

Napier City Council 2015/16 Annual Report

for the period 1 July 2015 to 30 June 2016

Adopted 21 September 2016



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PangeaSeed Foundation Sea Walls: Murals for Oceans, Napier 2016: Within the span of five days, 29 large-scale, thought provoking public murals were realised throughout the Ahuriri and Napier area. Each piece sheds light on New Zealand's pressing marine environmental issues such as shark finning, overfishing, coastal development, climate change, and endangered marine life conservation, furthering PangeaSeed Foundation's ARTivism (Art + Activism) initiative. For more information on PangeaSeed Foundation, please visit: www.pangeaseed.foundation

Cover Image

Artist: Aaron Glasson

"Pania of the Reef is a historical Māori story of love and respect for the ocean that has become one of Napier's most well known symbols and is retold throughout New Zealand. Pania was a sea-maiden who married a local man, their shape-shifting son Moremore can be seen today in the form of sea animals that serve as an omen, and Pania's body now makes up Napier's most famous reef. Aaron worked closely with local Māori and the family of Pania to create his mural that depicts the story of her life, painting her descendants in the role of Pania and creating a contemporary interpretation of this meaningful history."

Photographer - Tré Packard

Image (right)

Artist: Vexta

"This work speaks of the critically endangered NZ Storm Petrel (*Oceanites Maorianus*). The small swallow like seabird was declared extinct in 1850, until it was rediscovered in 2004. We are currently facing the 6th wave of extinction where human activity is directly impacting on the survival of other species & biodiversity. Especially as witnessed in our oceans right now. The story of the Storm Petrel and its re-emergence into existence is one of hope. Few creatures are considered Lazarus Taxons (an organism that has disappeared from the fossil record only to reappear again) and I painted this piece as a reminder that we know so little about our earth and its mysteries. I believe it's critically important keep our wild spaces just that - wild and free. Our survival as well as other creatures such as the Storm Petrel depends on our earth's diversity."

Photographer - Zane Mayer

We are pleased to report that in 2015/16 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 2015/16, the third year of the 2015-2025 Long Term Plan. The 2015-2025 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 audit opinion can be found on page 89 of this report.



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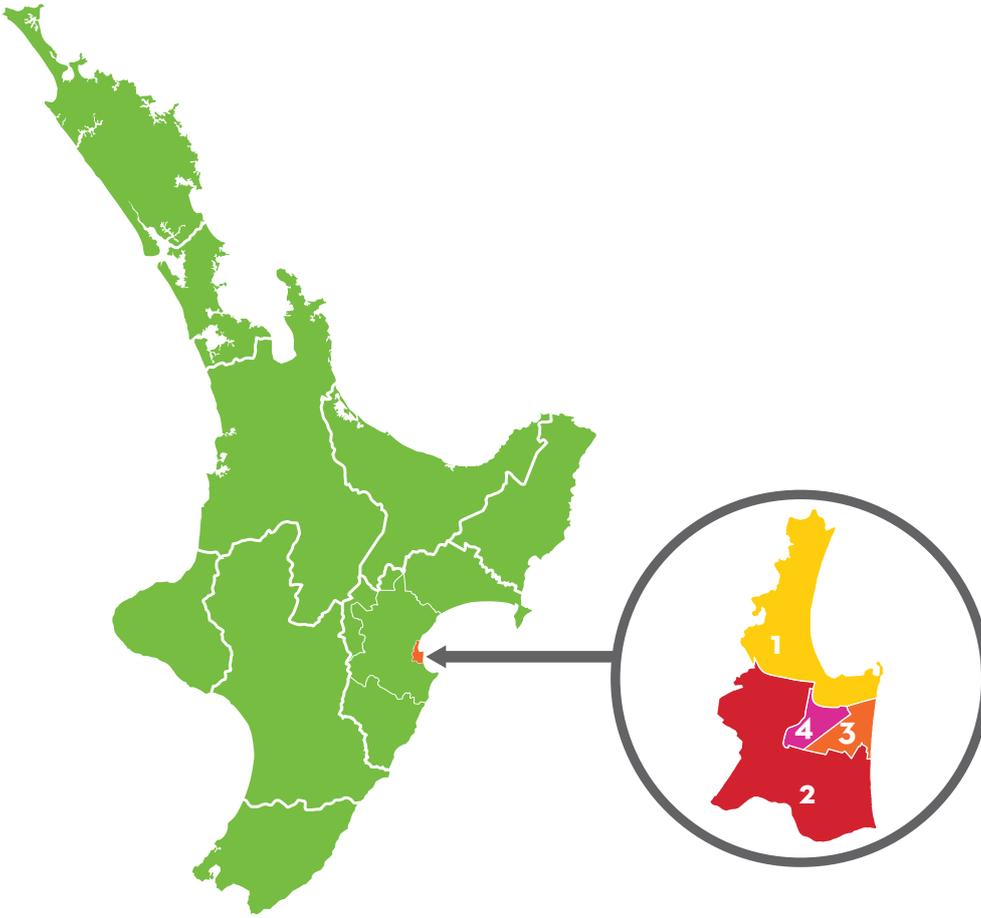
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Napier City at a glance



Napier City Wards

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

Land Area



106km²

Population



57,240 people usually live in Napier.

Napier City is home to 1.3% of New Zealand's total population with 1.7% of New Zealand's Māori population usually living in Napier City. There are 22,792 total dwellings. 18.6% of people in Napier City are aged 65 years and over and 20.2% of people are aged under 15 years with the median age being 41.6 years old.

Data sourced from Statistic New Zealand 2013 Census (www.stats.govt.nz)

Climate

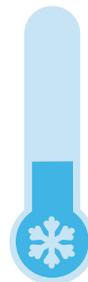
A near Mediterranean climate with long, fine, dry summers and short, mild winters.



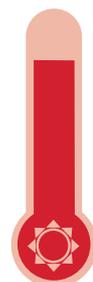
Average annual sunshine hours: 2,258.7



Average annual rainfall: 784.8mm



Average winter temperature: 14°C



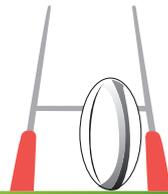
Average summer temperature: 23°C

Data sourced from NIWA 2016 (www.niwa.co.nz)

Council funded Community Assets



36 Neighbourhood Parks



15 Sports Parks



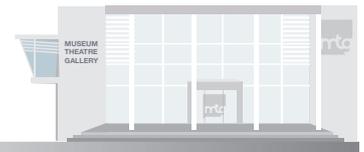
4 Sports Complexes



1 Municipal Theatre



1 Conference Centre



1 Regional Museum & Art Gallery



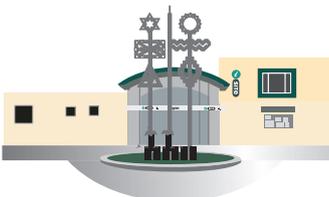
1 Inner Harbour with Berths



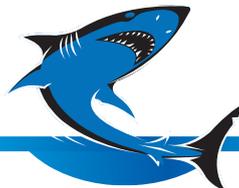
41 km Pathways



46 Greenbelt Reserves



1 Visitor Information Centre



1 National Aquarium



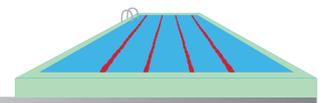
1 Par2 Minigolf



2 Libraries



1 Civil Defence



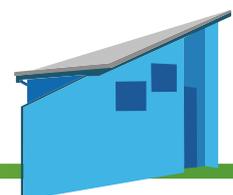
2 Pool Facilities



1 Community House



7 Community Halls



45 Public Toilets

What is in the Annual Report?

The Annual Report 2015/16 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 2015/16 can be found at the end of the financial statements.

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.

Appendices

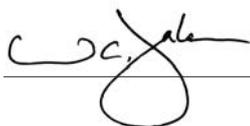
The appendices provide some additional information that may be of interest to the reader in relation to Council controlled organisations and a glossary of terms.

Statement of Compliance and Responsibility

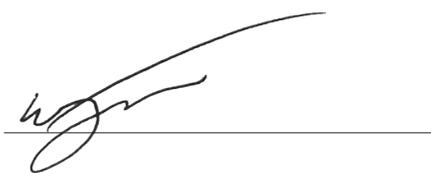
The Council and management of the Napier City Council confirm that all the statutory requirements in relation with the Annual Report have been complied with in accordance with Clause 34 of Schedule 10 of the Local Government Act 2002.

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 2016 fairly reflect the financial position and operations of Napier City Council.



Bill Dalton
Mayor
21 September 2016



Wayne Jack
Chief Executive
21 September 2016

Mayor and Chief Executive's Report

As this term of Council draws to a close and we look ahead to the next Local Government election, it is an opportune time to reflect on the past year.

With a resounding 'no' vote in Napier to Hawke's Bay wide Council amalgamation last September, it has enabled us to get moving on a range of planned projects and services.

This is but a brief introduction to a document which reflects the hard work of many people, the details of which are outlined on the following pages.

Our infrastructure renewals include the successful completion of the Marine Parade storm water outfall and viewing platform, a project which earned a spot as a finalist in the Local Government New Zealand Excellence Awards.

The Sea Walls: Murals for Oceans festival, of which we were a major supporter, was also a finalist.

Other completed infrastructure developments include the Awatoto Trunk Main, and second Taradale Reservoir. We also finished the first two pathways under the iWay brand, something which was initiated in Hastings in a central-local Government funding partnership and has now extended into our city.

The council delivered \$40.1m of a \$70.5m capital programme during the year the largest ever capital spend in one year. Those projects that were not completed in the current year have been included in future year plans where appropriate.

Our financial position remains strong and our average residential rates for the 2015/2016 year are the lowest when compared with other similar sized provincial cities.

Other types of initiatives which have been rolled out in the past year include the joint smokefree policy. We continue to work with the other Councils on further opportunities under the HB LASS (Local Authority Shared Services) Ltd umbrella.

In a similar vein, we look for chances to support great events of local, national and international significance which we think will benefit our city and economy, the most notable in recent times being the Air New Zealand Hawke's Bay International Marathon.

We believe our city is the best one in which to work, live and play, and that our Council continues to do its best to live up to the expectations of our residents and ratepayers.



Bill Dalton
Mayor



Wayne Jack
Chief Executive



Mayor and Councillors as at June 2016



Mayor
Bill Dalton



Deputy Mayor
Faye White
(At large)



Councillor
Mark Herbert
(Ahuriri Ward)



Councillor
Graeme Taylor
(Taradale Ward)



Councillor
Maxine Boag
(Nelson Park Ward)



Councillor
Michelle Pyke
(At large)



Councillor
Roy Sye
(Resigned 15/07/2016)



Councillor
Annette Brosnan
(Onekawa/Tamatea
Ward)



Councillor
Tony Jeffery
(At Large)



Councillor
Kirsten Wise
(Taradale Ward)



Councillor
Keith Price
(At Large)



Councillor
Mark Hamilton
(Nelson Park Ward)



Councillor
Richard McGrath
(At Large)

Strategic Direction

Our Mission

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.

Our Vision

Over the coming year we will continue to grow and maintain a vibrant Napier which surpasses expectations and embraces new opportunities for all aspects of the city.

Key Statistics

	30 June 2016	30 June 2015
Area and Population		
Area (ha)	10,560	10,560
Population (forecast based from Statistics NZ)	60,400	58,000
Valuation		
Rateable properties (number of)	25,224	25,099
Non-rateable properties (number of)	378	372
Gross capital value	10,585,736,600	10,483,460,350
Net capital value (i.e. capital value of rateable property)	10,103,370,800	10,003,847,150
Gross land value	4,816,812,550	4,798,775,300
Net land value (i.e. land value of rateable property)	4,631,041,250	4,612,531,600
Date of last revision of values	2014	2014
Rates and Rating		
Total rates struck (incl. GST)	55,899,784	54,299,108
System of rating	Land Value	Land Value
Public Debt		
Public Debt (external)	0	4,550
Internal Debt	36,647,000	33,442,000
Unexercised loan authorities	78,736,000	82,400,000
Building Consents		
Value of consents for year	144,650,552	85,476,427
Value of consents for residential properties	62,066,405	40,934,525

Insurance of Assets

- (a) The total value of above ground buildings and plant and equipment covered by insurance contracts is \$422.9m. 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 \$550.4m. 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.

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

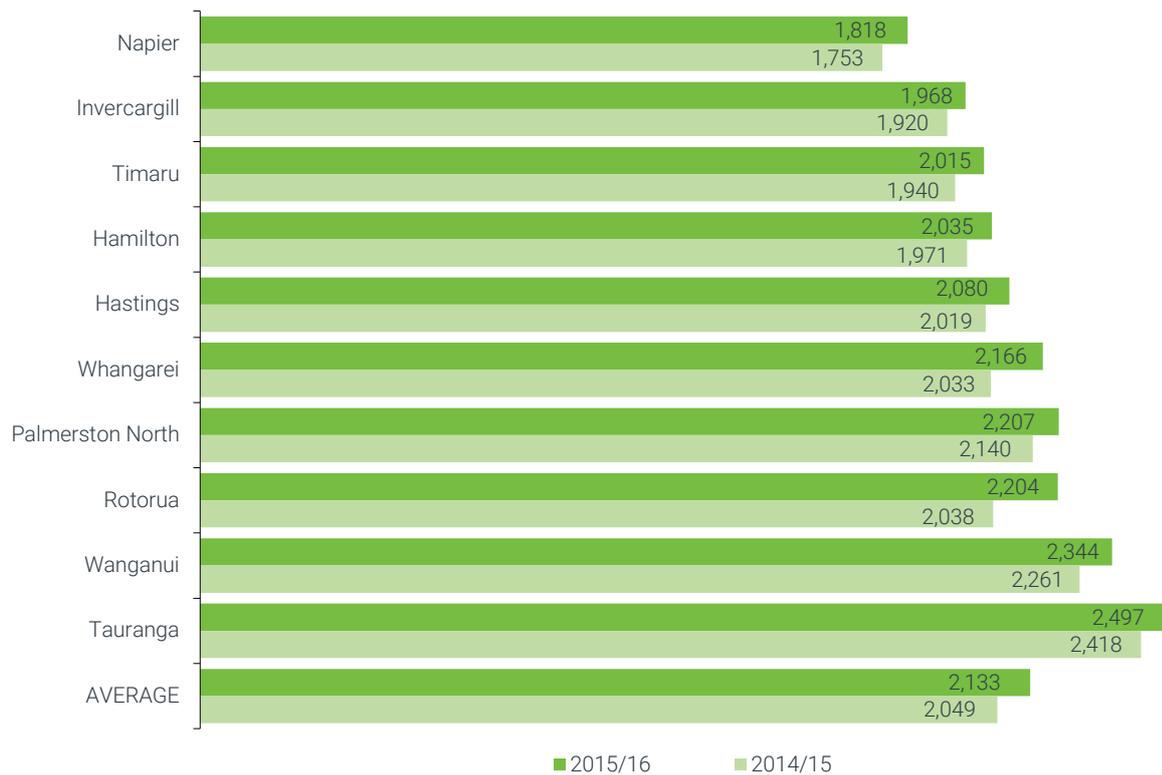
- (b) The total value of all assets that are covered by financial risk sharing arrangements is nil.
- (c) Council does not operate a formal self-insurance scheme or maintain a specific fund for that purpose. Various assets are however not covered by insurance.

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 and sports fields are also not covered by insurance.

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

Average Residential Rates



Financial Condition Indicators

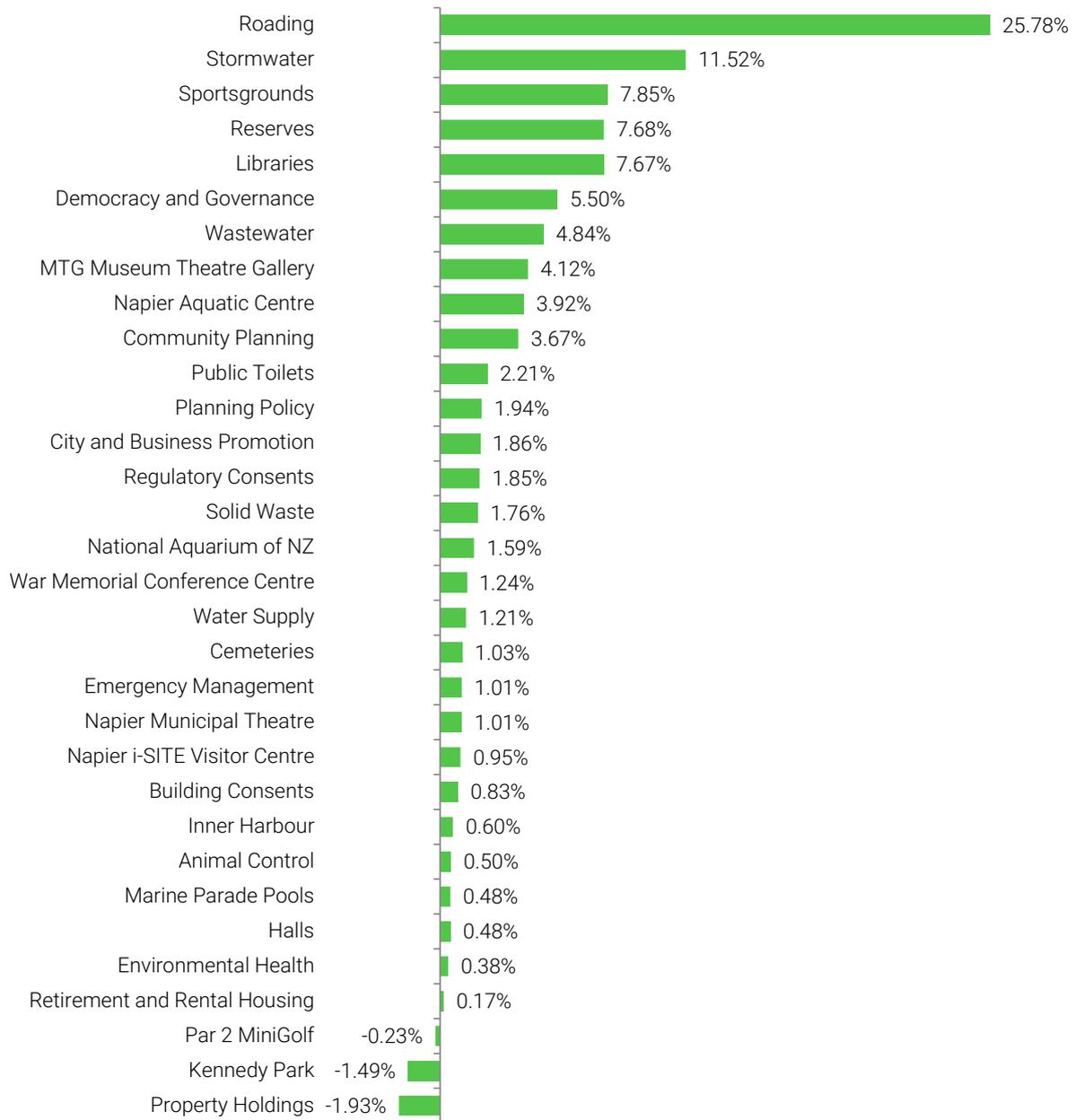
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Rates revenue **	49,391	48,883	47,656
Net surplus	11,843	10,129	6,688
Working capital	73,039	41,413	77,367
Public debt	0	0	4
Total assets	1,474,397	1,480,277	1,462,088
Proportion of rates revenue to total revenue (%)	50.02%	51.03%	51.17%
Public debt as a percentage of total assets	0.0%	0.0%	0.0%
Proportion of rates revenue applied to service debt (%)*	6.80%	9.2%	6.80%

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

** Excluding GST

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

Napier City Council, Hastings District Council, Hawke's Bay Regional Council, Wairoa District Council and Central Hawke's Bay District Council have been involved in "Shared Services" initiatives for many years. This was formalised in 2012 with the formation of Hawke's Bay Local Authority Shares Services Limited (HBLASS). The company is jointly owned by the five Hawke's Bay councils and has as its purpose to facilitate shared services, promote joint procurement and facilitate best practice and efficiencies in delivering activities and services.

In addition to the services provided by HBLASS the Hawke's Bay Councils undertake a number of joint activities with the aim of reducing the cost of performing those activities for the community at large. For example the Councils cooperate in the areas of rating valuation services, purchase of insurance, and strategy development such as the Heretaunga Plains Urban Development Strategy (HPUDS). The Omarunui Landfill is an example where the Councils jointly operate a facility for the benefit of the collective communities at Napier and Hastings where it is unlikely that one council on its own could achieve such benefits.

The table below sets out many of the areas where the five Hawke's Bay Councils have or are currently working together to provide effective and efficient services to the people of Hawke's Bay.

Initiatives	HBRC	WDC	NCC	HDC	CHBDC
Community Services					
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	✓	✓	✓	✓	✓
Corporate Support					
Joint Property Valuation Contract	✓	✓	✓	✓	✓
Joint Insurance	✓	✓	✓	✓	✓
Energy Procurement	✓	✓	✓	✓	✓
Joint Building Consents		✓	✓		
Joint Human Resources		✓	✓		
Economic					
Hawke's Bay Airport Ltd			✓	✓	
Business Hawke's Bay	✓	✓	✓	✓	✓
Tourism Hawke's Bay	✓	✓	✓	✓	✓
Essential Infrastructure					
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
Joint Recycling and Refuse Collection Contracts			✓	✓	
Strategy and Planning					
Omarunui Joint Landfill			✓	✓	
Waste Futures			✓	✓	
Stormwater Drainage	✓		✓	✓	
Regional Transportation Strategy	✓	✓	✓	✓	✓
HPUDS	✓		✓	✓	
Tangoio Coastal Hazards Strategy	✓		✓	✓	
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			✓	✓	
Joint Smokefree 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 provider of infrastructure and public services to the community for the community. The costs of these services are met by the community; consequently all decisions made within the organisation recognise this and consider the affordability of all activities of Napier City Council to the community.

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 11 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 \$679 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
- optimizing whole of life 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 the 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
- In-house operational workforce
- Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations
- Shared Services between the Hawke's Bay local authorities
- Size of Territory advantages - Napier City is a compact land area and is the fourth most densely populated Territorial Local Authority in New Zealand.

Financial 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 in 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 upgrades infrastructure across each network to support growth generated by 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 in upgrade works to deliver the agreed level of 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 of the increased infrastructure required for a specific development, undertaken by qualified professionals. 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. As a result of this 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. The need for 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. 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 \$1,331m through rates for infrastructure and city assets over successive generations. Significant components of this are:

Roading Network \$612m

Sewer Management \$152m

Water Supply Systems \$82m

Stormwater \$110m

Sportsgrounds and Reserves \$190m

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 (AMPs) are the culmination of extensive work undertaken to understand the whole life cycle of Council's infrastructure assets over many years. The AMPs 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.

Through the development of AMPs Council seeks to ensure that appropriate planning is undertaken to identify and justify the need for specific projects. Such planning gives consideration to environmental considerations, renewal needs and projected future demand.

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 operated and maintained appropriately and meet 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. Planned expenditures on reactive maintenance are an indication 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. 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.

Renewals Funding

Napier City Council has been funding its core infrastructure renewals program since 1998 and as a result has robust funding programmes 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.

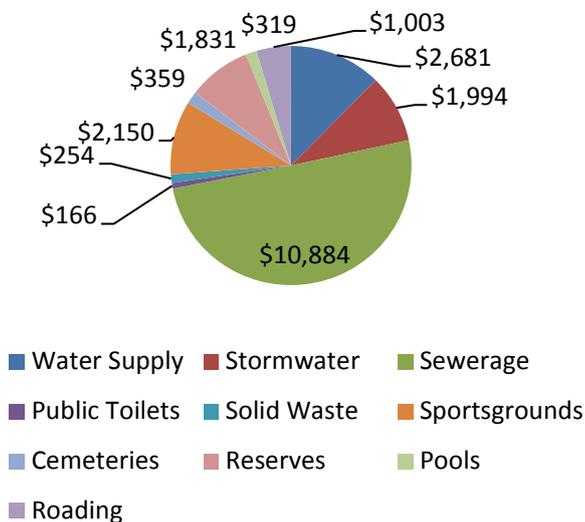
The Council annually sets aside 65 - 70% of the rate funded capital plan to meet the cost of core infrastructure renewals. Funds are set aside, in advance of requirements, based on the annualised projected cost of renewals over the expected life of the assets. Costs of assets 'used up' in any one year 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 utilised 1% of the item during a single year.

Consequently, Council annually transfers the annual funding amount to the Infrastructure Asset Renewal Reserve to ensure that these funds are used for the purposes intended.

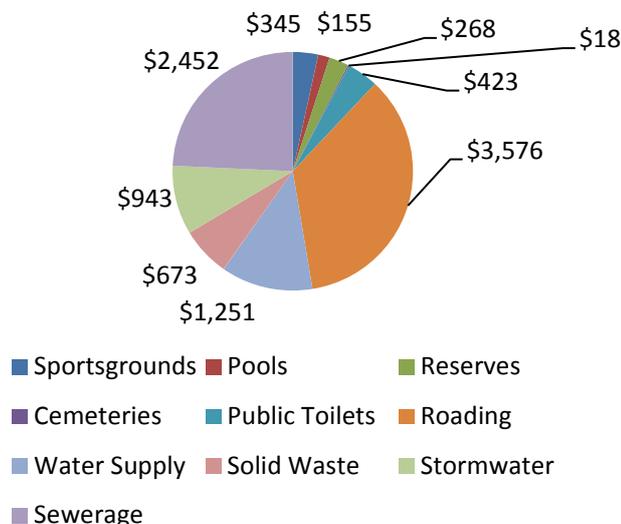
This Council was holding approximately \$24m as at 30 June 2016 in infrastructure asset renewal reserves for water, stormwater, sewer, public toilets, sports grounds, cemeteries, reserves, solid waste and pools. Interest earned on the balance of funds held in this reserve is also paid into the reserve 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 programme to renew and upgrade roads in Bay View commenced during the 2015/16 financial year.

Renewals Expenditure Infrastructure Actual 2015/16 \$'000's



Infrastructure Renewals Fund Held at 30 June 2016 \$'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 2016. For detailed information please refer to the following sections in this Annual Report: Financial Statements and Activity Statements.

The financial statements contained in pages 23 to 26 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 27 to 36) of this report.

Council Income 2015/16

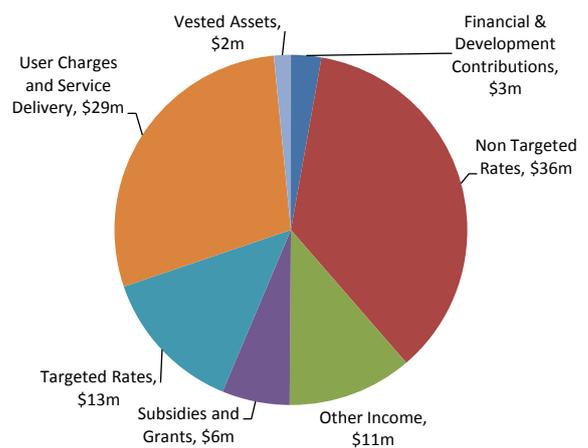
The main sources of Council's income are shown in the graph below. The full detail of Councils' income, other than rates, is contained in Note 5 of the Notes to the Financial Statements (page 39) of this report.

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

The diagram below depicts the breakdown of the \$99m income received by the Council in 2015/16. Of this funding for Council activities 49% is derived from the rates (non-targeted and targeted) 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.

CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, the goods and services that Councils need to purchase to deliver services are a different mix than for households. This rate of inflation is more relevant to Council's known as the Local Government Cost Index or LGCI. Due to the different components of these measures, variances arise between CPI and LGCI. LGCI has, on average, been above CPI over recent years. This has meant that pressures on Council expenditure from price increases have been above that measured CPI. Council is very aware of this issue and has addressed cost increases with a multi-pronged approach to ensure rates increases are kept to a level that the community can afford. Council's approach has focused on tight control of all costs, competitive purchasing processes, and a focus on core infrastructure within the capital plan. For variances between the 2015/16 Budget and the 2015/16 Annual Report, refer pages 37 - 38.

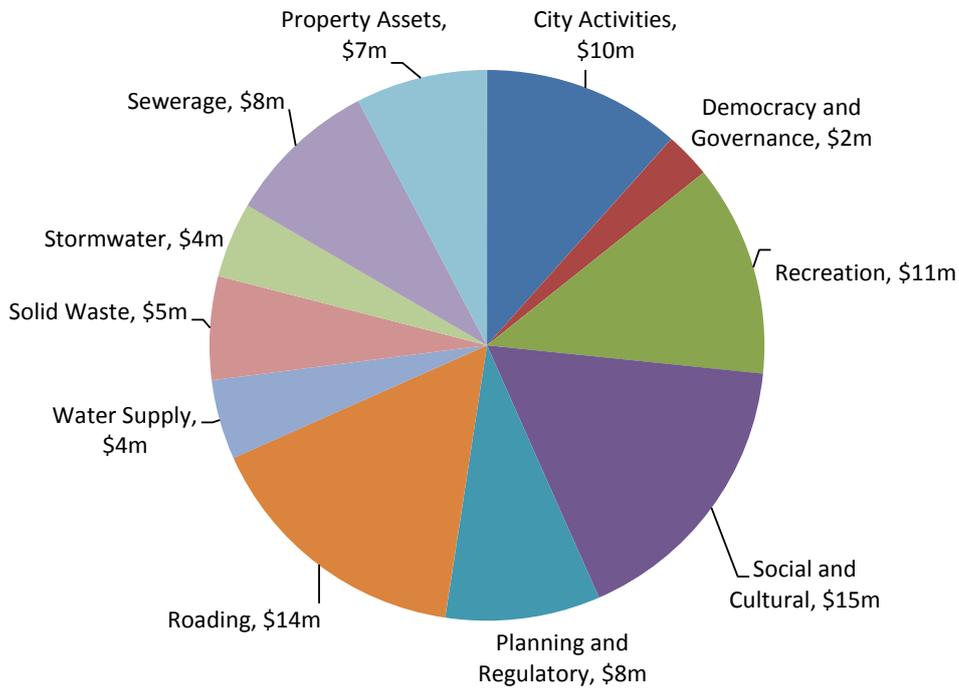
Council Income Actual 2015/16



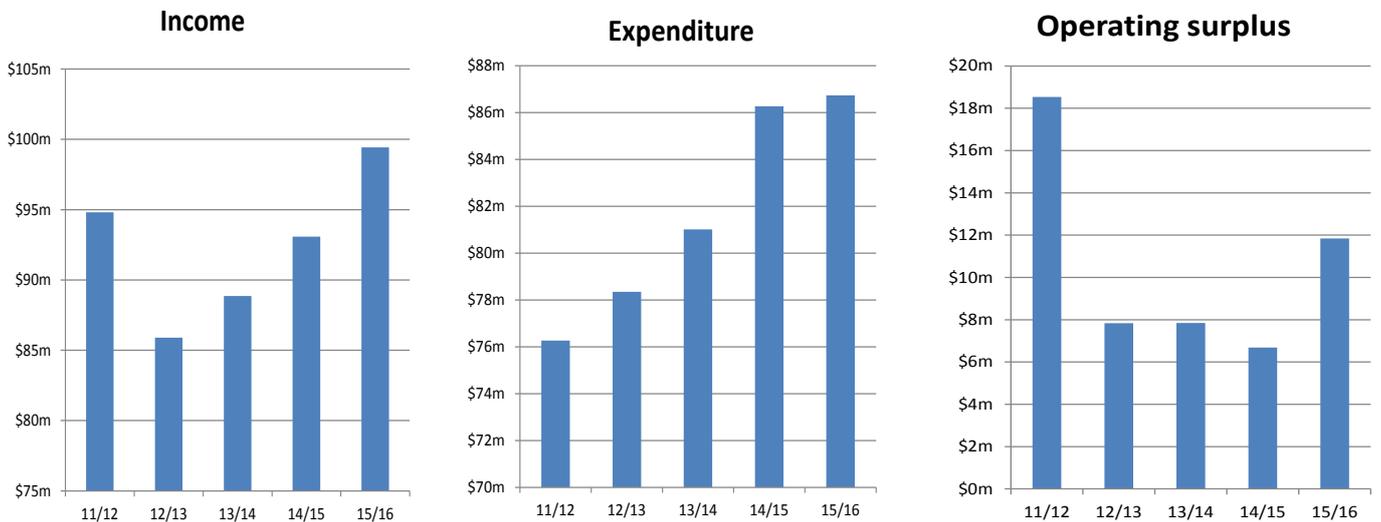
Council Operating Expenditure 2015/16

Details of income operating and capital expenditure for each of the activities 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. For variances between the 2015/16 Budget and the 2015/16 Annual Report, refer pages 37 - 38.



The following graphs show the trend of revenue, expenditure and net surplus over the last five years. For variances between the 2015/16 Budget and the 2015/16 Annual Report, refer pages 37 - 38.



Borrowing

The Council manages its finances prudently and with consideration for both the current and the future generations within the community. Council prepares and consults on a Long Term Plan every three years. The budget for the 2015/16 year was based on the Long Term Plan 2015 - 25.

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. 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 the Long Term Plan. As forecasted in the Plan all external borrowing was extinguished during the 2015/16 year.

The practice of retiring external debt and redeploying cash from equity and special funds has worked well in providing fiscal efficiency and strengthening our overall financial position.

Internal borrowing is part of Council's financial strategy and is an important factor in ensuring that Council has financial capacity in place to respond to unforeseen circumstances and to support/enable future City growth.

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 performance measures at the end of 2015/16 and over the five preceding years is shown in the tables below.

The table below shows the gross debt of Council over past and future budget years.

Debt Levels Internal and External

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
External debt (excluding Finance Leases)	4,036	4,028	2,021	12	4	0
Internal debt	34,489	32,749	35,261	36,783	33,442	36,647
Total	38,525	36,777	37,282	36,795	33,446	36,647

Debt Servicing

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

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
Debt Servicing Proportion - actual	8.9%	8.3%	7.5%	7.7%	6.8%	6.4%
Policy limit:	16%	16%	16%	16%	16%	16%

Rate Funded Debt per Capita

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

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
Rate Funded Debt per Capita - actual	\$485	\$459	\$480	\$501	\$427	\$472
Policy limit:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,500

Debt/Income

Net Debt as a % of total income (External Debt)

(External & Internal prior to 2015/16)	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
Net Debt % of Total Income - actual	44%	37%	42%	41%	36%	0%
Policy limit:	100%	100%	100%	100%	100%	100%

Liquidity

Liquidity to External Debt

(Peak 12 month net debt prior to 2015/16)	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000
Liquidity % - actual	385%	724%	630%	631%	886%	N/A
Policy minimum:	110%	110%	110%	110%	110%	110%

(Note: N/A for 2015/16 as there is no external debt)

Māori Contribution to Decision Making Process

Māori play an important role in Napier City Council's decision-making.

In recognition of the special place Māori hold in this city we have a Māori Consultative Committee, and a Council Kaumatua. We also have one Councillor representative on the Pukemokimoki Marae Trust.

Māori Consultative Committee

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

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

The Committee comprises two representatives each from Te Taiwhenua O Te Whanganui A Orotu (Napier Taiwhenua) and Pukemokimoki Marae, one independent member, the Mayor or Deputy Mayor, Council Kaumātua, and a chairperson.

A ceremony was held Wednesday 19 February 2014 to formally install the late Ranui Toatoa (chairman), Tiwana Aranui, Liz Ratima, Roy Pewhairangi and Ropata Te Kuru, who has since resigned, to the Committee. The first Committee meeting was held straight after the ceremony.

George Reti was formally invited to join the committee last year as Mr Te Kuru's replacement, and attended his first meeting in December 2015.

The appointment of a new chairman has been held over until the October local government elections.

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 in 2014.

Other contributions

Council sets up special groups in recognition of the role Māori have here, on a case by case basis. The most recent was the Kaitiaki Liaison Group, which acted as advisors on the Biological Trickling Filter waste water treatment plant project.

Legislation outlined in the Local Government Act says local authorities must establish and maintain processes to provide opportunities for Māori to contribute to decision making, foster development of the way Māori can contribute to decision making, and provide information to Māori.

Council continues to consult, as needed, with the members of Te Roopu Kaiawhina Taonga, the advisory group for the Hawke's Bay Museums Trust, which manages the Collections for MTG Hawke's Bay, and the Kaitiaki Liaison Group.

A current issue where discussions with iwi are ongoing relates to Pandora Pond storm water discharge.

Council also consulted with Ngati Paarau, about the installation of pou for Te Ara O Nga Tipuna, the Taradale Cultural Trail. The final pou were officially unveiled in April this year.

Council has also been part of the discussions the Rotary Pathways Trust has had with Ngati Paarau seeking agreement to extend its pathway network, from Otatara Pa through Taradale to the Western Hills area.

Image (next page) 'Kaitiaki'

Artist: Askew One

"With my mural for Sea Walls, Napier, I was attempting to address several interrelated issues. I think the deeper I look into issues like ocean conservation I realize that nothing happens in a vacuum. Everything is connected because we live on a planet that is actually a closed system. To allow things to recycle within that system we have to be conscious of consuming more harmoniously with the system as opposed to being so disruptive. I can talk about how we are driving climate change, how it is warming the planet and subsequently causing ocean acidification which is destroying the reefs and their complex ecosystems - what's harder is to then unpack the myriad of related consequences. Those range from the harm to all the planets creatures, the environment, economics, social and political. I cannot stress this enough - if you strip away all the talk, the political posturing and all the corporate spin, every issue we face as a species relates back to our relationship with this planet. Something that may sound as random or inconsequential to your life as a dead reef in small island nation will have an impact on everyone at some point. This mural is inspired by those thoughts and dedicated to all our neighbouring Pacific Island nations, most likely the least contributors to the problem yet on the very frontline of the consequences of climate change. Big thanks to Frankie Adams for being the model for this work."

Photographer - Olivia Laita

Financial Information



Financial Statements

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Revenue				
Rates revenue	3	49,391	48,883	47,656
Finance revenue	9	2,886	1,776	3,550
Development and financial contributions		2,778	3,495	1,780
Subsidies and grants	4	5,790	5,271	4,446
Other revenue	5	37,829	35,256	34,945
Other gains/(losses)	6	(739)	360	20
Total revenue		97,935	95,041	92,397
Expenditure				
Employee benefit expenses	7	29,110	28,839	28,591
Depreciation and amortisation	17,18	20,939	21,364	20,921
Other expenses	8	36,433	35,059	36,493
Finance costs	9	-	-	-
Total expenditure		86,482	85,262	86,005
Operating surplus/(deficit) before tax		11,453	9,779	6,392
Share of associate surplus/(deficit)	20	390	350	296
Surplus/(deficit) before tax		11,843	10,129	6,688
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		11,843	10,129	6,688
Other comprehensive revenue				
Valuation gains/(losses) taken to equity	25	(1,697)	769	(2,010)
Fair value gains/(losses) through comprehensive income on investments		66	-	49
Total comprehensive revenue and expenses		10,212	10,898	4,727

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

The Notes to the Financial Statements on pages 27 to 72 form part of and should be read in conjunction with these financial statements.

Statement of Financial Performance

Year Ended 30 June 2016	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Total operating revenue (Activity Cost of Service Statements)				
Roading		6,936	7,966	5,877
Solid Waste		5,481	5,206	5,431
Stormwater		1,181	1,054	939
Sewerage		7,908	8,267	7,685
Water Supply		4,566	4,920	4,460
Recreation		2,834	3,068	3,049
Social and Cultural		4,759	5,234	4,852
City Activities		7,840	7,461	7,443
Planning and Regulatory		5,102	5,179	4,961
Property Assets		11,813	8,635	9,026
Total operating revenue		58,420	56,990	53,723
Other revenue (as per Statement of Comprehensive Revenue and Expenses)				
Non-targeted rates		35,735	35,327	34,450
Rates remissions		(255)	(219)	(259)
Interest revenue		2,886	1,776	3,550
Rendering of services		476	582	440
Other revenue		673	585	493
Total revenue		97,935	95,041	92,397
Total operating expenditure (Activity Cost of Service Statements)				
Democracy and Governance		2,335	2,409	2,214
Roading		13,897	14,097	13,954
Solid Waste		5,333	5,641	5,427
Stormwater		3,878	3,723	3,731
Sewerage		7,748	7,631	7,437
Water Supply		4,094	4,378	4,007
Recreation		11,274	11,005	11,685
Social and Cultural		14,651	15,204	14,975
City Activities		10,101	9,771	9,777
Planning and Regulatory		7,888	7,329	10,692
Property Assets		6,710	4,637	4,188
Total operating expenditure *		87,909	85,825	88,087
Other expenditure (as per Statement of Comprehensive Revenue and Expenses)				
Internal expenditure		(1,463)	(1,339)	(1,836)
Other expenses		36	776	(246)
Total expenditure		86,482	85,262	86,005
Operating surplus/(deficit) before tax (as per Statement of Comprehensive revenue and expenses)		11,453	9,779	6,392
Share of associate surplus/(deficit)	20	390	350	296
Surplus/(deficit) before tax (as per Statement of Comprehensive revenue and expenses)		11,843	10,129	6,688
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		11,843	10,129	6,688

* Total interest expense as per Note 9 Finance revenue and finance costs is included in the cost of services expenditure above and in the Activity Statements. The Notes to the Financial Statements on pages 27 to 72 form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Assets				
Current assets				
Cash and cash equivalents	11	7,367	17,652	7,255
Debtors and other receivables	12	8,655	11,917	9,804
Inventories	13	964	4,005	2,516
Biological assets	14	191	300	315
Other financial assets	15	72,000	25,000	75,000
Total current assets		89,177	58,873	94,890
Non-current assets				
Property, plant and equipment	17	1,342,510	1,374,484	1,325,517
Intangible assets	18	493	679	365
Inventories	13	1,638	9,011	1,796
Investment property	19	32,814	32,203	32,319
Investment in associates	20	7,290	4,679	6,804
Other financial assets	15	475	348	397
Total non-current assets		1,385,220	1,421,404	1,367,198
Total assets		1,474,397	1,480,277	1,462,088
Liabilities				
Current liabilities				
Trade payables and other accruals	21	12,603	13,774	11,174
Employee benefit liabilities	22	3,535	3,686	3,455
Borrowings	23	-	-	4
Total current liabilities		16,138	17,461	14,633
Non-current liabilities				
Provisions	24	4842	1,216	3,924
Revenue received in advance	5.1	537	327	806
Employee benefit liabilities	22	1,404	1,399	1,462
Borrowings	23	-	-	-
Total non-current liabilities		6,783	2,942	6,192
Total Liabilities		22,921	20,403	20,824
Total Net Assets		1,451,476	1,459,875	1,441,264
Net Assets / Equity				
Accumulated revenue & expenses	25	763,015	760,880	750,305
Other reserves	25	688,461	698,995	690,959
Total net assets / equity		1,451,476	1,459,875	1,441,264

The Notes to the Financial Statements on pages 27 to 72 form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Cash flows from operating activities				
Receipts from rates revenue		48,941	48,585	47,345
Interest received		3,418	1,776	3,144
Dividends received		5	-	5
Receipts from other revenue		45,672	40,829	38,837
Goods and services tax (net)		31	-	156
Payments to suppliers and employees		(62,125)	(58,928)	(59,797)
Interest paid		-	-	-
Net cash from operating activities	29	35,942	32,262	29,690
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		684	125	913
Proceeds from withdrawal of investments		105,138	15,143	95,214
Purchase of property, plant & equipment		(39,337)	(68,247)	(26,497)
Purchase of intangible assets		(310)	-	(199)
Acquisition of investments		(102,000)	-	(99,120)
Net cash from investing activities		(35,825)	52,979	(29,689)
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayment of borrowings		(5)	(4)	(8)
Payment of finance lease liabilities		-	-	-
Net cash from financing activities		(5)	(4)	(8)
Net (decrease)/increase in cash, cash equivalents & bank overdrafts		112	(20,721)	(7)
Cash, cash equivalents & bank overdrafts at 1 July 2014		7,255	38,373	7,262
Cash, cash equivalents & bank overdrafts at 30 June 2016		7,367	17,652	7,255

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.

Statement of Changes in Net Assets/Equity

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Total Net Equity balance at 1 July		1,441,264	1,448,981	1,436,537
Total comprehensive revenue for the period		10,212	10,898	4,727
Total Net Equity balance at 30 June	25	1,451,476	1,459,879	1,441,264
Total comprehensive revenue and expenses attributable to:				
Napier City Council		10,212	10,898	4,727
Total comprehensive revenue and expenses		10,212	10,898	4,727

The Notes to the Financial Statements on pages 27 to 72 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 (CCOs):

- 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 Council 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 2016. The financial statements were authorised by the Council for issue on 21 September 2016.

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

1.3 Changes in Accounting Standards

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

1.4 Standards issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Council will apply these amendments in preparing its 30 June 2017 financial statements. The Council expects there will be no effect in applying these amendments.

1.5 Joint Ventures

Jointly Controlled Assets

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

For jointly controlled operations, the Council and group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

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:

Non-exchange Revenue

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised 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 to the funding.

Donated, Subsidised or Vested Assets

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

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

Parking and Traffic Infringement

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

Exchange Revenue

Licences and Permits

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

Residential Developments

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

Development and Financial Contributions

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

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

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

Interest Revenue

Interest revenue is recognised on a time proportion basis using

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

Dividend Revenue

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

Building and Resource Consent Revenue

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

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 in other comprehensive revenue and expense or 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

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

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

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

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

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

Land held for development and future resale

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

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

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.

1.16 Other Financial Assets excluding derivatives

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

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

Loans and Receivables

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

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

Held to Maturity Investments

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

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

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

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue

and expense, except for impairment losses, which are recognised in the surplus or deficit. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the surplus or deficit as gains and losses from investment securities.

Fair Value Changes

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

Impairment of Financial Assets

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

Additions

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

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

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

Disposals

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

Revaluations

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually

to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads) are revalued on a three yearly valuation cycle.

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

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

Depreciation

Depreciation of Property, Plant and Equipment other than land is calculated on a straight line basis at rates that will write off the cost or valuation, less estimated residual value, over their expected useful economic lives.

The following rates have been applied:

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

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

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

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

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

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

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 2016 Council's Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Library Collections	Carried at fair value less depreciation. Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by James Parkinson BA(Hst/PoIsc) MPINZ, Director, Art + Object and performed on an annual basis. The last valuation was performed in June 2016.
Land under Roads	Carried at cost. Land under roads was valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. The Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued.
Land and Buildings	Carried at fair value less depreciation for buildings only. Land and Buildings are valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using fair value based on market valuations. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value.
Infrastructural Road Assets	Carried at fair value less depreciation. Infrastructural road assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2016. 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	Carried at fair value less depreciation. Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council's engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 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	Carried at fair value less depreciation. Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 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	Carried at cost less depreciation and impairment. Valued in 1994 using market value. Additions are at cost.
Omarunui Landfill	Carried at cost less depreciation and impairment. Landfill assets comprise of land, plant and equipment and motor vehicles.

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 initially recognised at cost, and subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 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 and capital work in progress are not subject to amortisation and are tested annually for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment will depend on whether the asset is deemed to be cash generating or non-cash generating. All cash generating assets are assets held with the primary objective of generating a commercial return, all other assets are non-cash generating.

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

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

1.22 Trade and Other Payables

These amounts are recorded at their fair 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 25.

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

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 2016.

Classification of Property

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

2. Major Budget Variances

Explanations for major variations from Council's 2015 - 2025 Long Term Plan are as follows:

2.1. Statement of Financial Performance

2.1.1 Revenue

Total revenue was \$2.9m over budget for the 2015/16 year, and \$5.5m higher than the 2014/15 year. Significant items of variance are as follows.

- (a) Finance Revenue – Interest income was \$1.1m over budget due to uncertainty around interest rates and capital projects not being completed in the current year, resulting in extra money invested in term deposits and call accounts.
- (b) Subsidies and grants – Subsidies and grants were \$0.5m over budget. Land Transport NZ and other Government grants for roading were higher than expected due to higher grants received for operating and capital expenditure. A large portion of this was received from the Urban Cycleway Fund which is covering a higher percentage of our capital spend than was included in the plan.
- (c) Other Revenue – Other revenue was \$2.6m higher than budgeted.
 - a. Parklands Residential Development section sales which were \$2.9m over budget due to more sales than anticipated. The sections remain in high demand.
 - b. There is also \$0.4m in other revenue from the one off Melbourne Storm NRL event in 2015/16. Other revenue should be read in conjunction with Note 5, where the Melbourne Storm NRL income is shown in other income.
- (d) Other Gains/(Losses) – Other gains/(losses) were \$1.1m under budget. This is due to losses on disposal of water supply, storm water and waste water assets. The amount of the loss is the difference between the book value of the asset and the disposal value. The losses related to disposal of assets which were renewed or upgraded during the year, or became surplus to requirements due to new capital works throughout the year.

2.1.2 Expenditure

Total expenditure in 2015/16 was \$1.2m over budget, and \$0.5m higher than 2014/15. The most significant variances are as follows.

- (a) Other Expenses – Other expenses are \$1.4m over budget.
 - a. The cost of sales of the Parklands Residential Development is also included in other expenses. Due to the higher sales there were also higher expenses, with \$2m more in cost of sections sold than budgeted.
 - b. Council has been preparing a detailed business case for the Multi-use Sports Facility project, of which \$0.4m of expenditure sits within other expenses (originally planned as a capital expense).
 - c. A provision has been made for realignment expenditure (\$0.3m)
 - d. Many immaterial savings in many other areas helped to offset the impact of these overspends.
- (b) Depreciation – Depreciation was \$0.4m lower than budgeted. This was mainly in roading, due to the changes in depreciation rates for 2015/16 identified through the revaluation of assets. Other budget variances within the depreciation expenses were immaterial.

2.2. Statement of Financial Position

2.2.1 Current Assets

Overall, current assets are \$30.3m higher than budget and \$5.7m lower than last year. The significant variances are:

- a. Other financial assets are \$47m higher than budget due to planned capital projects being carried forward into future years. 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. The cash and cash equivalents remained unutilised, so have been reinvested in term deposits. This reflects known cash requirements at 30 June 2016. Other financial assets in this section needs to be read in conjunction with Note 2.4.
- b. The current portion of inventories is \$3m lower than budget which reflects the higher than anticipated sales of Parklands Residential Development sections, leaving less inventory remaining.
- c. Cash and cash equivalents are \$10.3m lower than budget. This variance is due to higher reserves being held in term deposits for greater than 3 months, and lower demand for cash due to planned capital projects being carried forward into future years.
- d. Debtors and other receivables are \$3.3m lower than budget due to a focus on overdue accounts to ensure debts have been collected in a timely manner, and Parklands Residential Development section sales being completed before year end. Parklands section sales have extended payment terms which was expected to lead to many of these debts remaining outstanding at year end. As shown in Note 12, Parklands debtors are on par with the prior year.

2.2.2 Non-Current Assets

Total non-current assets for 2015/16 are \$36.2m lower than budget.

- a. Property, plant and equipment is \$32.0m lower than budget. This is primarily due to planned capital projects being carried forward into future years.
- b. Non-current inventories is \$7.4m below budget which relates to Parklands Residential Development. This is due to delayed development on the next areas to prepare sections for sale.
- c. Investments in associates is \$2.6m above budget. This refers to our investment in Hawke's Bay Airport Limited.

Further information can be found in the Council Controlled Organisations section of the Appendices.

2.2.3 Current Liabilities

Current liabilities are \$1.3m lower than budget. The main variance is in trade payables and other accruals which is \$1.2m lower than budget due to the timing of capital project expenditure. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

2.2.4 Non-current Liabilities

Non-current liabilities are \$3.8m higher than budget. The variance relates to additional Provisions made during the year for realignment and tertiary education grants. This should be read in conjunction with Note 24.

2.2.5 Equity

Other reserves are \$10.4m under budget for the 2015/16 year. This is partly due to the timing of projects 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 Changes in Net Assets / Equity

Major variations in the Statement of Changes in Net Assets and Equity is due to the opening balance for revaluation reserves and retained earnings being lower than budget, impacting on the closing balances.

2.4. Cashflow

Cash, cash equivalents and bank overdrafts increased by \$0.1m during the year, compared to a planned decrease of \$20.7m. This is due to lower than planned purchases of property, plant and equipment, which is because of timing differences in capital project expenditure.

3. Rates Revenue

	Actual 2016 \$000	Actual 2015 \$000
Non-targeted rates	35,733	34,450
Targeted rates attributable to activities		
Water	4,481	4,362
Sewerage	7,299	6,994
Refuse and sanitation	1,786	1,779
Rooding	160	162
Marketing	187	168
Total revenue from rates	49,646	47,915
Rates remissions	(255)	(259)
Rates revenue net of remissions	49,391	47,656

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 2016 \$000	Actual 2015 \$000
Land Transport and other Government grants	4,960	3,965
Other Grants and Donations	830	481
Total grants and donations	5,790	4,446

5. Other Revenue

	Actual 2016 \$000	Actual 2015 \$000
User charges	4,935	5,394
Regulatory revenue	3,110	2,847
Rental income from investment properties	1,466	1,465
Other rental income	4,467	4,516
Infringements and fines	684	981
Rendering of services	1,941	1,882
Retail and product sales	8,314	8,288
Omarunui Landfill Joint-Venture	2,033	1,949
Sales residential development	7,726	4,719
Other income	1,229	874
Petrol tax	381	372
Vested assets - Parklands Residential Development	797	758
Vested assets - other	741	895
Dividend income	5	5
Total other revenue	37,829	34,945

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, \$268,500 (2015: \$268,500), is the amount that will be recognised in the following financial year as revenue and any amounts that will be recognised in years later is classified and included in non-current liabilities. This amount, \$537,000 (2015: \$805,500), is separately disclosed in non-current liabilities as revenue received in advance.

6. Gains/(Losses)

	Actual 2016 \$000	Actual 2015 \$000
Non-financial instruments		
Gain/(loss) on revaluation of Library bookstock	(115)	(176)
Gain/(loss) on revaluation of investment properties	495	751
Gain/(loss) on sale of assets	110	89
Gain/(loss) on disposal of assets	(1,284)	(630)
Fair value gain/(loss) on livestock	55	(14)
Total gains/(losses)	(739)	20

7. Employee Benefit Expenses

	Actual 2016 \$000	Actual 2015 \$000
Salaries and wages	28,574	28,099
Employer contributions to multi-employer defined benefit plans	642	613
Increase/(decrease) in employee benefit liabilities	(106)	(121)
Total employee benefit expenses	29,110	28,591

8. Other Expenses

	Actual 2016 \$000	Actual 2015 \$000
Audit fees - financial statement audit	127	125
Audit fees - Long Term Plan audit	-	80
Donations	13	111
Bad debts written off	49	19
Rental expense on operating leases	661	68
Legal settlement	-	585
Other operating expenses	35,583	35,505
Total other expenses	36,433	36,493

9. Finance Income and Finance Costs

	Actual 2016 \$000	Actual 2015 \$000
Finance income		
Interest income		
Term deposits and call accounts	2,886	3,550
Local authority stock	-	-
Total finance income	2,886	3,550
Finance costs		
Interest expense		
Interest on external borrowings	-	-
Interest on internal borrowings	1,351	1,724
Total interest expense	1,351	1,724
Less Internal interest expense	(1,351)	(1,724)
Total finance costs	-	-
Net finance income	2,886	3,550

10. Tax

	Actual 2016 \$000	Actual 2015 \$000
Relationship between tax expense and accounting profit		
Surplus/(deficit) before tax	11,843	6,688
Tax at 28%	3,316	1,873
Non-taxable income	(3,316)	(1,873)
Tax Expense	-	-

Additional disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$1,674,094 (2015: \$1,612,373)

11. Cash and Cash Equivalents

	Actual 2016 \$000	Actual 2015 \$000
Cash at bank and in hand	4,969	4,792
Short-term deposits maturing 3 months or less from date of acquisition	-	-
Omarunui Landfill	2,398	2,463
Total cash and cash equivalents	7,367	7,255

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 2016 \$000	Actual 2015 \$000
Cash at bank and in hand	4,969	4,792
Short-term deposits maturing within 3 months	-	-
Omarunui Landfill	2,398	2,463
Total cash and cash equivalents	7,367	7,255

Omarunui Landfill represents the Napier City Council share of the Omarunui Landfill investments at 30 June 2016.

12. Debtors and Other Receivables

	Actual 2016 \$000	Actual 2015 \$000
Rates receivables	725	755
Other receivables	3,962	5,141
Parklands - unconditional contracts subdivision sales	2,865	2,861
NZTA subsidy claims	1,052	1,013
Prepayments	51	34
Total debtors and other receivables	8,655	9,804
Debtors and other receivables comprise of:		
Receivables from non-exchange transactions - rates and grants	1,777	1,768
Receivables from exchange transactions - commercial sales	6,878	8,036
Total debtors and other receivables	8,655	9,804

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 2016 and 2015 are detailed below:

	Actual 2016 \$000	Actual 2015 \$000
Current	7,394	7,549
Past due 30 days	439	444
Past due 60 days	85	74
Past due 90 days	738	1,737
Total receivables	8,655	9,804

13. Inventories

	Actual 2016 \$000	Actual 2015 \$000
Current portion		
Inventory held for distribution	207	189
Inventory held for resale	173	176
Parklands - work in progress	584	2,151
Total current portion	964	2,516
Non-current portion		
Parklands - land under development	-	579
Parklands - work in progress	1,638	1,217
Total non-current portion	1,638	1,796

Inventory held for distribution and resale increased in 2016: \$17,362 (2015: \$23,430) as a result of stocktake adjustments.

The carrying amount of inventories pledged as security for liabilities is \$nil (2015: \$nil).

The Council is currently developing land for future sale and of the costs to date (including the value of land transferred to inventory) \$1,638,000 are not expected to be recovered until after 30 June 2017.

14. Biological Assets

	Actual 2016 \$000	Actual 2015 \$000
Biological assets changes in value		
Opening value 1 July	315	323
Change in value arising from changes in fair value	55	(14)
Increase in value due to natural increase/(decrease)	167	193
Increase in value due to purchases	220	276
Change in value due to sales	(566)	(463)
Closing value 30 June	191	315

Biological Assets comprise 1,495 sheep (2015: 3,102) largely held for trading.

15. Other Financial Assets

	Actual 2016 \$000	Actual 2015 \$000
Current portion		
Short-term deposits with maturities of 4-12 months	72,000	75,000
Corporate bonds	-	-
Total current portion	72,000	75,000
Non-current portion		
Term deposits with maturities of over 12 months	-	-
Unlisted shares	475	397
Corporate bonds	-	-
Total non-current portion	475	397

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
30 June 2016				
Financial assets				
Derivatives	-	-	-	-
Shares	475	475	-	-
Term deposits	72,000	72,000	-	-
Corporate bonds	-	-	-	-
Financial liabilities				
Derivatives	-	-	-	-

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

16. Non-current Assets Held for Sale

There are currently no non-current assets held for sale as at 30 June 2016 \$0 (2015: \$245,000).

17. Property Plant and Equipment

2016	Cost / Revaluation 1 July 2015 \$000	Accumulated Depreciation & Impairment Charges 1 July 2015 \$000	Carrying Amount 1 July 2015 \$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 Transfers & Corrections at Cost \$000	Revaluation Surplus \$000	Cost / Revaluation 30 June 2016 \$000	Accumulated Depreciation & Impairment Charges 30 June 2016 \$000	Carrying Amount 30 June 2016 \$000
Council operation assets													
Land	76,631	-	76,631	-	-	-	-	10	-	-	76,641	-	76,641
Leasehold land	4,476	-	4,476	-	5 (287)	-	-	-	-	-	4,194	-	4,194
Buildings	66,538	(1,910)	64,628	-	2,188 (235)	82	82	(22)	1 (1,946)	-	68,469	(3,773)	64,696
Library books	2,294	-	2,294	-	418 (75)	228	228	-	- (228)	(352)	2,285	-	2,285
Plant & equipment	34,217	(22,376)	11,841	-	1,926 (605)	577	577	322	(117) (2,380)	-	35,860	(24,296)	11,564
Motor vehicles	4,436	(2,109)	2,327	-	909 (569)	551	551	554	(746) (535)	-	5,330	(2,839)	2,491
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	225	(225)	-
Total operational assets	188,817	(26,620)	162,197	-	5,446 (1,771)	1,438	1,438	864	(862) (5,089)	(352)	193,004	(31,133)	161,871
Council infrastructural assets													
Sewerage system other assets	119,347	(3,039)	116,308	339	2,503 (2,779)	2,446	2,446	1,432	(46) (3,265)	-	120,842	(3,904)	116,938
Sewerage system treatment plant	35,350	(805)	34,545	-	150 (1,414)	-	-	(1,414)	28 (792)	-	34,086	(1,569)	32,517
Water system	81,955	(1,368)	80,587	227	5,454 (685)	345	345	-	(1,506) (1,506)	-	86,951	(2,529)	84,422
Drainage network	110,578	(1,902)	108,676	668	6,846 (880)	339	339	-	(1,938) (1,938)	-	117,212	(3,501)	113,711
Roading network	190,098	(2)	190,096	304	14,130 (22)	5,200	5,200	-	(5,202) (5,202)	(7,114)	197,418	(4)	197,414
Land under roads	420,665	-	420,665	-	468 (22)	-	-	-	-	-	421,111	-	421,111
Total infrastructural assets	957,993	(7,116)	950,877	1,538	29,551 (4,366)	8,330	8,330	18	(18) (12,703)	(7,114)	977,620	(11,507)	966,113
Council restricted assets													
Sportsgrounds	148,492	(1,198)	147,294	-	3,418 (72)	2	2	17	(17) (1,232)	-	151,855	(2,445)	149,410
Grandstands & halls	8,734	(132)	8,602	-	237 -	-	-	-	- (132)	-	8,971	(265)	8,706
Buildings on reserves	34,457	(953)	33,504	-	1,310 (21)	1	1	-	- (974)	-	35,746	(1,926)	33,820
Swimming pools	11,060	(376)	10,684	-	85 -	-	-	-	- (381)	-	11,145	(757)	10,388
Inner harbour	12,592	(233)	12,359	-	85 -	-	-	-	- (242)	-	12,677	(475)	12,202
Total restricted assets	215,335	(2,892)	212,443	-	5,135 (93)	3	3	17	(17) (2,961)	-	220,394	(5,868)	214,526
Total property plant & equipment	1,362,145	(36,628)	1,325,517	1,538	40,132 (6,230)	9,771	9,771	899	(897) (20,753)	(7,466)	1,391,018	(48,508)	1,342,510

Items added to work in progress \$27,666,878.68 (2015: \$14,421,275). Completed assets transferred from work in progress \$13,802,032 (2015: \$33,376,704). The net carrying amount of plant and equipment held under finance leases is \$0 (2015: \$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

2015	Carrying Amount 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
Council operation assets													
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	-	(236)	-	2,294	-	2,294
Plant & equipment	34,126	(21,000)	13,126	-	1,175	(953)	941	(131)	(2,317)	-	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)	-
Total operational assets	187,770	(24,291)	163,479	-	5,097	(3,183)	2,620	(464)	(4,949)	(403)	188,817	(26,620)	162,197
Council infrastructural assets													
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)	-	110,578	(1,902)	108,676
Roading network	189,113	-	189,113	511	10,197	-	5,446	-	(5,448)	(9,723)	190,098	(2)	190,096
Land under roads	420,597	-	420,597	-	68	-	-	-	-	-	420,665	-	420,665
Total infrastructural assets	948,085	-	948,085	1,103	18,503	(966)	5,811	491	(12,927)	(9,723)	957,893	(7,116)	950,877
Council restricted assets													
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
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
Total restricted assets	212,589	(51)	212,538	50	2,774	(51)	1	(27)	(2,842)	-	215,335	(2,892)	212,443
Total property plant & equipment	1,348,444	(24,342)	1,324,102	1,153	26,374	(4,200)	8,432	-	(20,718)	(10,126)	1,362,145	(36,628)	1,325,517

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 Councils 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 2016 \$000	30 June 2015 \$000
Buildings	1,916	783
Buildings on reserves	-	32
Drainage network	5,903	1,875
Inner Harbour	74	-
Land	264	258
Plant and equipment	355	72
Roading network	7,678	5,781
Sewerage system	651	381
Sportsgrounds	3,334	1,244
Software	40	-
Water system	4,898	820
Total	25,113	11,246

17a. Replacement Cost of Core Infrastructural Assets

	30 June 2016 \$000	30 June 2015 \$000
Council infrastructural assets		
Sewerage system		
- treatment plant	40,747	40,597
- other assets	210,637	208,733
Water system	132,801	130,000
Drainage network	167,563	165,976
Roading network	329,890	323,485
Total infrastructural assets	881,638	868,791

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 2016 \$000	Actual 2015 \$000
City Activities	892	907
Recreation	2,051	1,924
Social and Cultural	2,320	2,303
Planning and Regulatory	315	270
Roading	5,266	5,514
Water Supply	1,508	1,493
Solid Waste	745	752
Stormwater	1,951	1,946
Sewerage	4,067	4,061
Property assets	416	390
Support Units	1,408	1,361
Total directly attributable depreciation and amortisation by group of activity	20,939	20,921

18. Intangible Assets

2016

Cost / revaluation	1 July 2015	Accumulated depreciation and impairment charges	1 July 2015	Carrying amount	1 July 2015	Current year additions	Current year disposals	Current year disposal accum	Current year impairment charges	Current year amortisation	Revaluation Surplus	Cost / revaluation	30 June 2016	Accumulated depreciation and impairment charges	30 June 2016	Carrying amount	30 June 2016
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000

Computer software	2,025	(1,660)	365	312	(185)	(185)	-	186	-	2,152	(1,659)	493
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Computer software includes the cost of licences 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.

2015

Cost / revaluation	1 July 2014	Accumulated depreciation and impairment charges	1 July 2014	Carrying amount	1 July 2014	Current year additions	Current year disposals	Current year disposal accum	Current year impairment charges	Current year amortisation	Revaluation Surplus	Cost / revaluation	30 June 2015	Accumulated depreciation and impairment charges	30 June 2015	Carrying amount	30 June 2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000

Computer software	1,843	(1,489)	354	214	(32)	32	-	(203)	2,025	(1,660)	365
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19. Investment Property

	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July	32,319	31,568
Additions from acquisitions	-	-
Reclassification	-	-
Fair value gains/(losses) on valuation	495	751
Balance at 30 June	32,814	32,319

Council's investment properties are valued annually at fair value effective 30 June 2016. All investment properties were valued based on open market evidence. The valuation was performed by M. Penrose ANZIV, SNZPI, AAMINZ an independent valuer employed by Telfer Young (HB) Ltd. Telfer Young are experienced valuers with extensive market knowledge of the types of investment properties owned by the Council. The fair value of investment property has been determined using the capitalisation of net income and discounted cash flow methods. These methods are based upon assumptions including future rental income, anticipated maintenance costs and appropriate discount rates.

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

	Actual 2016 \$000	Actual 2015 \$000
Rental income from investment property	1,466	1,465
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 is no published price quotations to determine the fair value of this investment.

Movements in the carrying amount of investments in associates

	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July	6,804	4,326
Prior year equity adjustment	113	-
Revaluation Gains/(Losses)	120	2,276
Share of total recognised revenues and expenses	390	296
Share of dividend	(137)	(94)
Balance at 30 June	7,290	6,804

Summarised Financial Information of Associate Entities

	Actual 2016 \$000	Actual 2015 \$000
Assets	35,312	34,799
Liabilities	7,274	8,626
Revenues	5,269	4,358
Surplus/(deficit)	1,404	1,137
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 Hawkes Bay Airport Limited as an associate has been disclosed above.

The Council has interests in two further Council Controlled Organisations (refer page 143-147).

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

21. Trade payables and other accruals

	Actual 2016 \$000	Actual 2015 \$000
Trade payables and accrued expenses	10,555	9,166
Deposits and bonds	610	644
Accrued interest	-	-
Rates in advance	801	752
Revenue received in advance	637	612
Total trade payables and other accruals	12,603	11,174
Payables and other accruals comprise of:		
Payables from non-exchange transactions - rates	801	752
Payables from exchange transactions - commercial payables	11,802	10,422
Total trade payables and other accruals	12,603	11,174

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 benefits liabilities

	Actual 2016 \$000	Actual 2015 \$000
Current portion		
Accrued pay	473	327
Annual leave	3,000	3,018
Retirement and long service leave	62	110
Total current portion	3,535	3,455
Non-current portion		
Retirement and long service leave	1,404	1,462
Total non-current portion	1,404	1,462
Total employee entitlement	4,939	4,917

23. Borrowings

	Actual 2016 \$000	Actual 2015 \$000
Current portion		
Secured loans	-	4
Total current portion	-	4
Non-current portion		
Secured loans	-	-
Total non-current portion	-	-

Fixed Rate Debt

The Council's debt is \$0 (2015: \$4,550 at 0.00%).

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 Long Term 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 2016 \$000	Actual 2015 \$000
Secured Loans		
Less than one year	-	4
Weighted average effective interest rate	0.00%	0.00%
Later than one year but not more than five years	-	-
Weighted average effective interest rate	0.00%	0.00%
Later than five years		
Weighted average effective interest rate		
Total	0	4

Description of Material Leasing Arrangement

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

24. Provisions

	Financial Guarantees \$'000	Weathertightness Provision \$'000	Landfill Aftercare Provision \$'000	Realignment Costs	Tertiary Education Grant \$'000	Total \$'000
2016						
Balance at 1 July 2015	532	2,890	502	-	0	3,924
Additional provisions made	-	-	-	319	750	1,069
Unused amounts reversed	(44)	(90)	(17)	-	-	(151)
Balance as at 30 June 2016	488	2,800	485	319	750	4,842
2015						
Balance at 1 July 2014	816	-	419	-	-	1,235
Additional provisions made	-	2,890	83	-	-	2,973
Unused amounts reversed	(284)	-	-	-	-	(284)
Balance as at 30 June 2015	532	2,890	502	-	-	3,924

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 Weathertightness

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.

Provision for Tertiary Education Grant

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

24. Provisions

Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life
Valley A - opened in December 1998, closed 2006	2.6m ³	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m ³	17 years	8.4 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

		Authorised 2015/16	Outstanding Amount 2015/16	Authorised 2014/15	Outstanding Amount 2014/15
		(\$000)	(\$000)	(\$000)	(\$000)
HB Sports Fishing Club	ANZ	-	-	400	-
Maraenui Rugby & Sports Association	ANZ	-	-	90	-
Napier Sailing Club	Westpac	550	314	750	344
Omni Gymnastics Centre	Westpac	275	174	275	188
Total		825	488	1,515	532

25. Equity

	Actual 2016 \$000	Actual 2015 \$000
Retained earnings		
As at 1 July	750,305	733,698
Transfers to:		
Restricted reserves	1,822	9,774
Transfers from:		
Asset revaluation reserve	1,271	2,057
Restricted reserves	(2,226)	(1,912)
Surplus/(deficit) for the year	11,843	6,688
As at 30 June	763,015	750,305
Restricted reserves		
As at 1 July	2,050	9,912
Transfers to:		
Retained earnings	2,226	1,912
Transfers from:		
Retained earnings	(1,822)	(9,774)
As at 30 June	2,454	2,050
Restricted reserves consist of:		
Loan redemption reserve	-	-
Loan funds reserves	(136)	(118)
Trusts and bequests	292	283
Advanced wastewater treatment fund (HBRC)	-	-
Other restricted reserves	2,297	1,885
Total restricted reserves *	2,453	2,050
Asset revaluation reserves		
As at 1 July	688,982	693,049
Revaluation gains/(losses) Property, Plant & Equipment	(1929)	(4,287)
Revaluation gains/(losses) Hawke's Bay Airport Limited	232	2,277
Transfer of prior year revaluation adjustment for Hawke's Bay Airport Limited	(112)	-
Transfer of revaluation reserve to retained earnings	-	(2,057)
Transfer of revaluation reserve to retained earnings on disposal of property plant & equipment	(1,158)	-
As at 30 June	686,015	688,982

* For full details on the restricted reserve refer to pages 74 - 79

	Actual 2016 \$000	Actual 2015 \$000
Asset revaluation reserves consist of:		
Operational assets		
Land	54,694	54,767
Leasehold land	3,421	3,652
Buildings	32,034	32,163
Plant & equipment	269	283
Infrastructural assets		
Sewerage Treatment Plant	6,213	6,213
Sewerage system	109,592	109,907
Water system	65,820	66,083
Drainage network	68,614	68,829
Roading network	209,434	211,347
Restricted reserves		
Sportsgrounds	102,432	102,369
Grandstands and halls	2,773	2,773
Buildings on reserves	13,989	13,987
Swimming pools	5,059	5,059
Inner Harbour	9,273	9,273
Hawke's Bay Airport Authority	2,397	2,277
Total asset revaluation reserves	686,015	688,982
Fair value through equity reserve		
As at 1 July	(73)	(122)
Valuation gains/(losses) on unlisted shares taken to equity	66	49
As at 30 June	(7)	(73)
Total other reserves	688,461	690,959
Total Equity	1,451,476	1,441,264

26. Capital Management

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

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

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

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

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

Napier City Council has the following Council created reserves:

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

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

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

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

27. Capital Commitments and Operating Leases

	Actual 2016 \$000	Actual 2015 \$000
Capital commitments		
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	16,290	10,036

Operating leases as lessee

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

Napier Community House

The Council sub-leases 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 2016 \$000	Actual 2015 \$000
Not later than one year	617	53
Later than one year and not later than five years	2,432	9
Later than five years	1,824	-
Total non-cancellable operating leases	4,873	62

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance sheet date is \$4,872,820 (2015: \$8,700).

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 2016 \$000	Actual 2015 \$000
Non-cancellable operating leases as lessor		
Not later than one year	906	198
Later than one year and not later than five years	2,950	48
Later than five years	4,308	-
Total non-cancellable operating leases	8,164	246

28. Contingencies

	Actual 2016 \$000	Actual 2015 \$000
Contingent liabilities	14,000	10,500
Financial guarantees	337	709
Total contingent liabilities	14,337	11,209

Financial Guarantees

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

Weathertightness

Council has recognised a provision for weathertightness claims (see Note 24). The Councils' maximum exposure to weathertightness claims is currently estimated at an additional \$14m. It is not considered likely that this liability will materialise; hence this is recognised as a contingent liability.

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 2016 \$000	Actual 2015 \$000
Surplus/(deficit) after tax	11,843	6,414
Add/(less) non-cash items		
Share of associate surplus/(deficit)	(390)	(296)
Depreciation and amortisation expense	20,939	20,921
Vested assets	(741)	(895)
Vested assets (Parklands)	(797)	(758)
(Gains)/losses in fair value of investment property	(495)	(751)
(Gains)/losses on library bookstock	115	176
(Gain)/loss on livestock	(55)	14
Other non-cash items	-	-
Add/(less) items classified as investing or financing activities:		
(Gains)/losses on disposal of property plant and equipment	1,174	730
Add/(less) movements in working capital items:		
Accounts receivable	1,150	(1,021)
Inventories	1,709	1,302
Biological assets	180	(6)
Accounts payable	638	3,875
Provisions	918	73
Revenue received in advance	(269)	(235)
Employee benefits	23	147
Net cash inflow/(outflow) from operating activities	35,942	29,690

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 \$290,219 (2015: \$261,081).

For the year ended 30 June 2016, the total annual cost including Fringe Benefit Tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$318,730 (2015: \$288,719)

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

	Actual 2016 \$000	Actual 2015 \$000
Cost during the financial year		
Subscriptions	1	1

Elected Representatives

	Actual 2016 \$000	Actual 2015 \$000
Total remuneration		
Mayor		
Bill Dalton	120	116
Councillors		
Mark Herbert *	45	43
Tony Jeffery *	45	43
Faye White *	48	46
Keith Price	44	42
Maxine Boag	44	42
Michelle Pyke	44	42
Annette Brosnan	38	37
Mark Hamilton	38	37
Roy Sye	38	37
Graeme Taylor *	39	37
Kirsten Wise *	45	42
Richard McGrath	38	31

* Receives payment for time spent on the hearings committee

31. Employee Staffing Levels and Remuneration

As at 30 June 2016 the number of employees employed by Napier City Council was 512 (2015: 532)*

2016 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2015/16	Other Staff Full Time Equivalent 2015/16	Total FTE's	Total Number of Employees
Less than \$60,000	198	84	282	350
\$60,000 to \$80,000	95	6	101	102
\$80,000 to \$100,000	32	3	35	35
\$100,000 to \$120,000	13	-	13	13
\$120,000 to \$140,000	5	-	5	5
\$140,000 to \$320,000	7	-	7	7
Total	350	93	443	512

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
Total	349	82	431	532

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 2016. The budget 2015/16 full time equivalent staff was 436 (2015: 450). The variance is due to fluctuating seasonal staff requirements who were not employees at 30 June 2016.

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

Average salaries (excluding key personnel as noted in Note 36) for 2016 was \$43,030 (2015: \$42,222).

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

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

32. Severance Payments

For the year ended 30 June 2016, the Council made 4 (2015: 5) severance payments to employees at the values of \$2,000, \$5,000, \$5,000 & \$6,000 (2015: \$5,000, \$9,000, \$10,000, \$13,500 & \$30,000).

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

33. Events After the Balance Sheet Date

As at 29 July 2016 the realignment of council is underway

34. Financial Instrument Risks

Financial instrument categories	Actual 2016 \$000	Actual 2015 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	7,367	7,255
Debtors and other receivables	8,655	9,804
Other financial assets		
Term deposits	72,000	75,000
Total loans and receivables	88,022	92,059
Held to maturity		
Other financial assets		
Local authority stock	-	-
Corporate bonds	-	-
Total held to maturity	-	-
Fair value through equity		
Unlisted shares	475	397
Total fair value through equity	475	397
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	12,603	11,174
Secured loans	-	4
Total financial liabilities at amortised cost	12,603	11,178

Financial Instrument Risks

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

Market Risk

Price risk

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

Currency risk

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

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

Fair value interest rate risk

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

Cash flow interest rate risk

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

Credit risk

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

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

Maximum exposure to credit risk

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

	Actual 2016 \$000	Actual 2015 \$000
Cash at bank and term deposits	79,367	82,255
Receivables	8,655	9,804
Community and related party loans	-	-
Local authority stock and government bonds	-	-
Derivative financial instrument assets	-	-
Financial guarantees	488	532
Total credit risk	88,510	92,591

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 2016 \$000	Actual 2015 \$000
Counterparties with credit ratings		
Cash at Bank		
AA- (Others)	7,367	7,255
AA- (Kiwibank)	-	-
Total cash at bank	7,367	7,255
Term deposits		
AA- (Others)	64,000	63,000
A+	8,000	12,000
Total term deposits	72,000	75,000
Counterparties without credit ratings		
Local authority stock	-	-
Total	-	-

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 Long Term Plan (LTP).

The Council has an overdraft facility of \$300,000 (2015: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2016 was \$0 (2015: \$0). The Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$5,113,000 in funds as at 30 June 2016 (2015: \$476,000).

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
2016						
Creditors & Other Payables	12,603	12,603	12,603	-	-	-
Secured Loans	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	488	488	488	-	-	-
Total	13,091	13,091	13,091	-	-	-

2015						
Creditors & Other Payables	11,174	11,174	11,174	-	-	-
Secured Loans	4	4	4	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	532	532	532	-	-	-
Total	11,710	11,710	11,710	-	-	-

Contractual Maturity Analysis of Financial Assets

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More Than 5 Years \$000
2016						
Cash & cash equivalents	7,367	7,367	7,367	-	-	-
Debtors & other receivables	8,655	8,655	8,655	-	-	-
Other financial assets						
Term deposits	72,000	73,754	73,754	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Total	88,022	89,776	89,776	-	-	-

2015						
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	-	-	-	-	-	-
Total	92,059	94,802	94,802	-	-	-

Sensitivity analysis

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

Interest rate risk

	2016 \$000				2015 \$000			
	-50 Profit	bps Equity	100 Profit	bps Equity	-50 Profit	bps Equity	100 Profit	bps Equity
Financial assets								
Cash and cash equivalents	(37)	-	74	-	(36)	-	73	-
Other financial assets								
Term deposits	(360)	-	720	-	(375)	-	750	-
Local authority stock	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Total	(397)	-	794	-	(411)	-	823	-

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 (2015: -50bps/+100bps).

Term loans

At 30 June 2016 the Council had \$nil of floating rate debt (2015: \$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 2016, the Council's current and non current investments and borrowings have all been negotiated at fixed interest rates for fixed terms (2015: \$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 2016 Council's forward foreign exchange contracts totalled EUR€nil or NZ\$nil (2015: EUR€nil or NZ\$nil).

36. Related Party Transactions

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

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

Related party transactions with subsidiaries, associates, or joint ventures

The Council has significant influence over Hawke's Bay Museums Trust. The Council also has a 36.32% share in the Omarunui Landfill joint venture and has significant influence over Hawke's Bay Airport Limited due to its 26% 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 2016 \$000	Actual 2015 \$000
Hawke's Bay Museums Trust (HBMT)		
Grants paid to HBMT	441	427
Services provided to HBMT	873	808
Hawkes Bay Local Authority Shared Services Ltd (HB LASS)		
Initial Shareholding	1	1
Share of Expenses paid to HB LASS	27	21

Transactions with key management personnel

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

The Council purchased goods and services of \$83,425(inc) from Volom Marketing Business, in which the Director of Corporate Services is related to the operator of the business. This expenditure relates to consulting services received for event management and was on normal commercial terms and financial approval.

The Council sponsored Ramblers Cycling Club for events to the value of \$2,000(inc). The Chief Executive is a member of this club and the sponsorship was provided on normal terms and financial approval.

The Council purchased goods and services of \$15,206(inc) from Alexander Building Solutions Limited, and \$5,074(inc) from Alexander Construction Central Limited, in which Councillor Mark Hamilton has an interest. This expenditure was on normal commercial terms and financial approval.

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

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2015: \$nil).

Key management personnel compensation

	FTE 2016	FTE 2015	Actual 2016 \$000	Actual 2015 \$000
Elected members remuneration	12	12	626	595
Senior management remuneration (includes Chief Executive, Mayor and key management personnel)	11	11	1,826	1,896

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 2016 \$000	Actual 2015 \$000
Current assets	2,398	2,463
Non-current assets	3,973	3,899
Non-current liabilities	484	501
Income	2,433	2,357
Income (NCC sales eliminated)	(400)	(400)
Expenses	1,004	1,045
Depreciation	523	518

Joint venture commitments and contingencies

There are no capital commitments and contingent liabilities arising from involvement in the joint venture (2015: \$nil).

Funding Impact Statement (Whole of Council)

	AP 2015 \$000	Actual 2015 \$000	AP 2016 \$000	Actual 2016 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	34,211	34,450	35,327	35,735
Targeted rates*	13,387	13,465	13,775	13,911
Subsidies and grants for operating purposes	2,345	4,157	2,601	4,262
Fees and charges*	18,376	18,411	18,411	18,300
Interest and dividends from investments	1,502	3,555	1,778	2,891
Local authorities fuel tax, fines, infringement fees, and other receipts	13,305	14,876	14,496	17,986
Total operating funding (A)	83,126	88,914	86,388	93,085
Applications of operating funding				
Payments to staff and suppliers	59,514	62,450	63,896	65,493
Finance costs	-	-	-	-
Other operating funding applications	185	277	221	305
Total applications of operating funding (B)	59,699	62,727	64,117	65,798
Surplus/(deficit) of operating funding (A - B)	23,427	26,187	22,271	27,287
Sources of capital funding				
Subsidies and grants for capital expenditure	1,448	289	2,670	1,528
Development and financial contributions	1,985	1,779	3,495	2,778
Increase/(decrease) in debt	1,894	(8)	(3)	-
Gross proceeds from sale of assets	177	913	125	688
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	5,504	2,973	6,287	4,994
Application of capital funding				
Capital expenditure**				
- to meet additional demand	7,761	1,132	19,026	7,876
- to improve the level of service	6,589	13,834	28,705	16,685
- to replace existing assets	15,396	11,533	20,516	15,872
Increase (decrease) in reserves	(815)	182	(39,689)	(8,641)
Increase (decrease) of investments	-	2,479	-	489
Total application of capital funding (D)	28,931	29,160	28,558	32,281
Surplus/(deficit) of capital funding (C - D)	(23,427)	(26,187)	(22,271)	(27,287)
Funding balance ((A-B) + (C-D))	-	-	-	-

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

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

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

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

* Water by meter rates are included under targeted rates.

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

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 clause 31 of Schedule 10 of the Local Government Act 2002 the table below reports on the balance at the beginning and end of the financial year and the amounts deposited and withdrawn from each of Council's reserve funds during the financial year.

Council's Reserve Funds are classified into three categories:

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

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

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
COUNCIL CREATED RESERVES						
Advanced Wastewater Treatment Establishment Fund	Accumulation of Advanced Wastewater Levies collected from Napier ratepayers along with interest earned on these funds.	Wastewater	1,805	(2,000)	195	-
Ahuriri Beautification Fund	Derived from the Beautification rate for properties located at the Ahuriri Shopping Centre.	Roading	(3)	(10)	13	-
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	175	(31)	13	157
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	(8,436)	(8,063)	4,252	(12,247)
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 City Business Inc. and Taradale Marketing Association.	City and Business Promotion	-	(187)	186	(1)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	(94)	(1,167)	1,190	(71)
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice.	Libraries	-	(16)	-	(16)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control.	Animal Control	(377)	(612)	693	(296)
General Reserve No.1	Derived from rates from the NZ Railway land in Munroe and Station Streets. The reserve is used to fund the provision of infrastructure (including debt servicing) for any development on this site.	Roading, Stormwater, Parking	(138)	(1)	102	(37)
Development Contributions	Collected from development contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	430	(149)	6	287
Financial Contributions	Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. Note: Council itself is a developer (Parklands) and contributions are transferred as internal charges.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	(12,284)	(3,961)	12,211	(4,034)
Infrastructural Asset Renewal and Upgrade Funds	Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades.	Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre	(25,626)	(13,912)	15,332	(24,206)
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	(3,391)	(30)	(380)	(3,801)
Keep Napier Beautiful	Originally derived from surplus revenue in Keep Napier Beautiful project.	Reserves	(1)	-	-	(1)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
Marine Parade Disability Hoist	Derived from fundraising carried out by Mr N Bains for the purchase a disability hoist for the Marine Parade Pools.	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	(515)	-	19	(496)
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	(353)	-	-	(353)
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	(2,571)	(150)	(57)	(2,778)
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	(7,368)	(2,200)	1,561	(8,007)
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	(701)	-	(83)	(784)
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	69	(180)	206	95
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	(19,553)	(7,041)	5,938	(20,656)
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements.	Roothing	426	-	110	536

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	(1,394)	-	(303)	(1,697)
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	(72)	(136)	109	(99)
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	(9,846)	(1,095)	(194)	(11,135)
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	(1,649)	(2,033)	1,294	(2,388)
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	(1,650)	-	(30)	(1,680)
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	(1,750)	(2,980)	2,135	(2,595)
Total Council Created Reserves			(94,872)	(45,954)	44,518	(96,308)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
RESTRICTED RESERVES						
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	-	-	-	-
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	(1,101)	1	(42)	(1,142)
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 Hawke's Bay Endowment Land Empowering Act 2002.	Inner Harbour, Reserves, Lagoon Farm, Property Holdings	(784)	(2,212)	1,841	(1,155)
Loan Reserve	Established to manage internal loan requirements.	Corporate	118	-	18	136
Total Restricted Reserves			(1,767)	(2,211)	1,817	(2,161)
BEQUESTS AND TRUST FUNDS						
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)	Community Planning	(30)	-	-	(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	(146)	-	(6)	(152)
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	(22)	-		(23)

Name of Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2015 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2016 \$000
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 the 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 - provide wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.	Community Planning	(48)	-	1	(47)
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	(13)	-	-	(13)
Napier Christmas Cheer	For community fundraising through HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within Napier City.	Community Planning	(21)	(13)	12	(22)
Total Bequests Trust Funds			(284)	(14)	6	(292)

Borrowing Programme

	Actual 2016 \$000	LTP 2016 \$000	Actual 2015 \$000
New loans			
- Rate funded	4,510	6,753	3,168
- Growth funded	1,170	2,561	-
- Non rate funded	60	-	98
	5,740	9,314	3,266
Less repayments (net)	(2,539)	(2,413)	(6,615)
	3,201	6,901	(3,349)
Opening debt	33,446	34,814	36,795
Gross Debt	36,647	41,715	33,446
Internal funding	(36,647)	(41,715)	(33,442)
Net Debt	-	-	4

Internal Borrowing	Actual 2016 \$000	Borrowed 2015/16	Repaid 2015/16	Actual 2015 \$000	Interest Paid
City Activities	3,691	1,825	(194)	2,060	82
Planning and Regulatory	2,844	-	(94)	2,938	118
Property	817	-	(50)	867	35
Recreation	2,476	1,230	(84)	1,330	53
Roading	6,942	620	(240)	6,562	262
Sewerage	3,254	1,901	(42)	1,395	69
Social and Cultural	2,467	-	(188)	2,655	106
Solid Waste	178	-	(126)	304	12
Stormwater	6,545	164	(307)	6,688	268
Water Supply	164	-	(8)	172	7
Loan Redemptions	7,269	-	(1,202)	8,471	339
Total Internal Borrowing	36,647	5,740	(2,535)	33,442	1,351

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

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

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

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

Financial Prudence Benchmarks

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 clause 10 of the Regulations 2014, Napier City Council (the Council) must provide the following benchmarks in the annual report to 30 June 2016:

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

The Local Government Act 2002 section 101A requires local authorities, as part of their long-term plan, to prepare and adopt a financial strategy that includes a statement that quantified limits on rates, rate increase and borrowings. These limits are then used as the basis of the Rates and Debt Affordability benchmarks.

Rates Affordability Benchmarks

Under clause 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 benchmark for 2015/16 is based on Council's financial strategy adopted in the 2015 to 2025 Long Term Plan that states:

The overall rates increases will be limited to inflation based on the Local Government Cost Index (LGCI) plus up to 3.0% each year.

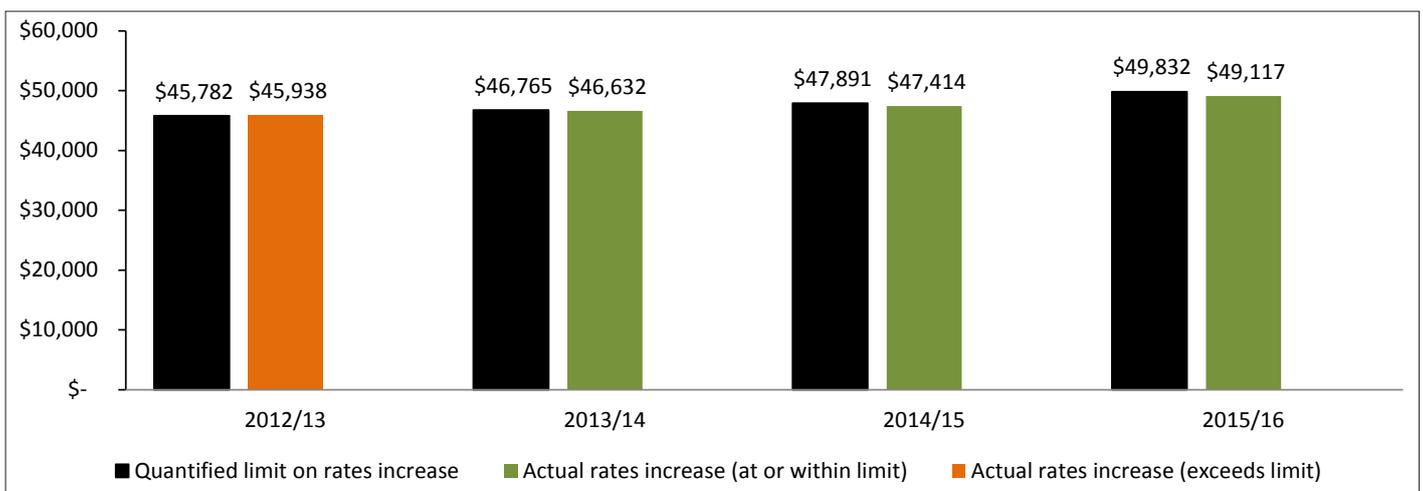
The rates affordability benchmarks for 2013/14 and 2014/15 are based on Council's financial strategy adopted in the 2012 to 2022 Long Term Plan that states:

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

In 2012/13, for the purpose of calculating the rates affordability benchmarks, planned rates income is quantified by a 2.10% increase (30 June 2012 CPI of 1.0% plus 1.1%) on 2011/12 rates income. When setting the actual rates for 2012/13, Council estimated that the applicable CPI would be 3.3%. As a result, when comparing 2012/13 actual rates revenue \$45,938,000 to 2012/13 quantified rates revenue of \$45,782,000, the Council did not meet the benchmark in 2012/13.

Council has met its rates affordability benchmark in 2015/16 and for the two years prior. In 2015/16 actual rates income of \$49,117,000 did not exceed the quantified limit of \$49,832,000 which was based on an increase of 5.10% (LGCI 30 June 2015 2.1% plus 3%), see graph 1.

Graph 1: Rates Affordability - Rates Income to Planned Rates Income, 2013/14 to 2015/16 Graph

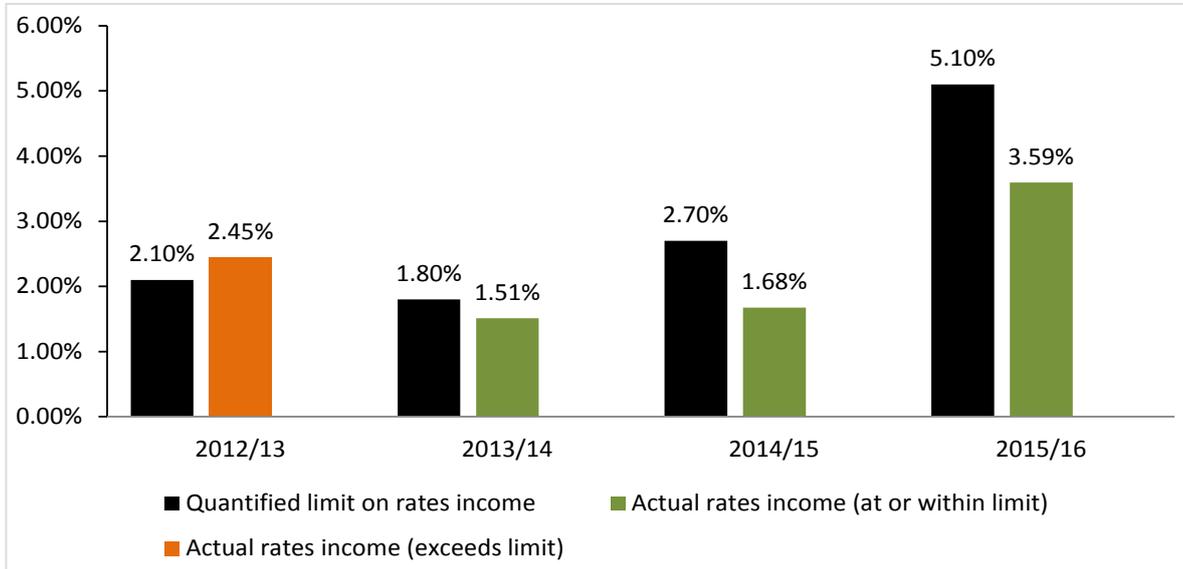


* Excludes water by meter rates

The Council met its rates affordability benchmark for quantified rates percentage increase in 2015/16 whereby the actual rates percentage increase of 3.59% did not exceed the quantified increase of 5.10% (LGCI 30 June 2015 2.1% plus 3%), see graph 2. Council also met its rates affordability benchmark in 2013/14 and 2014/15.

In 2012/13, the actual rates increase of 2.45% was greater than the quantified limit of 2.10% (30 June 2012 CPI of 1.0% plus 1.1%), therefore, Council did not meet the benchmark. As noted above, the rates set in 2012/13 was an increase of 2.45% based on an estimated CPI of 3.3%.

Graph 2: Rates Affordability - Actual Percentage Rates Increase to Planned Percentage Increase, 2013/14 to 2015/16



The rates indicator of actual rates dollars per rating unit was \$1,928 per rating unit in 2015/16 (2014/15: \$1,873). Rates exclude water by meter rates

Debt Affordability Benchmarks

Under clause 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.

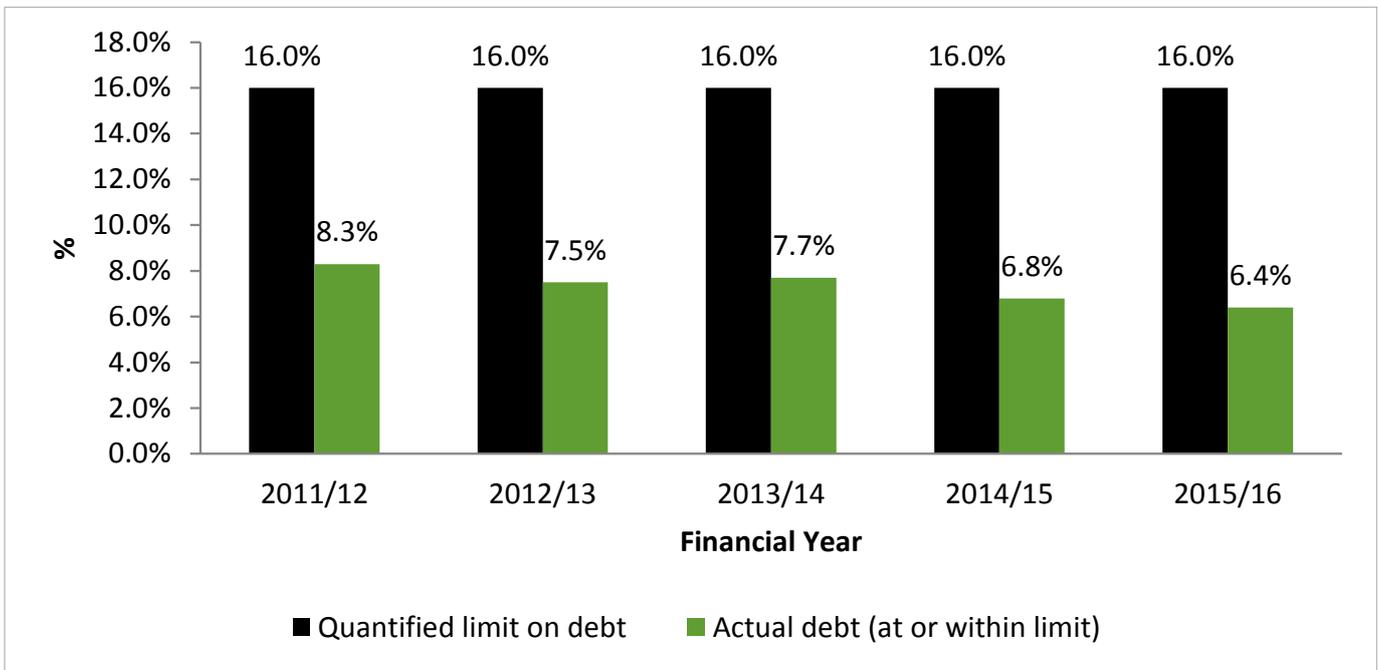
The Council's financial strategy in its 2015 to 2025 Long Term Plan included three limits in relation to debt:

- 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 \$1,500.

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 2015/16 and the four preceding years, see graph 3.

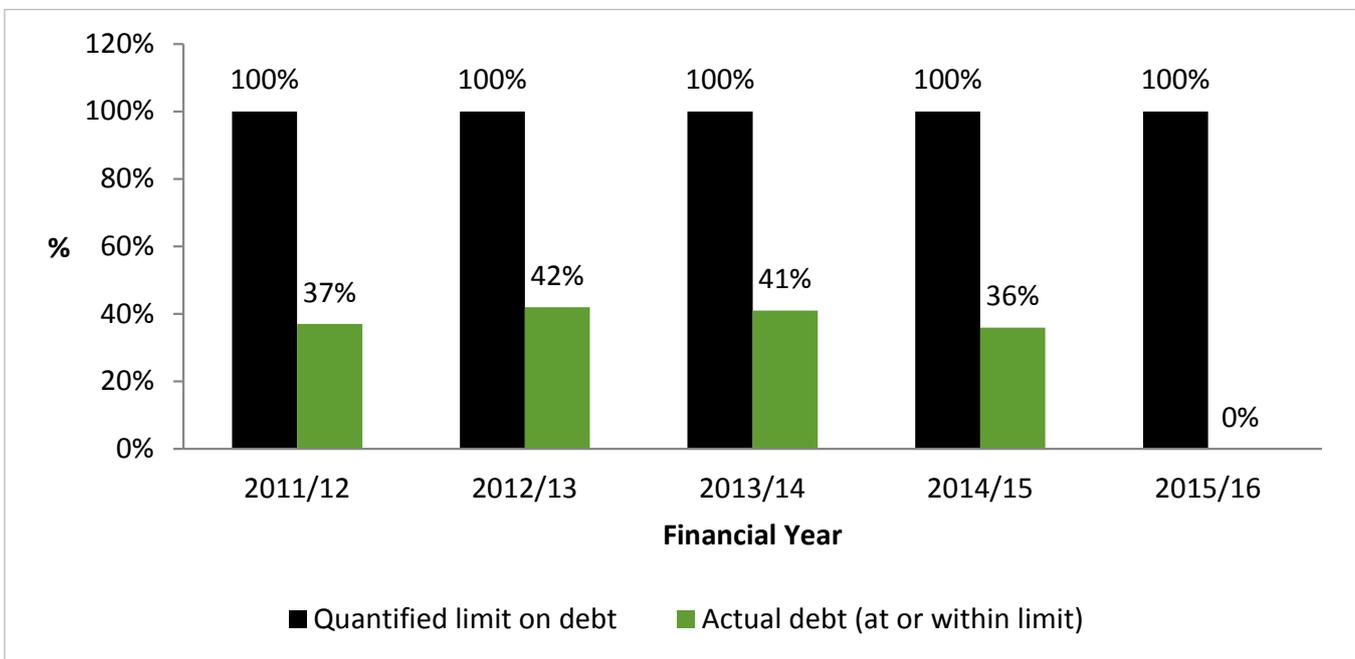
Graph 3: Debt Affordability - Cost of Servicing Rate Funded Debt, 2011/12 to 2015/16



Council set the following limit in its Liability management policy adopted 26 February 2015: *Net external debt as a percentage of total income will not exceed 100%.*

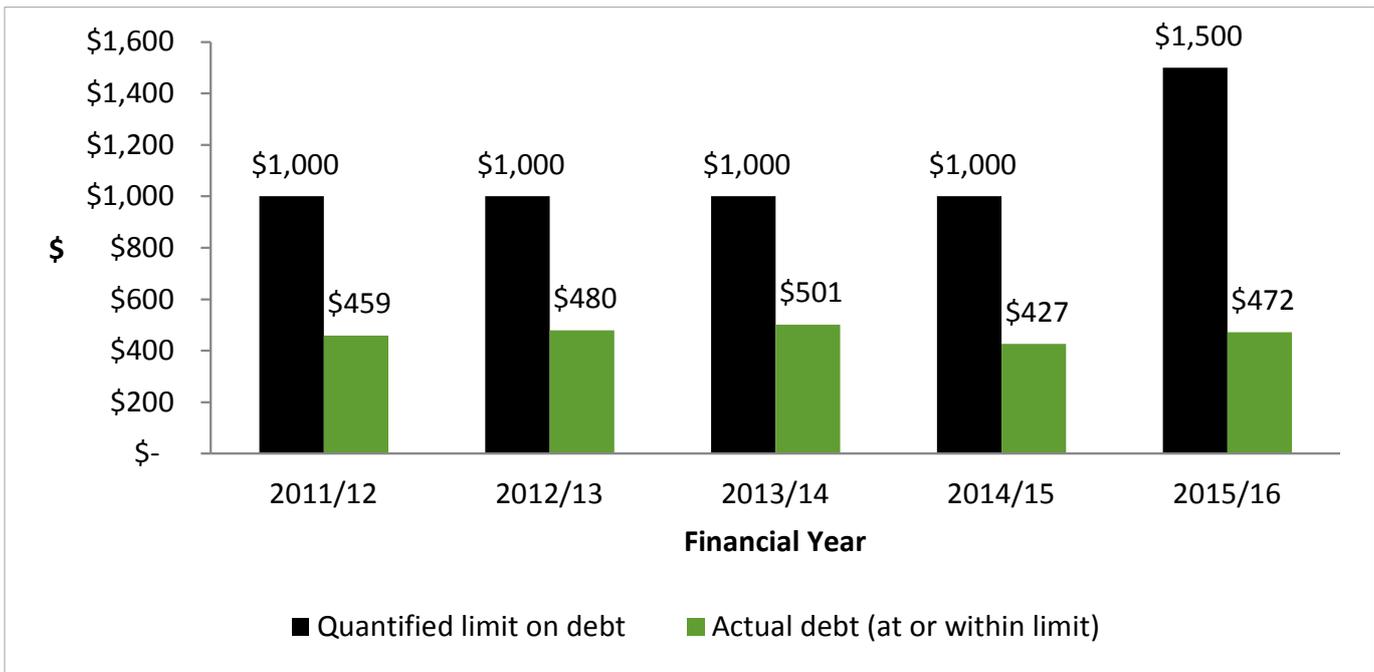
The Council met its debt affordability benchmark of net debt as a percentage of total income not exceeding 100% in 2015/16 and the four preceding years, see graph 4.

Graph 4: Debt Affordability - Net External Debt as a percentage of total Income (external and internal debt prior to 2015/16), 2011/12 to 2015/16



The Council met its debt affordability benchmark of net debt per capita not exceeding \$1,500 per capita in 2015/16 year. In the four preceding years the benchmark of net debt per capita not exceeding \$1,000 per capita was also met, see graph 5.

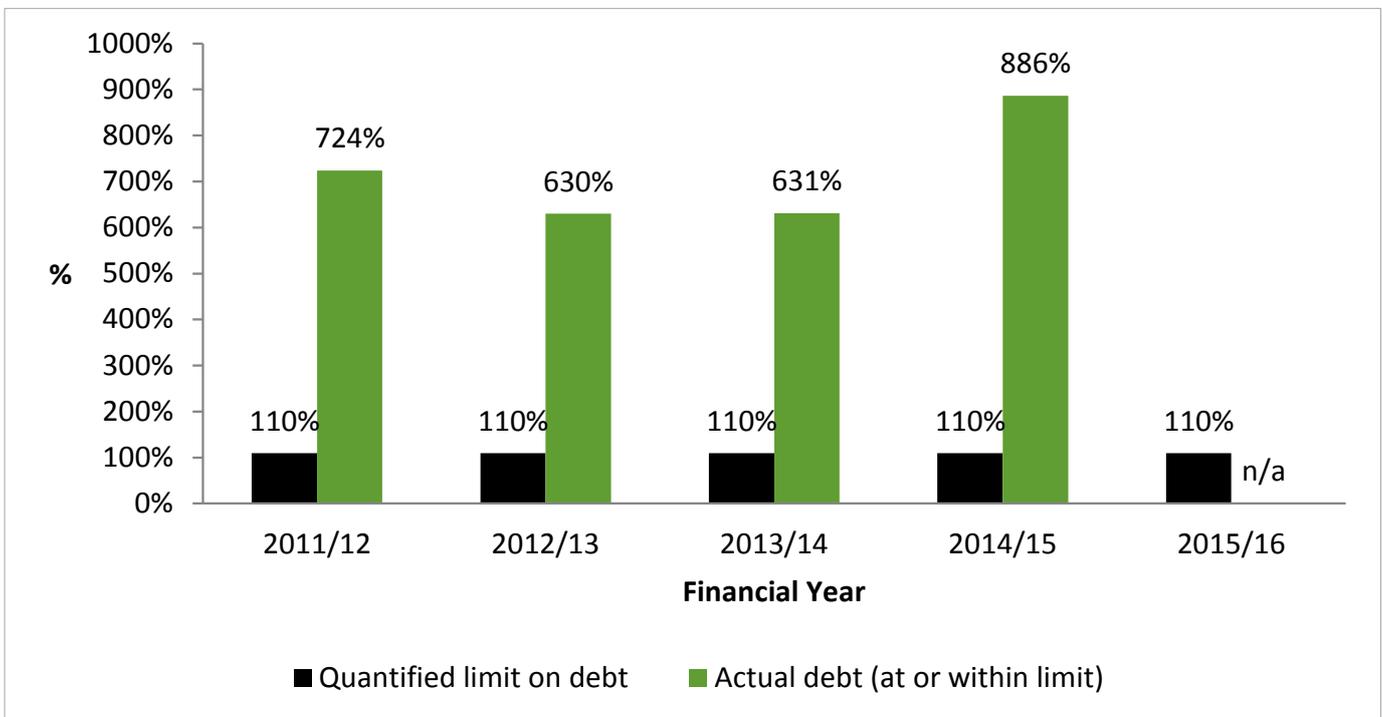
Graph 5: Debt Affordability - Net Debt \$ per Capita, 2011/12 to 2015/16



Council set the following limit in its Liability management policy adopted 26 February 2015: *Liquidity (term debt plus committed bank facilities and liquid available financial investments) to external debt must be at least 110%.*

The Council met its debt affordability benchmark of liquidity to external debt being over 110% in 2015/16 as there was no external debt. In the four preceding years the benchmark of liquidity to peak 12 month net debt being over 110% was also met, see graph 6.

Graph 6: Debt Affordability - Liquidity to external debt (peak 12 month net debt prior to 2015/16), 2011/12 to 2015/16



Due to Council attaining negative net debt each year, the debt indicator of actual net debt per rating unit was \$2,424 financial assets exceeding financial liabilities per rating unit in 2015/16 (2014/15: \$2,573).

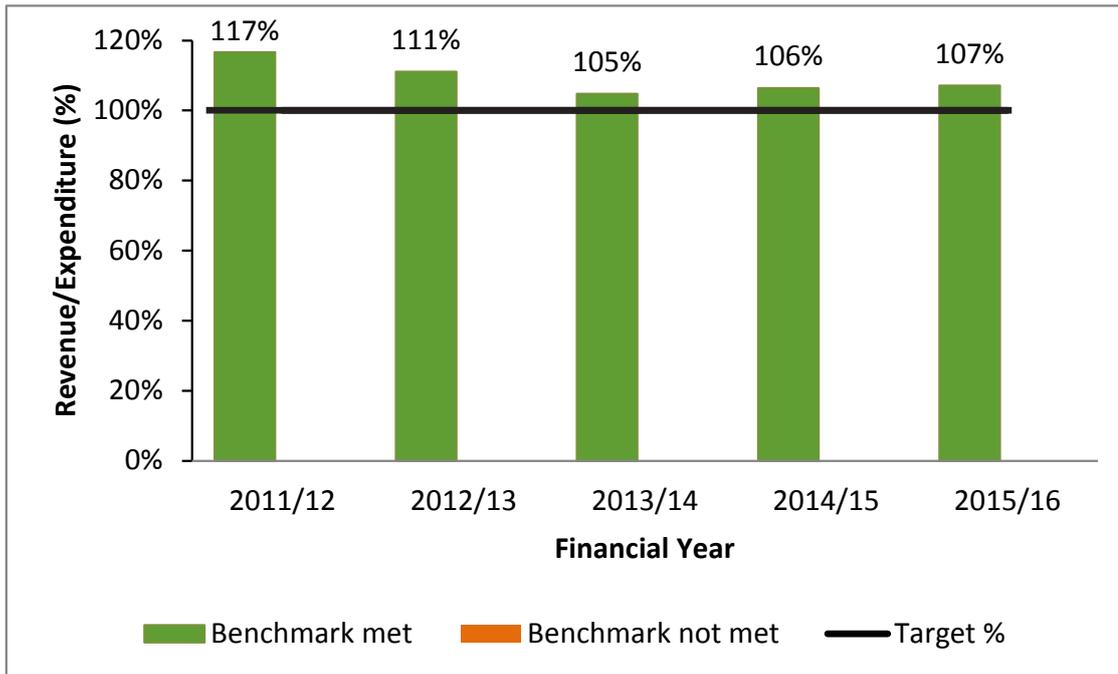
Balanced Budget Benchmarks

Under clause 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 2015/16 and the four preceding years, see graph 7.

Graph 7: Balanced Budget Benchmark - Operating revenue to operating expenses, 2011/12 to 2015/16



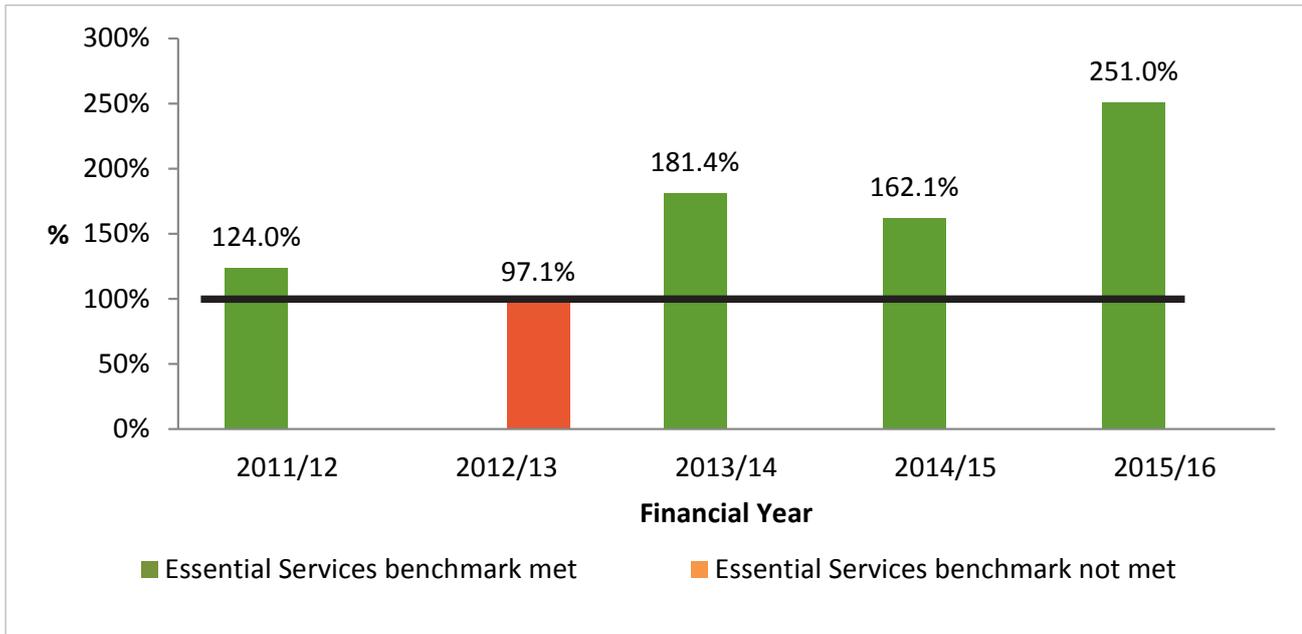
Essential Services Benchmark

Under clause 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, 2014/15, and 2015/16 with capital expenditure on network services exceeding the network services' depreciation. In 2012/13 Council did not meet this benchmark, see graph 8.

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 planned to complete in future years. Due to the nature of capital projects, timing differences are evident in 2013/14, when Council completed carried forward work from 2012/13 so had greater capital expenditure versus depreciation.

Graph 8: Essential Services Benchmark - Capital expenditure to depreciation, 2011/12 to 2015/16



Debt Servicing Benchmark

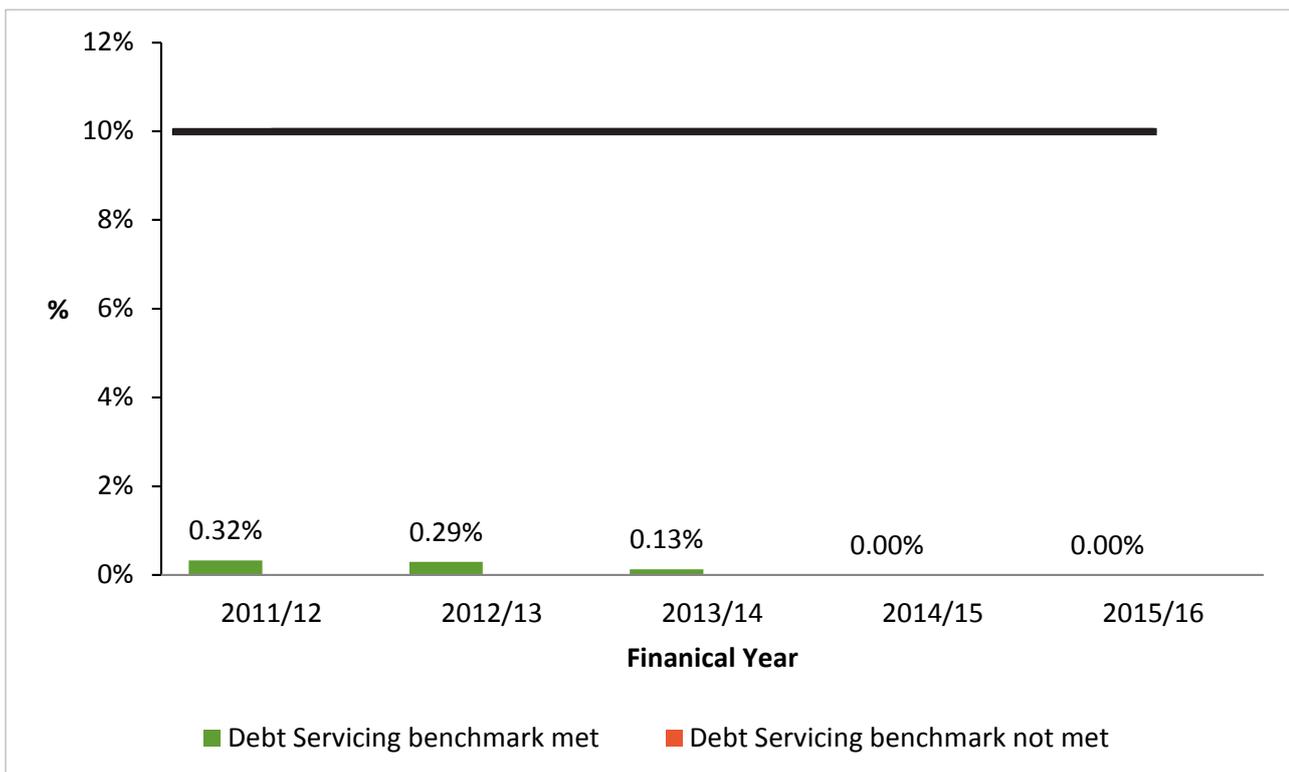
Under clause 21 of the Regulations 2014, Council must disclose its actual performance in relation to the debt servicing benchmark. Performance is portrayed as a percentage of borrowing costs to revenue.

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 2015/16 and the four preceding years, see graph 9.

Graph 9: Debt Servicing Benchmark - Borrowing costs to operating revenue, 2011/12 to 2015/16



Debt Control Benchmark

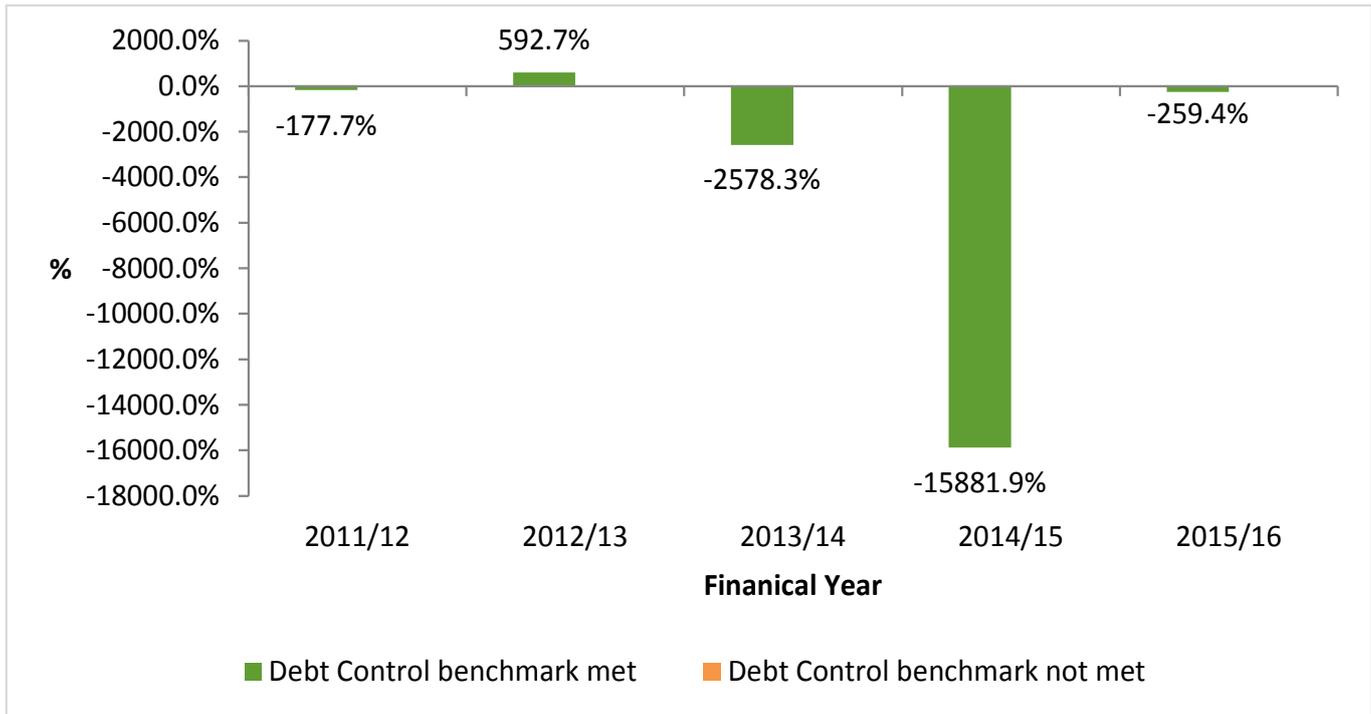
Under clause 22 of the Regulations 2014 Council must disclose its actual performance in relation to the debt control benchmark. Performance is portrayed as a percentage of actual net debt to planned net debt. Net debt is defined as financial liabilities less financial assets.

The Regulations 2014 state that a local authority meets the debt control benchmark for a year if actual net debt at the end of the

year is less than or equal to planned net debt for the end of the year in its long-term plan.

In 2015/16, the Council achieved the debt control benchmark with actual financial assets exceeding financial liabilities by \$61,763,000 compared to \$23,814,000 planned. The Council also achieved the debt control benchmark in the four preceding years.

Graph 10: Debt Control Benchmark - Actual Net Debt to Planned Net Debt, 2011/12 to 2015/16



Operations Control Benchmark

Under clause 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 2015/16 with cash flow from operations of \$35,942,000 exceeding the planned cash flow from operations of \$32,262,000. Council also met the operations control benchmark in 2011/12 and 2012/13.

In 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, 2011/12 to 2015/16

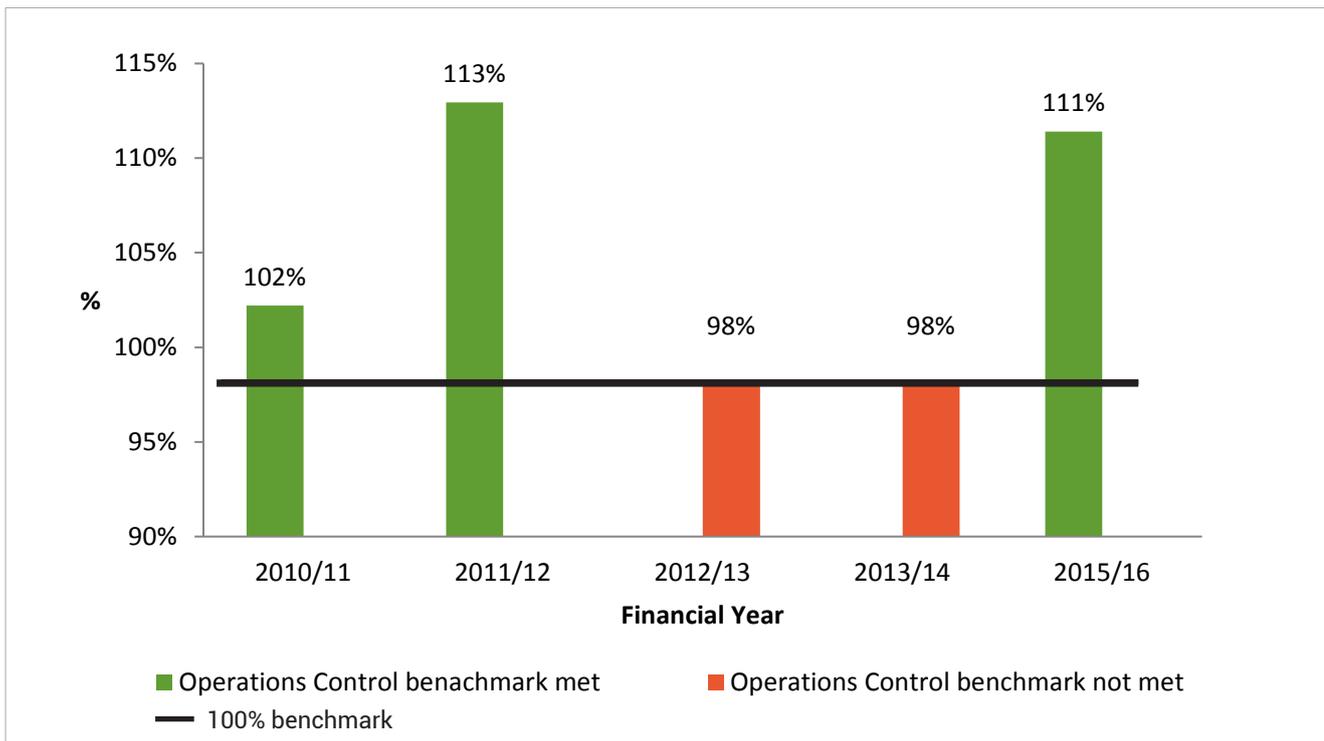


Photo (right): Overfishing

Artist: Cracked Ink

Overfishing - In just 55 years, humans have managed to wipe out 90% of the ocean's top predators such as sharks, bluefin tuna, swordfish, marlin and king mackerel causing a shift in global ocean ecosystems where commercially valuable fish are replaced by smaller, plankton-feeding fish.

Photographer: Enriqueta Arias

Audit New Zealand Report



Independent Auditor's Report

To the readers of Napier City Council's annual report for the year ended 30 June 2016

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, on her behalf, to:

- audit the information included in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the audited information);
- report on whether the City Council has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- the financial statements on pages 23 to 72:
 - present fairly, in all material respects:
 - the City Council's financial position as at 30 June 2016;
 - 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 and have been prepared in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 73, 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 Long-term plan;
- the statement of service provision (referred to as performance results) on pages 99 to 138:
 - presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;

- the statement about capital expenditure for each group of activities on pages 102 to 140, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 100 to 139, 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 Long-term plan.

Compliance with requirements

The City Council has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 23 to 139 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council's audited information.

Our audit was completed on 21 September 2016. 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 audited information. 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 City 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 City Council complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

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 audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

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 annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, we have carried out a Limited Independent Assurance Engagement in relation to the City Council's Debenture Trust, which is compatible with those independence requirements. Other than the audit and this assignment we have no relationship with or interests in the City Council.

A handwritten signature in black ink, appearing to read 'S B Lucy', followed by a period.

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

Photo (right): Mural 2 – ‘Dangerous Balance’

Artist: Carley Ealey

A portrait of a woman in gradient colours of cool to warm symbolize the warming climate. An upside down jellyfish floats along her backside demonstrating a dangerous balance.

Photographer: Carley Ealey

Activity Groups



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 eight Community Outcomes for Napier City are as follows:

- To provide infrastructure and services to support good health and wellbeing
- Transport infrastructure and services that are safe, efficient and integrated
- Safe and accessible recreational facilities
- An environment that is appreciated, protected, and sustained for future generations
- A strong prosperous and thriving economy
- Communities that value and promote their unique culture and heritage
- Safe and secure communities
- Strong leadership that is connected to its community

Council considers that meeting its service level targets constitutes its major role as a contributor to the progress of Community Outcomes for the 2015/16 year. The following table details the main contributions of the Activity Groups to the Community Outcomes.

Outcome	Outcome Definition	Activity and details of service provided
To provide infrastructure and services to support good health and wellbeing	All people who live in Napier will have access to those services and facilities that support them in achieving and maintaining good health and a sense of wellbeing.	<p>Solid Waste: Council provides a kerbside refuse collection service weekly and a kerbside recycling collection service fortnightly to the city. In addition this activity provides a user pays refuse disposal facility at the Transfer Station.</p> <p>Stormwater: Council provides this service which collects, transports and disposes of stormwater, with the least environmental impact to protect the health and provide safety from flooding of the city population.</p> <p>Wastewater: Council provides this service which collects, transports and disposes of household waste water, with the least environmental impact to protect the health of the city population.</p> <p>Water Supply: Council provides this service to transport clean water to protect the health of the city population.</p> <p>Community Planning: Council offers financial support through grants and service contracts for community initiatives and services to support good health and wellbeing.</p> <p>Public Toilets: Council provides adequate toilets that are accessible, available and appropriately located for use by the public throughout the community.</p> <p>Environmental Health: Council works to protect community health through the monitoring of compliance with legislation.</p>
Transport infrastructure and services that are safe, efficient and integrated	Napier's transport system is accessible, safe and affordable and meets the needs of the citizens.	<p>Roading: Council provides a transport system that is safe and efficient and enables users to move around effectively.</p> <p>Parking: Council provides on and off street parking facilities to ease the safe movement of passenger vehicles within the transport network.</p>

Outcome	Outcome Definition	Activity and details of service provided
Safe and accessible recreational facilities of the community.	All people who live in Napier have access to services and facilities that support recreation opportunities in a safe environment and that encourages positive social interaction.	<p>Sportsgrounds, Napier Aquatic Centre, Marine Parade Pools, Reserves, Inner Harbour: Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community.</p> <p>Libraries, MTG Hawke's Bay, Halls: Council provides a sufficient number and range of cultural and social facilities to satisfy the needs of the community.</p>
An environment that is appreciated, protected, and sustained for future generations.	The Napier community recognises and respects the importance of the natural environment and undertakes to enhance and care for it and ensure that its resources are sustained for the wellbeing of both the current and future generations.	<p>Solid Waste: Council actively promotes waste minimisation activities and responsible solid waste management decisions to divert waste from the landfill.</p> <p>Stormwater: Council provides this service which collects, transports and disposes of stormwater, with the least environmental impact to protect the health and provide safety from flooding of the city population.</p> <p>Wastewater: Council provides this service which collects, transports and disposes of household waste water, with the least environmental impact to protect the health of the city population.</p> <p>Water Supply: Council provides this service to transport clean water with the least environmental impact to protect the health of the city population.</p> <p>Cemeteries: Council maintains a quiet, aesthetically pleasing environment for visitors to the cemeteries.</p> <p>Reserves: Council sustainably manages the development and use of reserves as a natural resource for both locals and visitors.</p> <p>Planning Policy, Regulatory Consents: Council administers and monitors the District Plan through the resource consent process in an efficient and effective manner that is fair to all parties.</p>
A strong prosperous and thriving economy	Support for Napier as a leading commercial and tourist centre with business and employment opportunities that encourage a robust and resilient economy.	<p>Inner Harbour: Council provides 98 berths for commercial and recreational vessel owners.</p> <p>Napier Skate Park: Council provides a range of facilities that offer a value-for-money visitor experience and enables events and services to be hosted that contribute to the economic wellbeing of the City.</p> <p>MTG Hawke's Bay: Council provides a sustainable cultural destination in the City with MTG as the centre piece of the cultural precinct as a visitor attraction.</p> <p>City and Business Promotion, Napier Conference Centre, National Aquarium of NZ, Napier i-SITE Visitor Centre, Par 2 MiniGolf, Kennedy Park Resort: Council has processes in place to encourage new business enterprises to establish in the City. Council provides a range of facilities that offer a value-for-money visitor experience and enables events and services to be hosted that contribute to the economic wellbeing of the City.</p> <p>Lagoon Farm, Parklands Residential Development, Property Holdings: Council provides its property portfolio, land for residential development to meet public demand, and farming land at Lagoon Farm.</p>

Outcome	Outcome Definition	Activity and details of service provided
Communities that value and promote their unique culture and heritage	The Napier community recognises and respects the importance of its diverse cultural values, customs and treasures, and preserves and promotes them as an expression of community identity and pride.	<p>Libraries: Council maintains a good level of library stock which is kept up to date to meet the expectations of the public.</p> <p>Napier Municipal Theatre: Council provides a high quality performing arts venue for local and visitor use.</p> <p>MTG Hawke's Bay: Council provides a high quality museum and art gallery experience for locals and visitors to the City.</p> <p>Planning Policy: All statutory requirements are complied with in preparing and maintaining the District Plan.</p> <p>Regulatory Consents: Council administers and monitors the District Plan through the resource consent processing in an efficient and effective manner that is fair to all parties.</p>
Safe and secure communities	The people of Napier work together to build an environment where everyone can live confidently in the knowledge they are safe.	<p>Community Planning: Council promotes community safety with an emphasis on implementing crime prevention measures.</p> <p>Emergency Management: Council puts processes in place to ensure the Napier community is prepared and knows how to survive during and recover after an emergency.</p> <p>Retirement and Rental Housing: Providing a safe environment for tenants in council housing. Council staff are available to support/assist tenants when required.</p> <p>Planning Policy, Building Consents, Regulatory Consents, Environmental Health, Animal Control: Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their health (food handling, water quality), safety (building changes, animal nuisance) and wellbeing (noise and environmental effects).</p>
Strong leadership that is connected to its community.	The Napier community is guided by strong leadership focused on achieving and maintaining economic, environmental, cultural and social wellbeing for its citizens. All people have the opportunity to participate in a democratic environment and achieve a sense of belonging.	<p>Democracy and Governance: Democratic principles are the key structure of New Zealand society. These are effected through representatives' community knowledge and the application of this knowledge in decision making processes. This is reflective of strong leadership.</p> <p>Community Planning: Council regularly liaises with community groups, social services and key community organisations and agencies to share community information and advice.</p>

Democracy and Governance

Scope

The Democracy and Governance Group comprises:

Democracy and Governance

Mayor and six Councillors elected by the City as a whole (at large)

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 was 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 would have replaced the Napier City, Wairoa District, Hastings District, Central Hawke's Bay District, and Hawke's Bay Regional Councils.

A poll was carried out across the Hawke's Bay region to confirm or reject the proposal on 15 September. The majority of electors who voted in the poll voted against the proposal. The result was binding.

Hawke's Bay Reorganisation Poll	Votes Received	%
FOR	23,359	33.43%
AGAINST	46,318	66.30%
INFORMAL	15	
BLANK VOTING PAPERS	173	

The voter return was 62.18%, being 69,865 voting papers.

The results for Napier City were:

Napier City	Votes Received	%
FOR	4,632	15.83%
AGAINST	24,553	83.92%
INFORMAL	5	
BLANK VOTING PAPERS	67	

The voter return was 67.29%. Preparation for the next Council election to be held in October 2016 is under way.

Performance Results 2015/16

Democracy and Governance

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Annual Reports and Long Term Plans receive 'unmodified' audit opinion	New Measure	100%	100%
2. Percentage of Council meetings for which meeting agenda is made publicly available two working days before the meeting date	New Measure	100%	100%
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

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,232	2,409	2,335
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,232	2,409	2,335
Applications of operating funding			
Payments to staff and suppliers	-	-	-
Finance costs	-	-	-
Internal charges and overheads applied	2,232	2,409	2,335
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,232	2,409	2,335
Surplus/(deficit) of operating funding (A - B)	-	-	-
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	-	-	-
Surplus/(deficit) of capital funding (C - D)	-	-	-
Funding balance ((A-B) + (C-D))	-	-	-
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.

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Roading

Scope

The Roading 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

Roading Projects

Key works for 2015/16:

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

Roading Capital Projects (Bulk Funded): Ongoing projects throughout the City. Work during 2015/16 included the

completion of the first stage of the Te Awa Avenue upgrade, reconstruction of Rogers Road and the upgrade of the beach end of Tareha Street in Westshore.

Transportation Proposals: Long term budget provision to cater for growth of the City. The construction of the Prebensen Drive four laning has been partially funded from this category. The upgrade of the Lee Road / Meeanee Road intersection has been completed and also advanced land purchase has been undertaken to facilitate future works.

CBD Upgrade: The third stage of the Hastings Street upgrade from Emerson Street to Tennyson Street has been commenced and will be completed by November 2016. The fourth stage of the Hastings Street redevelopment from Tennyson St to and including the Browning Street intersection is expected to commence in 2017.

Cycleway Projects: Various sections of paths to provide improved commuter connectivity with the overall cycling network have been completed including alongside Georges Drive, Riverbend Road and Westminster Avenue.

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 2015/16

Roading

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of residents satisfied with Roads in the NRB Public Opinion Survey.	88%	90%	91%
2. Percentage of residents satisfied with Footpaths in the NRB Public Opinion Survey.	82%	85%	84%

Mandatory Measures	Actual 2015	2015/16 Targets	Actual 2016
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	Zero	Zero
2. The average quality of ride on the sealed road network, as measured by the Smooth Travel Exposure Index	85%	81%	90%
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 long term plan)	77 Footpath Faults for the year ending 30 June 2015	80 justifiable footpath complaints	63
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	90% responded to within 5 working days	86%
5. The % of sealed local road network that is resurfaced	5%	7.1%	4.40%

* This value is based on figures for the calendar year, January to December.

Capital Expenditure

Roading

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Roading I.A.R.	3,571	4,115	4,555
Roading Vested Assets	304	1,175	511
Roading Capital Projects (Bulk Funded)	3,081	4,113	1,075
Transportation Proposals	1,063	2,290	16
Cycle Strategy	1,421	1,000	-
West Quay Car Park	-	100	-
Transport Study Projects	-	-	2,701
Prebensen Drive 4 Laning	4,011	6,549	1,058
Jervois Road Footpath	26	113	2
CBD Development	621	1,200	408
Taradale Traffic Projects	103	-	407
Gloucester Street Widening	16	-	262
Cycleway Projects	216	-	4
Dickens St Service Lane	306	-	-
Roading Property Purchases	116	-	70
Minor Capital Items	17	-	8
	14,872	20,655	11,077

Funding Impact Statement (Roading)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	11,708	10,613	9,244
Targeted rates	163	159	160
Subsidies and grants for operating purposes	1,979	1,968	3,520
Fees and charges	40	10	166
Internal charges and overhead recoveries	851	371	285
Local authorities fuel tax, fines, infringement fees, and other receipts	385	404	426
Total operating funding (A)	15,126	13,525	13,801
Applications of operating funding			
Payments to staff and suppliers	7,667	7,436	7,760
Finance costs	-	-	-
Internal charges and overheads applied	1,746	1,279	1,153
Other operating funding applications	-	-	2
Total applications of operating funding (B)	9,413	8,715	8,915
Surplus/(deficit) of operating funding (A - B)	5,713	4,810	4,886
Sources of capital funding			
Subsidies and grants for capital expenditure	1,523	2,370	1,167
Development and financial contributions	1,227	1,880	1,228
Increase (decrease) in debt	-	1,200	620
Gross proceeds from sale of assets	-	-	23
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	2,750	5,450	3,038
Application of capital funding			
Capital expenditure*			
- to meet additional demand	3,463	8,839	1,521
- to improve the level of service	1,997	3,236	7,007
- to replace existing assets	4,371	7,405	6,040
Increase (decrease) in reserves	(1,368)	(9,220)	(6,644)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	8,463	10,260	7,924
Surplus/(deficit) of capital funding (C - D)	(5,713)	(4,810)	(4,886)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	8,170	5,752	5,266

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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 16,075 tonnes of refuse during the 2015/16 year at the landfill. 6,906 tonnes originated from the kerbside collection and 8,529 tonnes from the Transfer Station. The City Services team and the Waste Water Treatment Plant made up for the remaining 640 tonnes. The kerbside recycling collection

diverted 3,035 tonnes of waste from landfill and a further 6,604 tonnes were diverted through recycling initiatives at the Redclyffe Transfer Station.

The post-consumer commodities markets are still tough. Collection costs, transport costs and contamination levels of the recyclables need to be managed very well in order to stay within the set budgets. Napier's kerbside recycling collection has continued to divert plastics from landfill and the start to re-introduce plastics drop-off options has been made. The Refuse Transfer Station at Redclyffe however did not accept plastics due to contamination issues this financial year.

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 and type of bins. The corresponding service for these bins can be up to three times per day. Location and asset data, combined with fleet management technology will enable us to do this with an increasing efficiency. A trial with a smart litter bin has started, which enables the collection of more data in this regard.

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 had its second busiest year with 1963 students during the 2015/16 year.

The Napier City Council and Hastings District Council joint steering committee for the 'Waste Futures' project have made steady progress. The focus going forward will be the Omarunui landfill development in combination with an increased level of diversion through various initiatives. The process involves gathering in-depth knowledge about waste in Hawkes's Bay, which has started with a Solid Waste Analysis Protocols survey in April 2016.

Performance Results 2015/16

Solid Waste

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
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 280kg	266.15kg/capita
4. Compliance with resource consent parameters.	100%	100%	100%
5. Education and waste reduction promotion programmes in place.	968 students	750 students per annum	1963 students
6. Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey.	91%	92%	94%
7. Percentage of residents satisfied with Control of Litter, Graffiti, and Vandalism in the NRB Public Opinion Survey.	91%	91%	91%

Capital Expenditure

Solid Waste

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Omarunui Development - Valley D	356	217	262
Omarunui Development - Plant	233	305	15
Omarunui Development - Forestry	-	10	-
Omarunui Development - Valleys B and C	7	106	12
Solid Waste I.A.R.	77	150	48
	673	788	337

Funding Impact Statement (Solid Waste)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	454	647	667
Targeted rates	1,980	1,758	1,786
Subsidies and grants for operating purposes	173	173	219
Fees and charges	1,619	1,425	1,428
Internal charges and overhead recoveries	-	20	20
Local authorities fuel tax, fines, infringement fees, and other receipts	2,028	1,849	2,035
Total operating funding (A)	6,254	5,872	6,155
Applications of operating funding			
Payments to staff and suppliers	4,572	4,679	4,358
Finance costs	-	-	-
Internal charges and overheads applied	234	239	250
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,806	4,918	4,608
Surplus/(deficit) of operating funding (A - B)	1,448	954	1,547
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	13
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	13
Application of capital funding			
Capital expenditure*			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	454	788	673
Increase (decrease) in reserves	994	166	887
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,448	954	1,560
Surplus/(deficit) of capital funding (C - D)	(1,448)	(954)	(1,547)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	792	743	745

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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

Works involving the installation of new stormwater infrastructure are continuing as part of the inner city upgrade project. The new pipeline in Hastings Street now extends from the Vautier Street intersection to the Tennyson Street intersection where it connects to the 2m diameter pipeline discharging to the recently completed Marine Parade outfall and viewing platform.

These works have provided for future stages of the pipeline to continue from the Tennyson Street intersection further along Hastings Street towards Shakespeare Road, and down Tennyson Street towards Milton Road.

Taradale

The first stage of these works, which comprise the extension of the Upper Purimu and the installation of approximately 1,000m of large diameter stormwater main to terminate at the intersection of Osier Road and Gloucester Street is nearing completion.

Future work involving the upgrading of 900m of existing concrete lined drain alongside Spriggs Crescent is currently programmed to commence in 2017/18. This work will provide for later stages including the installation of a new pipeline from the Osier Road intersection south along Gloucester Street.

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 planned to extend the Browning Street outfall located (located just north of the new platform) in 2016/17. Extending the outfall 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 constructed.

Recent works at the Sale Street pump station have provided an improved means of pump station operation management and monitoring, and have overcome many of the operational issues at this station. There will be further work undertaken within the 2016/17 financial year to address safety concerns at the station raised by operational staff.

Stormwater Discharge Consents

The floodgates consent for the discharge of stormwater from the Purimu Drain, Saltwater Creek, County Drain and the Plantation Drain is due for renewal in 2018. The consent is jointly held with the Hawke's Bay Regional Council. The Napier City Council is currently working with the Hawke's Bay Regional Council to gather the information required to support the application for renewal, and are developing a catchment management plan to provide a framework for environmental management.

The Hawke's Bay Regional Council now requires that the Napier City Council lodge a resource consent application for the Onehunga stormwater pump station's un-consented discharge. The Napier City Council is currently acquiring the necessary information to support the application.

The resource consent for the continued operation of the Thames Street and Tyne Street waterways was granted in September 2015. The Napier City Council is continuing to work with industries in the area in order to address environmental concerns, and is developing a catchment management plan in accordance with the conditions of the resource consent.

Performance Results 2015/16

Stormwater

Performance Measures	Actual 2015	2015/16	Actual 2016
		Targets	
1. Percentage of residents satisfied with Stormwater in the NRB Public Opinion Survey.	89%	92%	88%

Mandatory Measures	Actual 2015	2015/16 Targets	Actual 2016
1. a) The number of flooding events that occur in a territorial authority district	None	≤1	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	≤1	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	Nil	Nil
b) infringement notices	None	Nil	Nil
c) enforcement orders; and	None	Nil	Nil
d) convictions received by the territorial authority in relation to those resource consents.	None	Nil	Nil
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 1,000	≤5	3.4
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	≤2 hours (from notification to personnel being on site)	no event

Capital Expenditure

Stormwater

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Upgrading Stormwater Catchments	222	300	604
Stormwater I.A.R.	661	150	187
Stormwater Vested Assets	668	448	786
Extend Outfalls Marine Parade	141	109	73
Upgrade Taipo Stream	62	184	3
Drain Improvements	-	85	50
CBD Stormwater Upgrade	2,307	2,600	220
Te Awa Stormwater Pond	822	1,213	342
Overland Drain	-	82	-
Install New Pump Purimu	88	72	100
Dalton St Pump Replacement	-	10	-
Mobile Pump Solutions	5	361	-
Taradale Stormwater Upgrade	3,357	3,118	109
Georges Drive Replacement Pump	-	-	10
Ford Road Stormwater Main	-	-	72
Bay View - Upgrade Stormwater	3	-	-
	8,336	8,732	2,556

Funding Impact Statement (Stormwater)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,115	3,044	2,940
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	226	78	58
Local authorities fuel tax, fines, infringement fees, and other receipts	65	49	38
Total operating funding (A)	3,406	3,171	3,036
Applications of operating funding			
Payments to staff and suppliers	1,121	1,101	1,240
Finance costs	-	-	-
Internal charges and overheads applied	903	747	745
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,024	1,848	1,985
Surplus/(deficit) of operating funding (A - B)	1,382	1,323	1,051
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	415	556	770
Increase (decrease) in debt	-	139	88
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	415	695	858
Application of capital funding			
Capital expenditure*			
- to meet additional demand	2,165	1,213	822
- to improve the level of service	4,100	6,730	5,903
- to replace existing assets	477	341	943
Increase (decrease) in reserves	(4,945)	(6,266)	(5,759)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,797	2,018	1,909
Surplus/(deficit) of capital funding (C - D)	(1,382)	(1,323)	(1,051)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	2,120	1,953	1,951

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Sewerage

Scope

The Sewerage Group comprises:

Wastewater

- 44 Pump Stations
- 384km 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, treatment and disposal system to maintain the community's health while protecting the environment.

Key Issues

Commissioning of Wastewater Treatment Plant

The Biological Trickling Filter plant (BTF) has now been operating relatively trouble free for more than one year, and is performing in line with expectations. The BTF was built alongside the existing milliscreening plant at Awatoto, which was commissioned in 1991. The BTF upgrade provides a secondary treatment process including grit removal and biological treatment of domestic effluent. 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.

Planned Key Infrastructure Projects

Several of the key issues identified in the 2015 Wastewater Asset Management Plan have been completed and work is underway on resolving outstanding issues. Work planned for 2016/2017 includes cleaning of the industrial pumping main, condition assessments of sewer pump stations and renewal of a section of the Tamatea pumping main. A condition assessment and report of the marine outfall is underway. Outcomes from this work will help to refine renewal options and timing for this critical asset.

Performance Results 2015/16

Sewerage

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Number of reticulated properties that are unable to dispose of wastewater, due to stormwater infiltration, for longer than 6 hours.	Zero	Zero	Zero
2. Blockage resulting in overflow	Zero	Zero	1
3. Percentage of residents satisfied with Wastewater in the NRB Public Opinion Survey.	93%	92%	89%

Mandatory Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Compliance with the territorial authority's resource consents for discharge from its sewerage system, measured by the number of:			
a) abatement notices	Zero	Zero	Zero
b) infringement notices	Zero	Zero	Zero
c) enforcement orders; and	Zero	Zero	Zero
d) convictions received by the territorial authority in relation to those resource consents	Zero	Zero	Zero
2. The total number of complaints received by the territorial authority about any of the following;			
a) sewerage odour	2	≤5	1.23
b) sewerage system faults	20	≤20	0.88
c) sewerage system blockages; and	10	≤10	8.06
d) the territorial authority's response to issues with its sewerage system,	1	≤1	0.00
Expressed per 1000 connections to the territorial authorities sewerage system. (25,052 connections)	33	≤36	10.17
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	≤2 hours	1.68 hours
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	≤8 hours	2.25 hours
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	≤0.1	0.04

Incomplete data was captured during the first part of the year and more consistent monitoring and outcomes have since been achieved. The median response time is expected to have achieved the target had the response times been recorded for all callouts.

Capital Expenditure

Sewerage

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Wastewater Pipe I.A.R.	2,042	1,800	398
Milliscreen I.A.R.	69	150	81
Wastewater Pump Station I.A.R.	337	350	108
Wastewater Treatment Plant I.A.R.	3	-	-
Wastewater Outfall I.A.R.	-	-	52
Wastewater Vested Assets	339	401	203
BTF Wastewater Treatment Plant	196	500	5,161
Other Wastewater Projects	6	-	19
	2,992	3,201	6,022

Funding Impact Statement (Sewerage)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	7,840	7,250	7,299
Subsidies and grants for operating purposes	-	-	-
Fees and charges	457	431	468
Internal charges and overhead recoveries	84	39	46
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	8,381	7,720	7,813
Applications of operating funding			
Payments to staff and suppliers	2,336	2,711	2,770
Finance costs	-	-	-
Internal charges and overheads applied	1,358	924	920
Other operating funding applications	-	-	37
Total applications of operating funding (B)	3,694	3,635	3,727
Surplus/(deficit) of operating funding (A - B)	4,687	4,085	4,086
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	104	184	135
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	104	184	135
Application of capital funding			
Capital expenditure*			
- to meet additional demand	628	-	-
- to improve the level of service	-	500	201
- to replace existing assets	2,164	2,300	2,452
Increase (decrease) in reserves	1,999	1,469	1,568
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	4,791	4,269	4,221
Surplus/(deficit) of capital funding (C - D)	(4,687)	(4,085)	(4,086)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	4,592	4,034	4,067

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Water Supply

Scope

The Water Supply Group comprises:

- 9.8 million m3 water consumed annually
- 10 wells
- 10 ground water and 8 booster Pump Stations
- 8 reservoir sites
- 30 million litres storage facilities
- 474km 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. Our testing exceeds the drinking water standards. 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 long dry autumn saw higher than normal water consumption right through to winter as the public made good use of the conditions. Only a few complaints were received regarding water wastage, which is a good indicator that the public are using water wisely. The system generally coped well, even during the peak summer demand however, reticulation pressure in southern Taradale was adversely affected by the extended period of high demand.

Construction of Stage 2 of the Awatoto trunk main was commenced and completed during the year. The trunk main will cater for the increased production from the Awatoto bore field, as well as provide supply from town back to the Te Awa area. Some minor connecting works for this still is yet to be completed. The third and final stage see the trunk main connect all the way to town.

Construction of the new reservoir in Taradale is well under way with it due to be commissioned by the end of August 2016. A retaining wall required to protect the tank and other site works will be completed following the reservoir commissioning.

Construction of the new source well in Awatoto took much longer than expected due to the aquifer being much deeper than any of the other source bores. Not finding water at the expected depth meant that further investigation was required in order to determine whether or not to continue or find a new site. The investigation caused some delay, which was compounded by the contractors having obligations to do work for other customers. The pump station is now expected to be commissioned before this coming summer.

In October 2015, work began on an upgrade to the trunk supply capacity to the Taradale south area. The work was done prior to the major upgrade of the Lee Road-Meeanee Road intersection to avoid any conflict. The balance of the work (the major section) is expected to start in August 2016 and be completed by the end of the year. The upgrade is required to improve supply to, and stabilise reticulation pressure within the Taradale south area, especially during periods of pump outages.

Further work on upgrading the water reticulation in Hastings Street was completed in conjunction with the road and footpath reconstruction. The final stage is due for completion during the 2016/17 year. The Hastings Street water main renewal project is part of a long term programme to upgrade the capacity of the CBD water reticulation.

Service connection renewals continue to be a focus of the asset renewal programme. This is a long term project to renew all of the galvanised iron connections used in the older parts of the city and the long copper connections used in areas such as Pirimai and Tamatea.

Performance Results 2015/16

Water Supply

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of residents satisfied with Water Supply in the NRB Public Opinion Survey.	95%	90%	92%

Mandatory Measures	Actual 2015	2015/16 Targets	Actual 2016
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*	Achieved	Achieved*
b) part 5 of the drinking water standards (protozoal compliance criteria)	Not met*	Achieved	Achieved*
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%	≤22%	18.3%***
3. The total number of complaints received by the local authority about any of the following;			
a) drinking water clarity		≤2	4.2****
b) drinking water taste	18 per 25,276 connections = 0.71 complaints per 1,000 connections	≤2	0.1
c) drinking water odour		≤2	0.4
d) drinking water pressure or flow		≤2	0.9
e) continuity of supply; and		≤2	0.6
f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system		≤2	0.2
4. The average consumption of drinking water per day per resident within the territorial local authority district		473L per day	≤430L
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	≤90 minutes	40 minutes
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	≤6 hours	12.9 hours
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	≤8 hours	19.13 hours
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	≤72 hours	23.57 hours

*The Taradale and City distribution zones complied with the Drinking Water Standards in 2015. However, the Bay View distribution zone technically did not comply due to the time between samples exceeding the limit on one occasion. The 2016 results are provisional, pending the assessment of compliance by the independent Drinking-Water Assessor.

**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'.

***This value is based on a water balance analysis of the 12 month period July 2015 to June 2016 with calculations and assumptions as per the Water NZ document 'Benchmarking of Water Losses in New Zealand'

****This value is higher than normal due to an unexpectedly high number of complaints from Tamatea. The underlying issue will be addressed as part of the pipe asset renewal programme

*****Per capita consumption is high this year due to the long, dry autumn extending the period residents could spend outdoors

Incomplete data was captured during the first part of the year and more consistent monitoring and outcomes have since been achieved. The median response time is expected to have achieved the target had the response times been recorded for all callouts.

Note: There were other requests received by the Council in relation to burst network, network damage, network leak, toby damage, toby leak and toby location. This amounts to 33.9 requests for service per 1000 connections.

Capital Expenditure

Water Supply

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Water Pipes I.A.R.	1,084	1,000	746
Water Pump Stations I.A.R.	94	105	125
Water Meters I.A.R.	24	100	2
Water Supply Capital Upgrade Associated with I.A.R.	22	70	146
Water Supply Vested Assets	227	221	103
New Reservoir Taradale*	1,582	2,801	16
Awatoto Trunk Main*	2,408	2,159	45
Upgrade Water Supply Control System	19	220	37
New Well Awatoto*	221	736	84
Water Supply Minor Capital	8	-	-
	5,689	7,412	1,304

* For capital budget variances refer to activity key issues.

Funding Impact Statement (Water Supply)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	4,582	4,421	4,481
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	116	54	43
Local authorities fuel tax, fines, infringement fees, and other receipts	12	11	1
Total operating funding (A)	4,710	4,486	4,525
Applications of operating funding			
Payments to staff and suppliers	2,264	2,113	1,994
Finance costs	-	-	-
Internal charges and overheads applied	754	638	635
Other operating funding applications	-	-	-
Total applications of operating funding (B)	3,018	2,751	2,629
Surplus/(deficit) of operating funding (A - B)	1,692	1,735	1,896
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	155	267	197
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	155	267	197
Application of capital funding			
Capital expenditure*			
- to meet additional demand	2,504	5,696	4,211
- to improve the level of service	126	70	-
- to replace existing assets	743	1,425	1,251
Increase (decrease) in reserves	(1,526)	(5,189)	(3,369)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,847	2,002	2,093
Surplus/(deficit) of capital funding (C - D)	(1,692)	(1,735)	(1,896)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	1,576	1,680	1,508
Water by Meter Charges	(518)	(492)	(529)

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.

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

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, 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
- 75m² 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.

The Master Plan is currently being reviewed and consultation being undertaken with key stakeholders to ensure the most appropriate outcome.

- 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

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.

Napier Aquatic Centre

Detailed seismic assessments have confirmed the Ivan Wilson Complex to be earthquake prone. Strengthening work is to be carried out on the facility in the 2016/17 financial year.

To improve community satisfaction with aquatic facilities, a detailed business case and master plan for the Napier Aquatic Centre is to be developed. This will identify replacement and additional aquatic space to meet the needs of the community now and into the future.

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-profiling 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 2017.

Botanical Gardens restoration

The final stage of an upgrade of existing infrastructural items associated with the Botanical Gardens is currently underway and this is focussed on upgrading the irrigation.

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 a world class roller sports venue, an adjacent interactive water-play recreation area, a replacement car park, and sculptural gardens linked to the southern end of the sunken gardens. The \$7m redevelopment is scheduled to be completed by November 2016.

Ahuriri Water Sports Facility

Council recognises that the Ahuriri Estuary is a magnificent ecological asset and the development of the Ahuriri Management Plan is underway. Council is committed to a business case for the Water Sports Facility project and will not proceed with the next stages of the project if it is shown that significant environmental effects cannot be avoided.

Other Projects

Inner Harbour

An Engineering Survey of all Council owned Inner Harbour Assets has been commissioned in 2016. Two major structures West Quay and Nelson Quay are more than 80 years old and survivors of the 1931 earthquake.

Funding of approximately \$4m has been provided in the 2015 to 2025 Long Term Plan for renewal work.

The Engineering Survey will determine the remaining life and integrity of the structures and suggest a programme and revised budget for required works.

Dredging of the channel was completed in October 2013 and it is anticipated that further dredging will be required in the 2017/18 financial year. Budget has been provided for dredging.

Performance Results 2015/16

Recreation

Sportsgrounds

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of residents satisfied with Sportsfields in the NRB Public Opinion Survey.	89%	88%	89%

Napier Aquatic Centre

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Napier Aquatic Centre accredited as meeting Poolsafe standards.	100%	100%	100%
2. Water quality adherence rate to NZ Water Treatment Standards 5826:2000.	96%	100%	93%*
3. Percentage of customers(pool users and programme participants) satisfied with Napier Aquatic Centre	New Measure	90%	65%** 69% excluding don't know

* New testing standards within the Water Treatment standards mean that the Aquatic Centre is not quite achieving the required measure. To combat this we emptied the Spa Pools and replaced the Learners pool with fresh water.

** Includes all pools in the Napier area. Refer to activity key issues.

Reserves

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Number of city-wide Playground equipment safety audits undertaken annually	New Measure	24	10*
2. Percentage of residents satisfied with Public Gardens, Street Beds and Trees in the NRB Opinion Survey	96%	95%	96%

*9 audits undertaken by NCC staff and 1 audit undertaken by an external playground auditor. Additional audits will be undertaken in the future as 2 staff have now received training and accreditation to undertake the required safety checks.

Inner Harbour

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. The depth of the navigational channels are maintained to a minimum depth of 2.4m at the lowest tide (source: depth sound checks)	New Measure	Achieved	Achieved

Capital Expenditure

Recreation

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Sportsgrounds			
Sportsgrounds I.A.R.	228	240	178
Park Island Expansion *	147	3,015	-
Multi-use Sports Facility ****	-	1,000	-
Whitmore Park Changing Facilities Renovation	53	60	-
Sportsgrounds Development	20	800	-
McLean Park Harris Stand Retrofitting	117	145	277
Park Island Bond Field Extension *	1,076	-	396
McLean Park Lighting Tower Upgrade	-	-	12
McLean Park Sky TV Infrastructure Extension	-	-	26
Sportsgrounds Minor Capital	-	-	19
Napier Aquatic Centre (NAC)			
NAC I.A.R.	114	100	81
NAC Enclosure Building	41	1,278	-
Demolish and Restore Olympic Pool	-	-	37
Reserves			
Reserves I.A.R.	255	525	249
Reserves Vested Assets	-	102	50
Passive Recreation Reserves	-	102	-
Tree Planting Programme	46	70	116
Reserves, Pathways and Linkages	16	20	-
Resurface Soundshell Area	-	677	-
Destination Playground **	109	2,500	-
Ahuriri Water Sports Facility	8	1,500	-
Pump Track and Freedom Camping Carpark	-	350	-
Pirimai Park - Installation	17	126	-
Tamatea Park Development	51	75	-
Taradale Skate Bowl	9	200	100
Playground Equipment	1	-	89
Marine Parade Development Projects	-	-	42
Botanical Gardens Restoration	33	-	25
Whakarire Ave Groyne	59	-	-
Marine Parade Landscaping	-	-	37
Hardinge Road Erosion	13	-	134
Perfume Point Reserve Beach Landscaping	4	-	134
Clive Square Lighting Project	124	-	224
Allen Berry Ave Reserve	13	-	-
Napier Skate Park			
Napier Skate Park Development ***	680	5,634	160
Inner Harbour			
Inner Harbour Facilities I.A.R.	-	90	59
Boat Ramp	85	-	276
	3,319	18,609	2,721

* Park Island Expansion earthworks completed in 2015/16 the master plan currently being reviewed

** Destination Playground currently underway due to be completed in 2016/17

*** Napier Skate Park Development currently in progress, and will be completed by November 2016

**** A detailed business case is currently underway for the mutli-use sports facility.

Funding Impact Statement (Recreation)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	7,631	8,117	7,333
Targeted rates	-	-	-
Subsidies and grants for operating purposes	24	24	29
Fees and charges	1,495	1,492	1,568
Internal charges and overhead recoveries	208	101	78
Local authorities fuel tax, fines, infringement fees, and other receipts	698	616	626
Total operating funding (A)	10,056	10,350	9,634
Applications of operating funding			
Payments to staff and suppliers	7,305	7,355	7,499
Finance costs	-	-	-
Internal charges and overheads applied	2,061	1,765	1,802
Other operating funding applications	2	2	-
Total applications of operating funding (B)	9,368	9,122	9,301
Surplus/(deficit) of operating funding (A - B)	688	1,228	333
Sources of capital funding			
Subsidies and grants for capital expenditure	-	300	320
Development and financial contributions	358	534	290
Increase (decrease) in debt	3,503	3,859	1,304
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	3,861	4,693	1,914
Application of capital funding			
Capital expenditure*			
- to meet additional demand	1,992	3,977	1,295
- to improve the level of service	1,550	11,475	1,256
- to replace existing assets	2,512	3,055	768
Increase (decrease) in reserves	(1,505)	(12,586)	(1,071)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	4,549	5,921	2,247
Surplus/(deficit) of capital funding (C - D)	(688)	(1,228)	(333)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	2,444	1,984	2,051

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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.

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 in multi-media formats. Online facilities, including free wifi; 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 grants. 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 (including Art Deco, 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

They have comprehensive areas for burials, ash interments, and ash scattering. Council has partially completed an audit of all cemetery records and as each individual cemetery is completed these records are 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

- 45 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. The most recent addition has been a new toilet pavilion at Spriggs Park in Ahuriri, designed by Graham Weaver Architects. This facility includes 4 toilets, 2 showers and 2 changing rooms for residents and tourists that use the park.

A renewal programme to replace several of the remaining aged toilet blocks is being implemented during 2016/2017, with the next project being the replacement of the public toilet block at the Westshore Surf Life Saving Club.

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)
- 1 Needs Assessment Team (NAT) established and mobile (Volunteers)
- 1 Communications Team established and mobile (Volunteers)
- 1 Satellite Team established and mobile (Volunteers)
- 1 Light Rescue Team – approved in principle by Coordinating Executive Group (CEG) (Volunteers)
- 1 Community Resilience Plan underway (Pilot for HBCDEM Group) with Bay View, Whirinaki, Eskdale and Tangoio.

Emergency Management combines council staff, community 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 free wifi service; literacy and digital literacy support; job search 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 an interior redevelopment programme at Napier Library was achieved. The redevelopment of the roof garden space at Napier Library is scheduled for completion by early Spring 2016. 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 continues to rise and remains a focus for the organisation.

Engaging the community is of paramount importance for MTG, and visitor feedback is now primarily positive with visitors appreciating the increased number of objects on display, more spaces displaying objects and having exhibitions that are relevant to the community.

The quality and professionalism of exhibitions has significantly increased with the redevelopment and this has been maintained as the 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 continue to prioritise.

Work continues on finding additional space for collection storage. Scoping work is underway for possible conversion of onsite basement space for additional storage and a permanent offsite location for the remainder of the collection. 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.

The Taradale Plunket rooms also require strengthening work. These rooms are vacant and will not be able to be used until this work is complete. There has been some interest from community organisations in leasing this property. Further investigation into the cost of the strengthening work and fit out upgrade is needed.

Internal refurbishment of the Greenmeadows East Community Hall has been completed. Strengthening work identified through the seismic assessment is programmed for 2016-17, this will not affect the interior of the hall.

The Taradale Community Rooms seismic assessment identified no issues. Funding has been included in the Long Term Plan for a complete refurbishment. A feasibility study is being completed to determine the future use of the building and this will inform the extent of refurbishment required.

Retirement and Rental

Work has been undertaken on upgrading porches at Henry Charles Village based on the asset management plan. Ongoing replacement of old aluminium windows at Oriel Place is programmed for when flats are vacant.

A project to upgrade Coventry Avenue car parking, paving, lighting and extensive landscaping has been successfully completed.

An investigation into options for kitchen ventilation will continue in 2016/17.

A very old water main system at Rangī Marie Village has been replaced with a new Ring Main which will resolve plumbing issues experienced by tenants.

The Carlyle Street Rental flats have had a major landscaping upgrade with the removal of some very old trees and gardens revamped.

A boundary fence between Oriel Place flats and a neighbour was replaced and the gardens upgraded.

Re-roofing projects have been completed at Otatara Flats and Henry Charles Terrace.

Parking lines have been repainted at Greenmeadows East and Arthur Richards Village and concrete pathways reinstated at Centennial Village

Flats continue to be refurbished as they become vacant or where necessary.

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 expected by late 2016. Once stage one (the design) has been completed then stage two (the construction) can begin. It is anticipated that construction work will commence in early 2017.

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 levelling 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 coordinate a faster 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 2015/16

Social and Cultural

Libraries

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of library members who are active borrowers (in 24 month period - card use only)	New Measure	39%	33.27%
2. Number of programme sessions delivered for all ages per year	New Measure	330	632
3. Percentage of residents satisfied with the Library Service in the NRB Public Opinion Survey (excluding don't knows)	84% 98% excluding don't know	85%	81%

Napier Municipal Theatre

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Qualmark 4.5 star rating maintained	New Measure	Achieved	Achieved
2. Percentage of customers satisfied with the Municipal Theatre experience (source: Ticketek Survey)	New Measure	80%	100%

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

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Visitor numbers per year for all users (source: door counter)	117,388	120,000	116,837
2. Minimum number of new exhibitions per annum	New Measure	5	10
3. Percentage of teachers satisfied with school experience	New Measure	80%	100%
4. Number of students participating in a learning experience outside the classroom (LEOTC) programme at MTG	New Measure	6,000	5,847
5. Percentage of residents satisfied with Hawkes Bay Museum and Art Gallery (including Century Theatre) in the NRB Public Opinion Survey	43%	80%	50%*

* MTG experienced a 7% increase in satisfaction on the previous year and the team continues to work diligently towards reaching its long-term goal.

Performance Results 2015/16

Social and Cultural

Community Planning

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Number of local community events coordinated per year	17	50	52
2. Number of community training and network meetings facilitated per year	7	20	26
3. Percentage of attendees satisfied with community training and networking meetings (2015: Satisfaction rating of attendees at workshops)	100%	96%	98%
4. Satisfaction score for coalition partners on council's coordination role for Safer Napier (source: annual coalition survey report)	New Measure	>4	4.3
5. Percentage of residents who perceive they are safe or very safe in Napier at all times (source: biannual social monitor survey)	New Measure	95%	biannual measure due next year

Halls

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage community hireage for halls directly managed by Council	New Measure	85%	97%
2. Percentage of customers satisfied with hireage of halls directly managed by Council (source: postal survey of post use)	New Measure	95%	96%

Retirement and Rental Housing

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
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.	98.5% retirement flats, 97.8% rental flats	97% retirement flats 98% rental flats	Year to date Occupancy rates: 99.3% retirement flats 99.5% rental flats

Cemeteries

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of time that the online cemetery records system is operational throughout the year	New Measure	90%	100%
2. Interment and Burial spaces are available on request	100%	100%	100%
3. Percentage of residents satisfied with Cemeteries in the NRB Public Opinion Survey.	77%	80%	73%

Performance Results 2015/16

Social and Cultural

Public Toilets

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Public toilets cleaned at least daily.	100%	100%	100%
2. Percentage of residents satisfied with Public Toilets in the NRB Public Opinion Survey.	72%	80%	74%

Emergency Management

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Public warning sirens tested a minimum of twice per year	New Measure	Achieved	Full functioning test completed April 2016 - one siren not activated due to damage to power cable by road construction in Taradale
2. Percentage of households with emergency food and water to be self-sufficient for three days	New Measure	88%	50% Emergency Kit 56% Emergency Water*
3. Number of new community resilience plans developed in high risk areas within Napier per year	New Measure	2	Bay view pilot continuing**
4. Number of trained Emergency Management volunteers ready to respond to an event	New Measure	70	53 - recruiting drive started in June 2016 and Napier has had two enquiries in that month. In the new year, post approval of the NZRT (Light Rescue), recruiting will continue and be increased
5. Percentage of community groups satisfied with public education presentations/events	New Measure	90%	100%
6. Percentage of residents satisfied with Civil Defence Organisation in the NRB Opinion Survey (excluding "don't know")	71% 96% excluding don't know	90%	70% 94% excluding don't know

*The national average has been decreasing since the spike post Christchurch and the sector is not looking in more depth as to how this trend can be reversed. Increased emphasis on tsunami may also have some effect on this measure due to there being a higher need for evacuation kits than emergency kits

**This is a pilot study soon to be completed and will form the way ahead for future community resilience plans development

Capital Expenditure

Social and Cultural

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Libraries			
Library Stock	418	510	343
Napier Library Redevelopment	283	177	-
Robson Collection Donations	-	1	-
Minor Capital Items	12	-	34
Napier Municipal Theatre (NMT)			
NMT I.A.R.	-	60	-
NMT Minor Capital	4	40	26
MTG Hawke's Bay			
MTG Building Project	19	629	271
MTG Minor Capital	80	50	24
Halls			
Memorial Square Building Development	-	300	-
Greenmeadows East Hall - New Flooring	51	50	-
Taradale Community Rooms - Community Centre Refurbishment	-	-	-
Seismic Upgrades Meeanee and King Georges Halls	52	-	290
Community Advice			
Crime Prevention through Environmental Design	-	-	22
Art Deco Sculpture	15	-	81
Marine Parade Pump Track	-	-	288
Marine Parade Freedom Camping Carpark	282	-	32
Maraenui Community Centre	11	-	4
Paxie's Lane Artworks	46	-	-
Community Advice Minor Capital	-	-	4
Retirement and Rental Housing			
Retirement Housing Renewals	176	-	-
Retirement Housing Minor Capital	70	266	107
Rental Housing Minor Capital	-	21	20
Cemeteries			
Cemeteries I.A.R.	17	30	30
Cemeteries Infrastructure	-	50	-
Cemetery Carparks	-	12	-
Western Hills Extension	1	155	-
Public Toilets			
Public Toilets I.A.R.	422	330	40
New Toilet Programme	4	38	-
Emergency Management			
Emergency Management Minor Capital	-	-	18
	1,963	2,719	1,634

Funding Impact Statement (Social and Cultural)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	8,617	8,711	8,675
Targeted rates	-	-	-
Subsidies and grants for operating purposes	353	325	376
Fees and charges	4,195	2,440	2,202
Internal charges and overhead recoveries	1,968	2,256	31
Local authorities fuel tax, fines, infringement fees, and other receipts	2,428	2,358	2,395
Total operating funding (A)	17,561	16,090	13,679
Applications of operating funding			
Payments to staff and suppliers	10,549	9,383	8,837
Finance costs	-	-	-
Internal charges and overheads applied	5,641	5,693	3,525
Other operating funding applications	-	-	-
Total applications of operating funding (B)	16,190	15,076	12,362
Surplus/(deficit) of operating funding (A - B)	1,371	1,014	1,317
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	41
Development and financial contributions	48	74	47
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	48	74	88
Application of capital funding			
Capital expenditure*			
- to meet additional demand	-	-	-
- to improve the level of service	40	968	377
- to replace existing assets	1,598	1,751	1,586
Increase (decrease) in reserves	(219)	(1,631)	(558)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,419	1,088	1,405
Surplus/(deficit) of capital funding (C - D)	(1,371)	(1,014)	(1,317)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	2,347	2,384	2,320

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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.

Scope

City Business and Promotion

- Council is collaboratively working to implement the Regional Economic Development Strategy
- Council will be developing a Napier specific Economic Development Strategy to align with the City Vision Strategy
- Council promotes Napier via support for the three Business Associations, Art Deco Trust and other organisations
- Council maintains strong sister-city relations for Tomakomai (Japan), Lianyungang (China) and Victoria (Canada).

Napier Conference Centre

The Napier Conference Centre, located on the northern end of Napier's Marine Parade with views from Mahia Peninsula to Cape Kidnappers, offers a high quality full service venue for conferences, events, meetings, and weddings. The venue includes a ballroom, breakout rooms, gallery and exhibition area with a full in-house catering service.

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; ablution blocks; heated swimming pool; playground including large jumping pillow; gym; TV lounges and games room; groups dining room; guests laundry.

Key Issues

Napier Conference Centre

A seismic assessment of the Napier Conference Centre rated the building as 20-25% new Building Standard (NBS) and was therefore earthquake prone. The facility was closed for seismic strengthening and redevelopment on 31 March 2016 and is due to re-open in February 2017.

Following the council resolution that the War Memorial be moved to Memorial Square, the War Memorial Conference Centre was renamed Napier Conference Centre.

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 been redeveloped to solve issues around ensuring payment at entry. This issue of allowing public access direct to the café and gift shop 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 2015/16

City and Business Promotion

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Economic impact of events funded under the Council's event's policy	New Measure	Increasing trend	NRL Storm vs Dragons game and Art Deco local economic impact was \$13.9m
2. City GDP per capita relative to NZ average	\$35,322	Increasing trend	\$36,899

Napier Conference Centre

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Maintain Qualmark Venue 4.5 star rating.	Rating Maintained	Achieved	Maintained
2. Number of national and international hires	290	270	173*
3. Percentage of customers satisfied with Napier Conference Centre experience	New Measure	90%	99%

*Facility closed 31 March 2016 for seismic strengthening and redevelopment

National Aquarium of NZ

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Number of visitors	124,939	115,000	140,181
2. Qualmark venue rating maintained (60% rating required)	New Measure	Achieved	Achieved
3. Percentage of customers satisfied with Aquarium experience (source: customer survey)	New Measure	80%	94%

Napier i-SITE Visitor Centre

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Visitor numbers per annum	258,954	260,000	249,920
2. Qualmark venue rating/ i-SITE membership maintained	New Measure	Qualmark Enviro Silver	Maintained
3. Percentage of customers satisfied with i-SITE Visitor Centre experience	New Measure	80%	97%

Par 2 MiniGolf

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Visitor Admissions per annum.	38,671	40,000	45,099
2. Qualmark membership maintained	New Measure	Qualmark Enviro Silver	Maintained
3. Percentage of customers satisfied with Par 2 MiniGolf experience	New Measure	90%	95%
4. Return on Assets	20%	16%	29%

Kennedy Park Resort

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Overall number room nights booked	23,905	23,500	25,575
2. Qualmark ratings maintained	New Measure	Qualmark Enviro Gold	Maintained
3. Percentage of customers satisfied with Kennedy Park experience	New Measure	80%	86%
4. Return on Assets	6%	6%	7%

Capital Expenditure

City Activities

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Napier Conference Centre (CC)			
CC Minor Capital	3	60	18
CC Renewals	-	40	-
Replace Carpet Lower Level	-	17	-
CC Upgrade	1,383	2,500	55
National Aquarium of New Zealand (NANZ)			
NANZ Renewals	10	25	-
NANZ Laboratory	28	50	-
NANZ Reception/Ticketing Upgrade	42	250	-
NANZ Minor Capital	55	75	48
Napier i-SITE Visitor Centre			
i-SITE Minor Capital	17	20	3
Par 2 MiniGolf			
Par 2 MiniGolf Upgrade 2 Courses	2	192	-
Par 2 MiniGolf Minor Capital	6	18	-
Kennedy Park			
Kennedy Park I.A.R.	42	120	171
Kennedy Park Reception Upgrade	267	650	-
Kennedy Park Minor Capital	85	180	65
	1,940	4,197	360

Funding Impact Statement (City Activities)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,297	1,809	1,808
Targeted rates	175	185	187
Subsidies and grants for operating purposes	117	112	117
Fees and charges	6,494	7,145	6,824
Internal charges and overhead recoveries	75	54	94
Local authorities fuel tax, fines, infringement fees, and other receipts	42	19	794
Total operating funding (A)	8,200	9,324	9,824
Applications of operating funding			
Payments to staff and suppliers	6,638	7,562	7,962
Finance costs	-	-	-
Internal charges and overheads applied	1,165	1,374	1,341
Other operating funding applications	-	-	-
Total applications of operating funding (B)	7,803	8,936	9,303
Surplus/(deficit) of operating funding (A - B)	397	388	521
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	3,342	1,510
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	3,342	1,510
Application of capital funding			
Capital expenditure*			
- to meet additional demand	-	50	28
- to improve the level of service	-	3,400	1,692
- to replace existing assets	398	747	220
Increase (decrease) in reserves	-	(467)	91
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	397	3,730	2,031
Surplus/(deficit) of capital funding (C - D)	(397)	(388)	(521)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	1,183	889	892

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* For capital budget variances refer to activity key issues.

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 economic 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 – 2,080; Taradale – 395

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

A key project for this group of activities is the City Vision: small city, big ideas project. This project has developed a masterplan for Napier. It includes examining heritage, design, recreational spaces, parking and transport issues, such as traffic flows to and from Napier Port. Experimental spaces have and will continue to pop up in the city.

Council's project to scan and digitise the paper property files and in conjunction with this applications for regulatory functions and LIMs are transitioning to digital.

Opportunities for best utilisation of parking technologies are being implemented including the upgrade of monitoring software and the utilisation of an App to pay for parking across the city.

Implementation of recommendations of the Heretaunga Plains Urban Growth Strategy and the Coastal Hazards Strategy is ongoing. Both of these Strategies have major implications for Napier as the city plans for its future development in a way which sustainably recognises the constraints of a dynamic coastal environment.

The review of our Bylaws has commenced with the aim for them to be as simple and effective as possible and ensure they meet the regulatory needs of our community.

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

The Food Act 2014 came into force in early 2016. Significant effort has gone into working towards the implementation of the Act.

Napier City Council and Hastings District Council have adopted the joint Local Alcohol Policy.

Animal Control

Council's focus on identification of unregistered dogs has meant that registration numbers have increased and the amount charged for registration has 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. Two Dog Agility tracks have been opened during the year, one at Park Island and another 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 during the year, in light of the proposed Marine Parade redevelopment and the associated loss of parking spaces. This review provides input to a comprehensive parking strategy for the whole of the city that will provide a framework for making future strategic decisions in a consistent, objective and logical manner.

Performance Results 2015/16

Planning and Regulatory

Planning Policy

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. District Plan changes comply with 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.	Achieved	Achieved. Plan Change process is complete apart from the resolution of Environment Court appeals.

Regulatory Consents

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Land Information Memorandums to be processed within the statutory time frame of 10 working days.	100% (348 out of 348 with 5 day average processing time)	100%	100% (95 processed within 10-days at an average of 7-days)
2. Percentage of complaints investigated within 3 days.	94% of complaints investigated within 3 days (15 out of 16)	100%	100% of complaints investigated within 3-days (3 out of 3)
3. Percentage of resource consents processed within statutory timeframes and discount regulations	New Measure	100%	Non-notified Resource Consents-46 out of 49 (94%) processed within 20-working days with an average of 13-days. One notified application was processed within statutory time frame

Performance Results 2015/16

Planning and Regulatory

Building Consents

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
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%	6.46%*
2. Maintain Building Consent Authority (BCA) accreditations.	Accreditation maintained	Accreditation maintained	Accreditation maintained
3. Process building consents within 20 working days.	90% processed within 20 working days (1,046 out of 1,158)	100%	100% processed within 20 working days (1298 out of 1298)
4. Process code of compliance certificates within 20 working days.	100% processed within 20 working days (1,228 out of 1,228)	100%	100% processed within 20 working days (1277 out of 1277)

*Not met due to the increased volume of building consents received during the year

Environmental Health

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of food premises inspected twice per year (including re-checking) and non-food premises inspected once per year.	100%	100%	100%
2. Percentage of residents satisfied with Noise Control in the NRB Public Opinion Survey.	85%	80%	81%

Animal Control

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Percentage of complaints responded to within target timeframe (urgent: 2 days, other: 5 days)	New Measure 45.0%	100%	100%
2. Percentage of residents satisfied with Animal Control in the NRB Public Opinion Survey.	80%	75%	76%

Parking

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. CBD parking occupancy rate (off street and on street).	61%	Range 50 - 85%	64%
2. Taradale parking occupancy rate (off street and on street).	62%	Range 50 - 85%	49%
3. Percentage of residents satisfied with Parking in the Inner City in the NRB Public Opinion Survey.	68%	60%	67%
4. Percentage of residents satisfied with Parking in the Suburbs in the NRB Public Opinion Survey.	70%	60%	65%

Capital Expenditure

Planning and Regulatory

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Building Consents			
Property Information EDM*	14	445	93
E-Commerce for Applications	13	25	-
Building Consents Minor Capital	-	-	28
Animal Control			
Stock Control Equipment	-	5	-
Dog Agility Track	45	5	80
Animal Control Minor Capital	32	60	21
Parking			
CBD Parking Projects	28	500	-
Parking Minor Capital	17	20	-
Parking Equipment Replacement	20	104	3
Alternate Transport Parking	6	100	-
Parking Security	-	70	-
Accessway Vautier / Raffles Streets Precinct	-	-	4
Parking Minor Capital	-	-	11
	175	1,334	240

* Property Information EDM project currently in progress, and will be completed by June 2017

Funding Impact Statement (Planning and Regulatory)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,264	2,647	2,285
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	3,954	4,113	4,343
Internal charges and overhead recoveries	145	250	250
Local authorities fuel tax, fines, infringement fees, and other receipts	985	1,066	761
Total operating funding (A)	7,348	8,076	7,639
Applications of operating funding			
Payments to staff and suppliers	3,664	4,616	5,034
Finance costs	-	-	-
Internal charges and overheads applied	2,524	2,692	2,789
Other operating funding applications	-	-	-
Total applications of operating funding (B)	6,188	7,308	7,823
Surplus/(deficit) of operating funding (A - B)	1,160	768	(184)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	1
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	1
Application of capital funding			
Capital expenditure*			
- to meet additional demand	-	-	-
- to improve the level of service	-	1,185	132
- to replace existing assets	127	149	43
Increase (decrease) in reserves	1,033	(566)	(358)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,160	768	(183)
Surplus/(deficit) of capital funding (C - D)	(1,160)	(768)	184
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	422	270	315

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.

Property Assets

Scope

Lagoon Farm

The farmed area of Lagoon Farm is estimated at 290 ha, of which 27 ha is not grazed due to stock access issues and is harvested for hay. There are no longer any farming activities carried out on land to the south of Prebensen Drive. This is planned for ongoing residential and future Sportsgrounds development.

Part of the farmed area has been zoned for a future business park. This zoning includes the area occupied by the existing woolshed, yards and farm sheds.

Parklands Residential

The Council's Parklands Residential Development on 120 hectares of former Lagoon Farm land will provide over 300 residential sections for sale during the period 2016-2022. The development area includes land for expansion of the Park Island sports ground. The rate of residential development will be driven by market demand.

Property Holdings

Leasehold Land Portfolio:

- Investment Property Portfolio – 76
- Residential – 22

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

The farm returned a small profit (after Council overheads) although the dry autumn has resulted in a drop in stock numbers with a shortage of available feed. Some much needed repairs and maintenance have been carried out on fences and yards.

Parklands Residential

The market has become more buoyant, with the take up of the remaining 51 sections in Area 2 during the last financial year (2015/16). Currently there is a high demand for sections from both the private and commercial sectors, and Council is progressing the development of Area 3 (219 lots over the next 4 years), to meet demand. Council is also exploring options for further residential development, in conjunction with the Park Island sports grounds expansion.

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

Council is continuing with seismic assessments on Council owned buildings. Some budget provision has been made for strengthening of Council owned buildings but there will inevitably be additional funding required as assessments are completed and business cases prepared for strengthening works.

Civic and Library Building Campus

Built in 1968 the Civic Building is urgently in need of an investment to bring it up to modern standards for office accommodation, governance, community use and customer services. It serves as the headquarters of Council and is important to the provision of Council services.

Both the Civic and Library buildings have had very little work carried out on them since their construction.

Initial planning and investigations are required to determine the future of the campus.

Budget provision of \$5.1m has been made in the 2015 to 2025 Long Term Plan.

Performance Results 2015/16

Property Assets

Parklands Residential Development

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Number of sections sold and developed	30 lots created, 31 lots sold	31	28 lots created, 51 lots sold

Property Holdings

Performance Measures	Actual 2015	2015/16 Targets	Actual 2016
1. Independent review of Council's investment portfolio completed regularly (every 3-5 years) including consideration of average rate of return	New Measure	Review	In progress*
2. Buildings comply with Building Act and Health & Safety Act and hold current warrant of fitness certificates	100%	100%	100%

*Review to Council late 2016

Capital Expenditure

Property Assets

	Actual 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Property Holdings			
Air Conditioning Projects*	-	88	-
Seismic Strengthening Council Buildings*	-	500	-
Chambers and Weatherproofing*	-	571	-
Council Chambers Ventilation*	-	34	-
Art Centre Building	-	-	267
Property Purchases	-	-	201
Civic Buildings Upgrade*	14	-	-
Property Holdings Minor Capital	-	-	131
	14	1,193	599

* Civic Buildings Upgrade currently in the planning stages and will be completed in 2017/18

Funding Impact Statement (Property Assets)

Financial Overview

Summary of Revenue and Financing Mechanisms

	LTP 2015 \$000	LTP 2016 \$000	Actual 2016 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	475	588	610
Internal charges and overhead recoveries	1,673	1,678	1,678
Local authorities fuel tax, fines, infringement fees, and other receipts	13,855	7,726	10,647
Total operating funding (A)	16,003	9,992	12,935
Applications of operating funding			
Payments to staff and suppliers	7,211	4,295	6,488
Finance costs	-	-	-
Internal charges and overheads applied	2,300	1,631	1,474
Other operating funding applications	-	-	10
Total applications of operating funding (B)	9,511	5,926	7,972
Surplus/(deficit) of operating funding (A - B)	6,492	4,066	4,963
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	500	14
Gross proceeds from sale of assets	212	125	532
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	212	625	546
Application of capital funding			
Capital expenditure*			
- to meet additional demand	-	-	-
- to improve the level of service	-	122	-
- to replace existing assets	-	1,071	14
Increase (decrease) in reserves	6,704	3,498	5,495
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	6,704	4,691	5,509
Surplus/(deficit) of capital funding (C - D)	(6,492)	(4,066)	(4,963)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	483	393	416

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.

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 2016 \$000	AP 2016 \$000	Actual 2015 \$000
Minor Capital General Provision	88	70	-
Replacement of Mobil Plant and Vehicle	1,136	900	1,102
Software Replacement and Upgrades	60	66	26
PC and Printer Replacement	83	76	62
Corporate IT Network	3	13	8
Technology Equipment Minor Capital	512	328	136
Electronic Document Management	90	145	-
Napier Wi-Fi	28	125	-
Design Services Minor Capital	-	30	-
Minor Capital	-	-	69
	2,000	1,753	1,403

Image (right) Untitled. Mural Topic: Marine Protected Areas and the Interrelationship Between Species and Habitats.

Artists: Jason Botkin Cinzah Merkens

The massive Jason Botkin/Cinzah collaboration explores significant Māori and global nautical mythologies, featuring the entangled bodies of a longfin eel (the largest and the only endemic freshwater eel species of New Zealand that is in a threatened condition), and an octopus covered in the face markings of traditional Māori 'Tā moko.' Also featured are guest appearances from various birds and aquatic life that have long been a food source for the people of these islands, which are now facing dramatically lowered regional populations. The mural also addresses the importance of Marine Protected Areas for maintaining the vital interrelationships between species and habitats.

Photographer - Cinzah Merkens

Appendices

Council Controlled Organisations

Glossary of Terms



Council Controlled Organisations

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

Hawke's Bay Airport Limited

Policies and Objectives Regarding Ownership and Control

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

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

Nature and Scope of Activities

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

HBAL will pursue the following strategy:

- 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.

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

Performance Targets

Performance targets for Hawke's Bay Airport Limited for the year ended 30 June 2016. The key objectives, performance targets and performance results (as reflected in the Company's Annual Report for 2015/16) are:

Objective 1 - Deliver sustainable growth in revenue and earnings

Activity	Measure	Actual 2015/16
CAA recertification	Renewal of Aerodrome Operating Certificate	Achieved
Operate a Successful Business	Achieve Performance Targets:	
	Revenue	Exceeds target
	EBITDA	Exceeds target
	NPAT	Exceeds target
	Return on Equity	10% or more below target
	Gearing	Exceeds target
	Dividend	Exceeds target
	Review of Landing Charges	Achieved
Appropriate Infrastructure	Progress Planning for:	
	Terminal Redevelopment	Achieved
	New Rescue Fire Station	Achieved
	Carparking Layout	Achieved
	Rental Car Valet Facility	Achieved
Health & Safety Focus	Zero Harm & Zero L.T.I's	Achieved
Risk Management Plan	Formalise risk framework	Meets target
Customer Focus	Regular engagement with customers	Achieved
Stakeholders Engagement	4 meetings per annum with Shareholders	Achieved

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

The Trust is a Council Controlled Organisation as three of the five Board members 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 Rōpū 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 2015/16) are:

Key Result Area	Performance Indicator	Target 2015/16	Actual 2015/16
Protection	Insurance cover as percentage of total collection value	100%	100%
	Air quality meeting predefined standards for each storage area	98%	MTG - 76% BAT - 57%
	Number of reported incidents of damage to collection items	0	3
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	258
	Number of Regional Archive research visits per annum (including online)	1,500	144 reading room 16,972 online
	Number of days staff available for collection enquiries	249	252
Development	Percentage of bequest funds income used for acquisition	100%	70%
	Percentage of conservation funds income used for collection care	100%	100%
	Te Rōpū Kaiawhina Taonga hui held	3 per annum	6 per annum

Air Quality

The air quality has been below the 98% target at both sites. At the offsite BAT (British American Tobacco building) store 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 annual regional archive visits exceeded the target with online visitors reaching 16,942.

Development

Unspent bequest fund incomes allocated for acquisitions and collection care are kept in special funds, and carried forward to the next financial year for future spending.

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.

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

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 2015/16	Actual 2015/16
Initiate at least one shared service each year and no less than two shared services successfully implemented within the following three years	<p>Commenced initiatives to identify opportunities for: Shared Services in Internal Audit Shared Services in Legal services</p> <p>Formed a Records Management working party to review document management processes, archive capability and joint opportunities.</p> <p>Contracted Effectus Ltd to prepare a Shared Information Services strategy</p>
Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders.	<p>The launch of HB Viewer in September 2015 – an innovative platform giving easy access to mapping, data and web service, without the need for specialist Geographic Information Operator (GIS) skills.</p> <p>Central Hawke's Bay District Council, Wairoa District Council, Hawke's Bay Regional Council and Napier City Council are transitioning to using the same web framework that will provide a better web experience for customers, is easier to maintain by staff and allows information to be easily shared between the Councils.</p> <p>As a result of the Shared Information Services strategy, HBRC initiated the pilot project to migrate HBRC's server infrastructure to an external provider</p>
Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and/or continuity of supply.	<p>HB LASS Councils completed tender rounds for: procuring printers procuring vendor management of Microsoft licences</p> <p>HB LASS Councils negotiated common pricing for security applications</p>
Publish a newsletter setting out the Companies activities at least quarterly	LASSO – newsletter published and circulated in March 2016
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 Groups section of the Annual Plan, including the financial and non-financial performance measures, targets and the financial budgets for 2016/17.

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.

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.

Impairment

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

Infrastructural Asset Renewal - I.A.R.

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

Infrastructural Assets

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

Napier Conference Centre

Formerly known as the War Memorial Conference Centre.

Non-targeted Rates

Rates other than targeted rates. These are general rates and Uniform Annual General Charges. 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.

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.

Prospective Financial Statements

Refers to future-orientated financial statements.

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.