - iii. Access Systems
  - iv. Insurance (loan Items, owed Items)
- c. Records Management - appropriate records management to accepted MIS.
  - i. Vernon Database
  - ii. Other Records

### Quality

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

### Access

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

### Development

- a. Fundraising - to work with the HB Museums Trust Foundation to provide funding.
- b. Reserves - to appropriately manage accession reserves.
- c. Relationships - to appropriately manage relationships to allow the collection to develop appropriately.
  - i. Funding Councils
  - ii. Te Ropu Kaiawhina Taonga
  - iii. Friends of MTG Hawke's Bay

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

**Performance Targets**

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2014/15) are:

Key Result Area	Performance Indicator	Target 2014/15	Actual 2014/15
Protection	Insurance cover as percentage of total collection value	100%	100%
	Air quality meeting predefined standards for each area	98%	BAT 21% MTG 80%
	Number of reported incidents of damage to collection items	0	6
Quality	HBMT Collection Strategy and Policies have been reviewed and agreed by the HBMT Board	Yes	Yes
	Accessions and De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes
Access	Number of HBMT collection enquiries per annum	1,500	207
	Number of Regional Archive research visits per annum	1,500	178 Reading Room 17,782 online
	Number of days staff available for collection enquiries	249	250
Development	Percentage of bequest funds income used for acquisition	100%	100%
	Percentage of conservation funds income used for collection care	100%	100%
	Te Ropu Kaiawhina Taonga hui held	3 per annum	3 per annum

**Air Quality**

The air quality has been below the 98% target at both sites. At BAT the temperature and humidity have been very stable while very slightly out of range. The air quality at MTG is also very stable but sometimes out of range.

**Access**

The number of Regional Archive research visits per annum was 17,782 (online) and 178 (physical). This compared favourably to the target of 1,500 and can be attributed to the digitisation of the collection.

The number of days staff were available for collection enquiries were down on the target of 249 (actual was 250).

**Development**

All development performance indicators were in line with targets.

## Hawke's Bay Local Authority Shared Services Limited

### Policies and Objectives Regarding Ownership and Control

HBLASS Limited is a Limited Liability Company registered under the Companies Act 1993. The Company is jointly owned by Central Hawke's Bay District Council, Hastings District Council, Hawke's Bay Regional Council, Napier City Council and Wairoa District Council. The Company is a Council Controlled Organisation as defined in Section 6 of the Local Government Act 2002.

The Company produces separate annual accounts. The Council share of the Company is included in its annual financial statements through contributions to the cost of projects completed or in progress.

### Nature and Scope of Activities

The principle nature and scope of the activities of HBLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent Councils.
- Facilitate Shared Services that benefit Councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.

- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, Council contributions, or Government funding where available.
- Allow other Councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Represent the collective views of its shareholders in matters with which it is associated.

### Performance Targets

HBLASS has been in operation since December 2012. The results against the performance targets detailed below must therefore be read in that context.

The Statement of Intent outlines the following performance targets against which the company is measured.

To ensure the company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Target 2014/15	Actual 2014/15
Initiate at least three shared services in the first full year of operation and at least one shared service each year and no less than two shared services successfully implemented within the following three years.	An initiative to identify opportunities for Shared Services in Asset Management has commenced.
Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders.	Implementation of elements of the Information Services Initiative has taken place with the putting in place of the extension of fibre to the Wairoa District Council. The development of an agreed strategy for progressing the IS Shared Service. The implementation of a single entry point access to the Hawke's Bay CDEMG Hazards data to provide access to all of the HBLASS councils GIS systems is imminent.
Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and or continuity of supply.	A joint procurement tender for digital ortho photography for all five HBLASS has been successfully concluded – savings identified for the shareholding councils of at least \$170,000 have been obtained together with improvements in quality. HBLASS initiated the participation of the shareholding councils in a Joint Procurement tender for risk management and insurance brokerage services involving a total of 25 Councils represented by three Shared Services organisations and a consortium of four West Coast Councils. The Tender process will result in circa \$900,000 savings across the five HBLASS Councils for the 2015/16 financial year.
Ensure sufficient income is available from activities to sustain a viable company.	The Company remains viable.
Operate in a manner that conforms with any applicable regulatory requirements.	All regulatory requirements have been met.

# Glossary of Terms

## Activities and Activity Groups

The main elements of the Council's services offered to the Napier community are divided into Activities. These Activities are described in detail in the Activity Statements section of the Report, including the financial and non-financial performance measures and results for 2014/15.

## Allocation of Overheads

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

## Carrying Amount

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

## Community Outcomes

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

## Council Controlled Organisations

Organisations in which one or more local authorities control 50 per cent or more of the voting rights or have the right to appoint 50 per cent or more of the directors.

## Derecognition

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

## Derivative

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

## Financial and Development Contributions

The share of the cost of new developments and subdivisions met by developers. Detail on this policy can be found on the Council website.

## Impairment

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

## Infrastructural Asset Renewal

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

## Infrastructural Assets

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

## Levels of Service

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

## MTG

MTG Hawke's Bay (Museum Theatre Gallery), formerly known as Hawke's Bay Museum and Art Gallery.

## Non-targeted Rates

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

## NRB Customer Satisfaction Survey (Communitrak™)

A wide ranging customer satisfaction survey prepared for the Napier City Council by the National Research Bureau Ltd. The survey is of public perceptions and interpretations of Council services and representation with comparisons to National and Peer Group averages. Interviews were carried out in June 2015 with 450 residents of Napier, throughout the City. Weightings were applied to the sample data to reflect the actual male/female/age/ethnic proportions in the area as determined by the Department of Statistics Census data. The Communitrak™ Survey is a scientifically prepared service based on a random probability sample. For the sample size of 450 the margin of error is plus or minus 6.5%.

## Restricted Assets

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

## Targeted Rate

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