

Napier City Council



Annual Report

For the period 1 July 2013 to 30 June 2014

Adopted 22 October 2014

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Cover photograph: Biological Trickling Filter Wastewater Treatment Plant, Awatoto

Welcome

Napier City Council Annual Report 2013/14

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 2013/14, the second year of the 2012-2022 Ten Year Plan (the Long Term Plan). The 2012-2022 Ten Year Plan is our City business plan and the Council's key strategic document. It outlines the Council's policies and programmes and the financial implications of these.

Under the Local Government Act 2002 all Councils are required to produce an Annual Report and for certain information to be audited, such as the financial statements and the non-financial performance information. The audit has been completed by Audit New Zealand and their clear audit opinion can be found on page 96 of this report .

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Part One

Introduction

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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:

58,000

Climate:

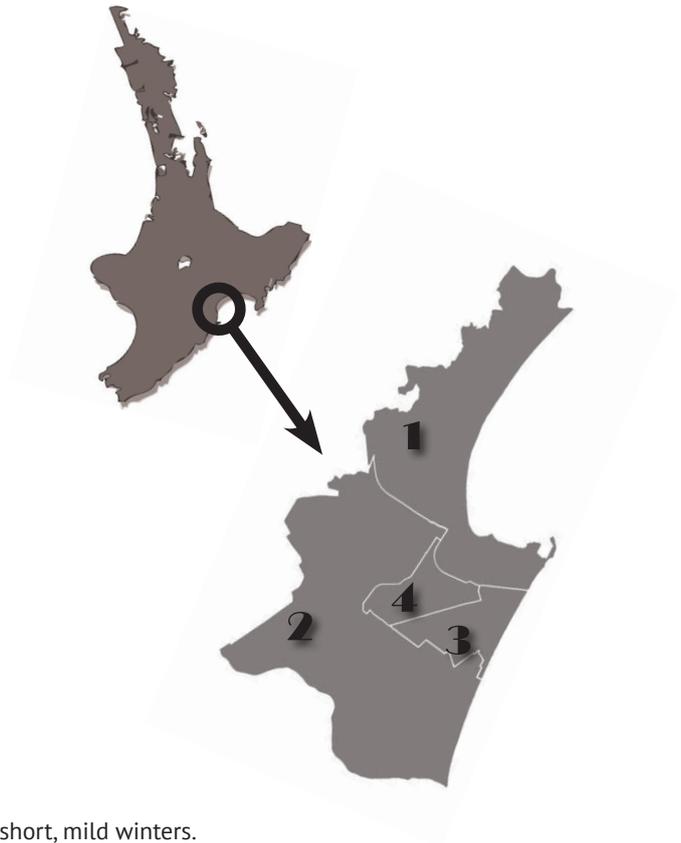
A near Mediterranean climate with long, fine, dry summers and short, mild winters.

Average annual rainfall (mm): 803

Average annual sunshine hours: 2,188

Average summer temperature (°C): 24

Average winter temperature (°C): 13



Council Funded Community Assets:

36	Neighbourhood Parks	1	Inner Harbour with Berths	2	Libraries
15	Sports Parks	34km	Pathways	1	Civil Defence
4	Sports Complexes	46	Greenbelt Reserves	2	Pool Facilities
1	Municipal Theatre	1	Visitor Information Centre	1	Community House
1	Conference Centre	1	National Aquarium	8	Community Halls
1	Regional Museum & Art Gallery	1	Par 2 MiniGolf	44	Public Toilets

What is in the Annual Report?

The Annual Report 2013/14 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 part includes the Mayor and Chief Executive's report, the Maori Contribution to Decision Making process, a financial summary, key statistics and financial condition indicators. The statement of compliance and responsibility finishes this part.

Financial Statements

This part presents detailed 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 2013/14 can be found at the end of the financial statements.

Activity Groups

This part 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

This final part has some extra information that may be of interest to the reader in relation to Council Controlled Organisations and a Glossary of Terms.

How The Annual Report Fits Into The Planning Process

Ten Year Plan

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

Annual Plan

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

Annual Report

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

Mayor and Chief Executive Report

It has been a big year for Napier City Council.

One of the most significant projects in 2014 was the building of our new waste water treatment plant in Awatoto. The \$32.7 million state-of-the-art facility was project managed by Napier City Council, saving ratepayers millions of dollars. While it will be commissioned early in the next financial year, it will come in on time and budget, which is a credit to the team behind it.

We've also won a few significant awards too. In April, the redevelopment of MTG Hawke's Bay won the award for 'best project' at the New Zealand Museum Awards. The following month, Napier City Council's website won a top accolade at the Local Government Information Management (ALGIM) Web and Digital Symposium awards ceremony. Our support of Art Deco weekend saw us take home the award for 'Best Community Event' at the Local Government NZ Excellence awards in Nelson in July.

The sell-out of the All Black's test match was another resounding success for Napier and the Council-owned McLean Park. What a fantastic sight seeing the park packed with enthusiastic rugby fans celebrating the return of the All Blacks after 18 long years. We are keen to continue to attract and develop large events for Napier and the All Black's game proved we can draw the crowds.

The release of the Waugh Report confirmed Napier's infrastructure is in good shape and asset renewal is being adequately funded. We pride ourselves of delivering a high level of service to our rate payers, and that continues through projects such roading and stormwater upgrades.

Plans for the redevelopment of Marine Parade continue and are currently being consulted on. The prospect of a new bike pump track and other enhancements will continue to ensure the area remains a jewel in Napier's crown.

We are in a very strong financial position and Napier's average residential rates for the 2013 / 2014 year are the lowest of all provincial cities.



Bill Dalton
MAYOR



Wayne Jack
CHIEF EXECUTIVE

Mayor and Councillors as at 30 June 2014



Back Row (L-R): Cr Keith Price, Cr Mark Herbert (Ahuriri Ward), Cr Roy Sye JP, Cr Tony Jeffery JP, Cr Mark Hamilton (Nelson Park Ward).

Front Row (L-R): Cr Maxine Boag (Nelson Park Ward), Cr Graeme Taylor (Taradale Ward), Cr Kirsten Wise (Taradale Ward), Mayor Bill Dalton JP, Cr Faye White (Deputy Mayor), Cr Michelle Pyke, Cr Annette Brosnan (Onekawa/Tamatea Ward), Cr Rob Lutter.



Councillor Lutter resigned from his position of Councillor at Large on 22 May 2014. A By-Election was held on 19 August 2014 and Councillor Richard McGrath was elected.

Mission Statement

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

Key Statistics

	30 June 2014	30 June 2013
Area and Population		
Area (ha)	10,364	10,364
Population (forecast based on 2013 Census)	58,000	58,660
Valuation		
Rateable properties (number of)	25,008	24,858
Non-rateable properties (number of)	368	372
Gross capital value	10,351,014,050	10,206,248,550
Net capital value (i.e. capital value of rateable property)	9,884,388,850	9,730,801,850
Gross land value	4,684,524,700	4,664,652,200
Net land value (i.e. land value of rateable property)	4,504,256,000	4,477,445,000
Date of last revision of values	2014	2011
Rates and Rating		
Total rates struck (incl. GST)	53,248,287	52,486,602
System of rating	Land Value	Land Value
Public Debt		
Public Debt (external)	12,350	2,020,300
Internal Debt	36,783,000	35,261,000
Loan redemption reserves	-	1,069,947
Unexercised loan authorities	83,674,000	79,761,000
Buidling Consents		
Value of consents for year	94,501,541	96,886,766
Value of consents for residential properties	42,129,137	38,477,602

Insurance of Assets

- (a) The total value of above ground buildings and plant and equipment covered by insurance contracts is \$409.4m. These are insured under a group policy held in the name of the five Hawke's Bay Councils which has a limit of \$500m for any one event and in the annual aggregate for Natural Disaster Damage.

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 \$465.6m. In general upon a major disaster the government will provide a 60% subsidy for infrastructure recovery costs. Council must demonstrate that it is able to meet the remaining 40% through insurance and other financial means.

It is generally accepted that no more than approximately 25% of the underground infrastructure would be seriously damaged in a major disaster. Councils' insurance cover is based around approximately 40% of this exposure with Insurance cover limited to 40% of \$100m.

A deductible of 40% of \$20m exists under the policy meaning that Council would be liable for a maximum of \$8m in the event of a major claim.

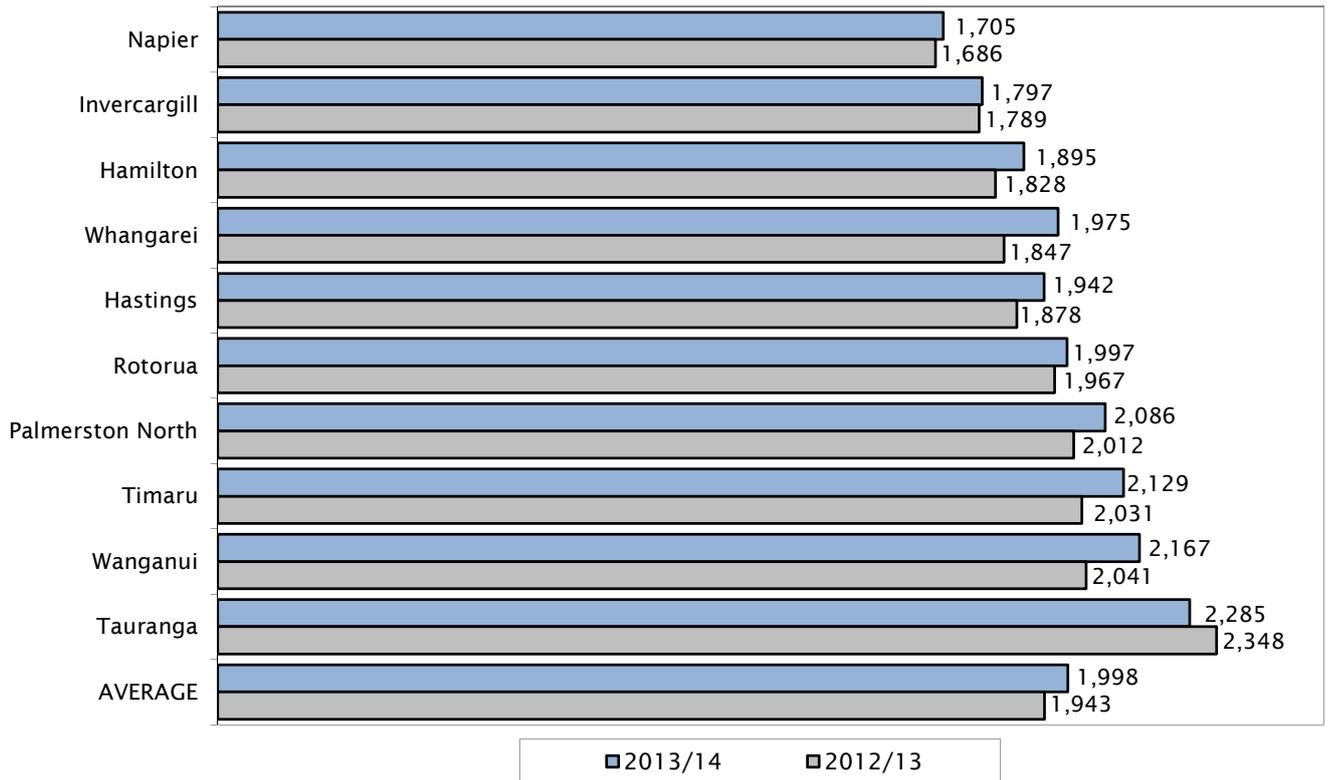
- (b) The total value of all assets that are covered by financial risk sharing arrangements is nil.
- (c) Council does not operate a formal self-insurance scheme or maintain a specific fund for that purpose. Various assets are however not covered by insurance.

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

Other assets including land, playgrounds, sports fields and assets owned by Council in the Inner Harbour are also not covered by Insurance.

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

Average Residential Rates



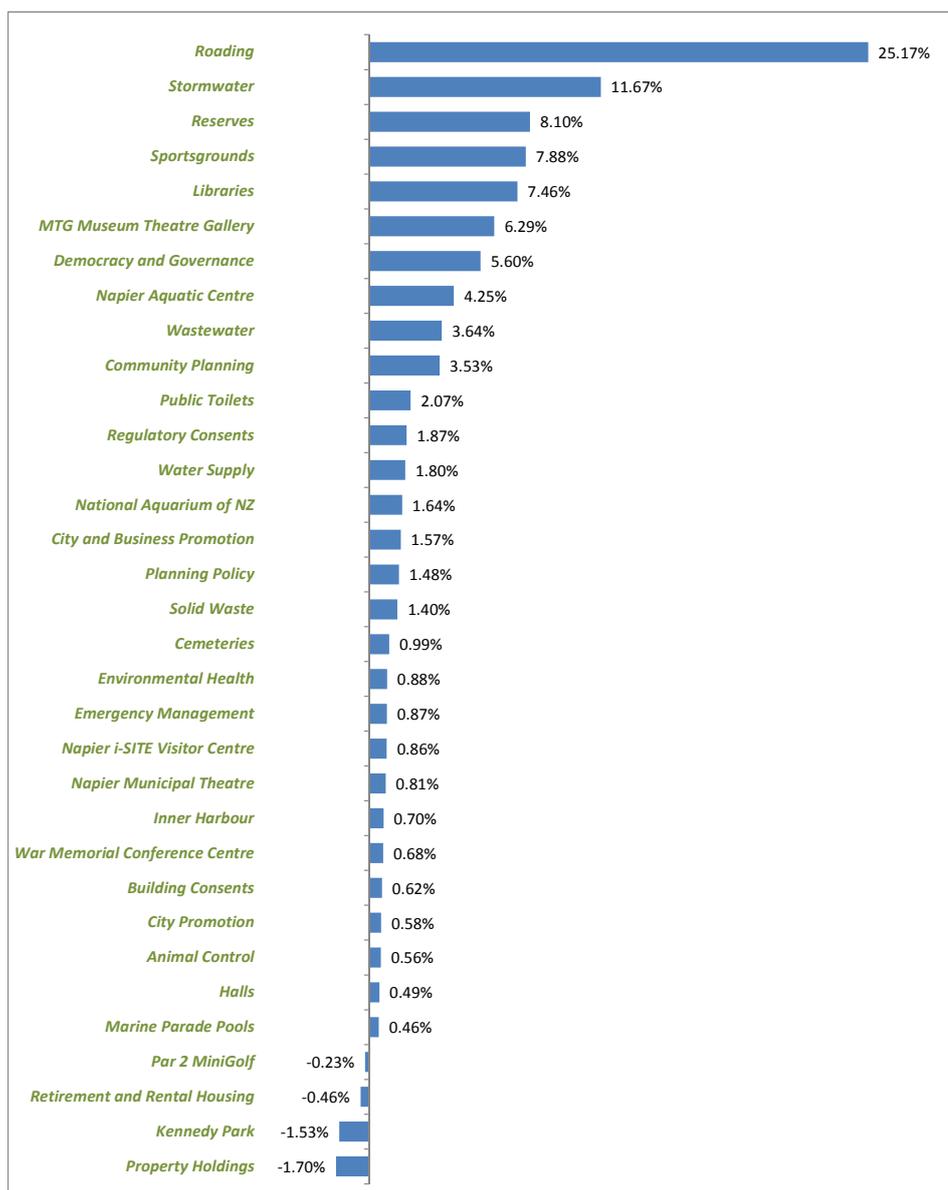
Financial Condition Indicators

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Rates revenue	46,632	46,134	45,938
Net surplus	7,843	12,425	7,837
Working capital	75,875	12,650	80,147
Public debt	12	12	2,021
Total assets	1,453,680	1,462,683	1,378,123
Proportion of rates revenue to total revenue (%)	52.54%	47.91%	53.48%
Public debt as a percentage of total assets	0.00%	0.00%	0.30%
Proportion of rates revenue applied to service debt (%)*	7.68%	9.20%	7.50%

* Gross interest cost is used for this calculation - internal interest income included not as a reduction of interest cost. Refer Borrowing Programme page 87.

How Rates Were Spent

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



Shared Services

The establishment of Hawke's Bay Local Authority Shared Services, a Council Controlled organisation is now complete. Listed below are the existing shared services within Hawke's Bay. These shared services have been achieved through the cooperation of Hawke's Bay Regional Council (HBRC), Napier City Council (NCC), Wairoa District Council (WDC), Hastings District Council (HDC) and Central Hawke's Bay District Council (CHBDC). The shared services company is exploring other opportunities that may exist for cooperation which may entail sharing of computer systems and staff. These projects being examined require significant time and resource, research and analysis to arrive at the best solutions for the whole community. For the initial report on the HBLASS see pages 160.

	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	√		√	√	
Road Safety Initiatives	√	√	√	√	√
Corporate Support					
Joint Property Valuation Contract	√	√	√	√	√
Joint Insurance and Energy Procurement	√	√	√	√	√
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			√	√	
Stormwater Drainage	√		√	√	
Regional Transportation Strategy	√	√	√	√	√
Heretaunga Plains Urban Growth	√		√	√	
Napier / Hastings Joint District Plan	√		√	√	
Solid Waste Management Plan			√	√	
Regional Community Outcomes	√	√	√	√	√
Community Outcome Monitoring	√	√	√	√	√
Regional Strategic Coordination Group	√	√	√	√	√
Civil Defence Group	√	√	√	√	√
Policy Sharing	√	√	√	√	√
Joint Alcohol Strategy			√	√	
Joint Regulatory Training		√	√	√	√
Joint Regulatory Purchasing			√	√	
Local Alcohol Policy			√	√	
HBLASS - IT Purchasing - Vehicles - GIS - Environmental Services	√	√	√	√	√

Financial Overview

Rates increases

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

Since 2000/01 Napier City has surveyed Councils of similar size for a comparison of average residential rates. The table of comparison for the last 2 years is shown on page 13 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 2 years and are \$580 per annum lower than the highest Council.

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

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

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

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

Other examples of why Napier rates are lower than others:

Funding:

- Income generated by Tourism activities which support the cities Tourism businesses
- Property related activities such as the Parklands residential section development project
- Quality of operations is further enhanced through the retention of knowledge of infrastructure assets within the organisation
- 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:

1. Lean overhead structure with minimal corporate overheads
2. Inhouse workforce ¹
3. Low turnover of core staff, Corporate culture and knowledge is retained within the organisation, communications between and within activities is enhanced, cost of attracting new staff, cost of recruitment, cost of staff training and induction are minimised
4. Council departments are sized for core work flows and activities only. Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations

¹ Inhouse workforce comprises of:

Napier City Services Department

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

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

Napier City Design Services

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

5. Adoption of Cost Saving Technologies and Practices - Napier Council easily adopts ideas and technologies that are cost effective for the ratepayer. A clear example of this being that 80% of Napier streetlights have been converted to eco-fittings saving ratepayers several hundred thousand dollars per annum in reduced electricity charges.
6. Low cost stable organisation wide IT solutions (analysis has demonstrated that organisation wide changes of IT infrastructure are both time consuming and expensive with forecast cost improvements often not delivered)
7. Stable base of buildings and building locations leading to lower cost of building occupation
8. Shared Services between the Hawke's Bay local authorities
9. Selection of best cost options, for example the cost to build an urban road which lasts 50 years (with appropriate maintenance) is 4% above the cost to build urban road which lasts 25 years (this applies to the local area with shingle sources). Another example was the decision that Council Officers project managed the \$30m Sewerage Treatment Plant upgrade as the most cost effective option.

Size of Territory advantages - Napier City is a compact land area and is the 4th most densely populated Territorial Local Authority in New Zealand.

Growth in rateable properties

The table below shows growth in the number of households in Napier City over the last 9 years and the average growth since 1990. The growth of households in the last 4 years is significantly lower than the high rates experienced during 2005 – 2007. The lower growth rate in households during this time reflects both New Zealand household growth generally and the current economic environment.

Year	Number of new properties	Percentage growth per year
2013/14	150	0.60%
2012/13	124	0.50%
2011/12	149	0.60%
2010/11	145	0.60%
2009/10	204	0.80%
2008/09	175	0.70%
2007/08	426	1.80%
2006/07	518	2.20%
2005/06	502	2.20%
Average over last 24 years	219	1.05%

Residential growth in Napier totalled has been more than 5,000 properties during the last 24 years, an increase of 25% between 1990 and 2014.

Financial and Development Contributions

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

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

In the case of greenfields developments developers construct and pay for the roads, underground services and recreation reserves on their developments (known as on site 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 contributions to the cost of providing network infrastructure to service developments. Council installs and maintains the additional infrastructure and services.

The Council also constructs the infrastructure that is needed to support residential and commercial developments (referred to as off site 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, and additional sports grounds, 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 off site 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 off site non local services that are required to service developments. The cost of off site 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 off site non local services through increased rates, or accept a continuing reduction in the level of service in these areas until it becomes unavoidable to invest significantly in the service. Management of growth projects through this mechanism also facilitates 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.

There has been significant discussion around the cost of financial and development contributions over recent months in regard to the extent to which these costs affect housing affordability. Governments intention to 'rein in' development contributions was outlined in the 15 August 2013 release on beehive.govt.nz. The release advised of the government intention to restrict what Councils can charge for development contributions to both residential and commercial development, followed up by change of legislation and Local Government Act 2002.

Recent related media coverage and press releases may give the impression that Council can charge any amount it perceives it can achieve in this area. However this differs from the approach taken by Napier City Council which is in accordance with legislative requirements. Napier City Council sets the level of contribution to any development based on modelling by qualified professionals of the increased infrastructure required for a specific development. For example, some developments, based on location, may require a greater capacity in stormwater due to the topography of the land to be developed or may require increased sewer capacity due to increased industrial effluent output. In addition it is only the costs directly attributable to growth that are included in fee setting for financial and development contributions. Many projects can also improve the level of service to existing ratepayers or replace existing assets. The costs of these components of projects is attributed to existing ratepayers. The split of projects between existing ratepayers and new ratepayers i.e. 'growth' is laid out in the Capital Plan. This is published for public consultation annually in the Annual Plan of Council or in the Ten Year Plan every three years. The Capital Plan (included in the Annual Plan) identifies the split of each project, where there is a split, between growth, levels of service changes and renewals. Analysis of the 2013/14 Capital Plan and carry forward projects from the 2012/13 year shows that of \$113 million of growth related projects over the next 9 years, around 50% of the project costs are considered to be directly attributable to growth (of which existing ratepayers contribute 20% of the cost) and the remainder is attributed to existing ratepayers.

Proposals for changes to financial and development contributions are a significant issue for Napier City ratepayers. Core to Councils funding policy is the attribution of costs to groups of ratepayers. This is based on exonerator pays (broadly defined as user pays) and the current policy in regard to growth related projects flows directly from this core principle. A removal of, or change to the extent of financial and development contributions chargeable will likely shift the liability for growth projects to existing ratepayers either through increased rates or significant increases in debt. Non-targeted rates increases as a result of these proposals could be up to 20%. Any rates increases arising from changes to the charging of financial and development contributions would severely impact the ability of Napier City Council to maintain its ten year plan commitments of holding rates increases at or below CPI.

As noted above, due to lower economic activity New Zealand wide, city growth has been lower than average over the last 3 years. This has meant that financial and development contributions revenue is lower than forecast over the same period. As a result of this lower growth the timing of proposed growth related projects has been reviewed and will continue to be reviewed in future years. Timing of these projects is dependent on actual growth in the number of households being serviced and forecast to be serviced. Timing of projects is also dependent on the availability of funding from the sources identified in the plan. Funding is in place, at the end of 2013/14 for the identified growth related projects outlined in the 2014/15 Annual Plan. as a result these projects have the necessary funding to proceed. It is also anticipated that growth in households will rise back to or above forecast levels as the New Zealand economy improves and drive the necessity for the planned growth projects.

Infrastructure Asset Renewals - Core Infrastructure

The 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 \$1,324m for infrastructure and city assets over successive generations. Significant components of this are:

Roading Network	\$610m
Sewer Management	\$149m
Water Supply Systems	\$81m
Stormwater	\$109m
Sportsgrounds and Reserves	\$189m

How are these assets managed?

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

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

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

Having the asset management plans in place, with future demand projections, ensures that projects are undertaken with environmental prediction impacts, renewals and projected future demand included in the planning.

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

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

How does the City know that renewals are adequate?

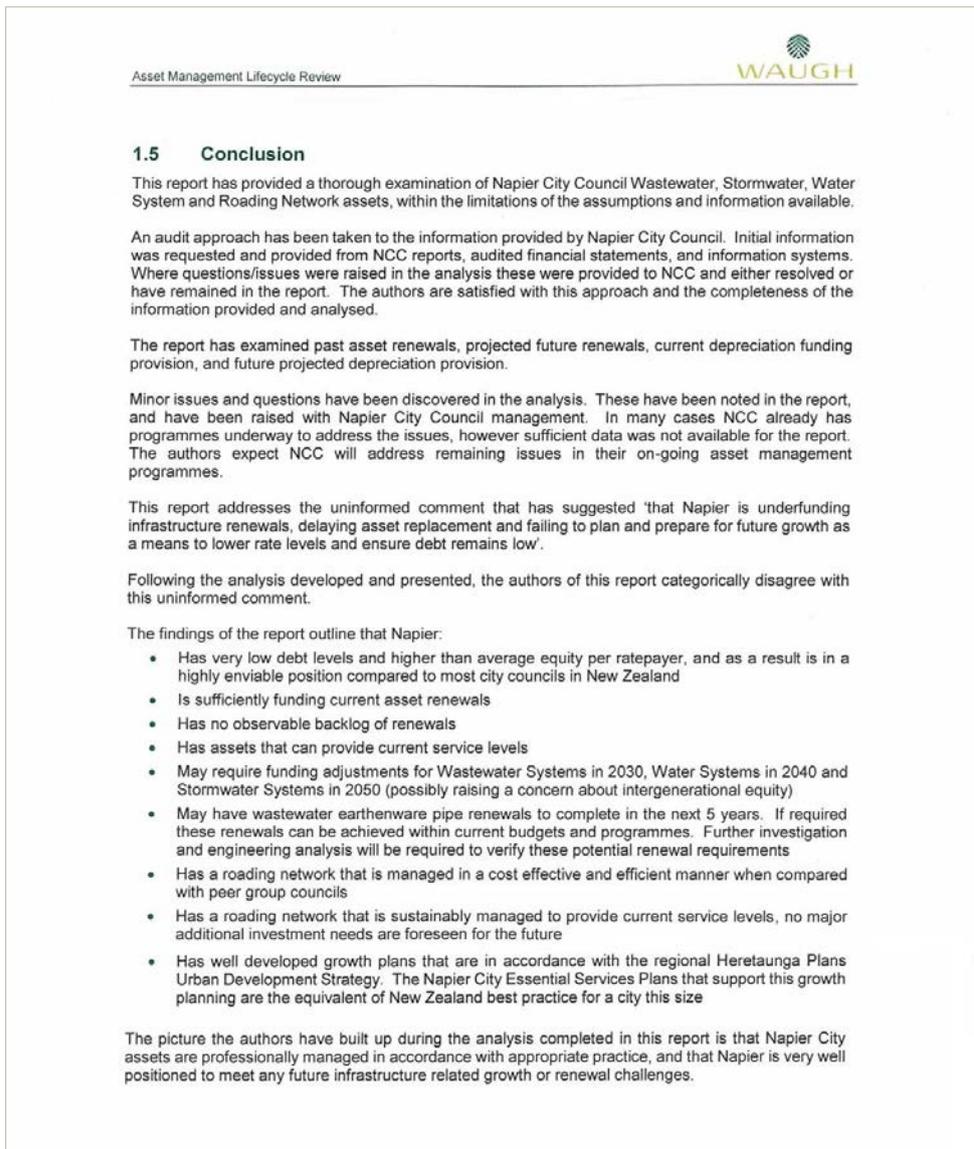
Council looks at a number of measures to obtain confidence that assets are being renewed appropriately and meeting the demands of the city. The key measures from a user perspective are detailed in the performance measures and targets and customer perception measures (based on the annual NRB survey) reported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

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

In addition to the customer satisfaction measures Council also monitors both routine maintenance and reactive maintenance. Above planned expenditures on reactive maintenance will suggest that there are infrastructural renewal issues that need addressing. If this arises, funds are immediately available to meet the costs of any indicated renewals without additional impact on rates (see funding below). Balancing operating and capital costs of infrastructure renewals has proven to be a very cost effective strategy for Napier City.

Council also undertakes testing of below ground assets to check the current state on a statistical sampling basis and also monitors water losses from the network as an indication of network issues for water assets.

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



Renewals Funding

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

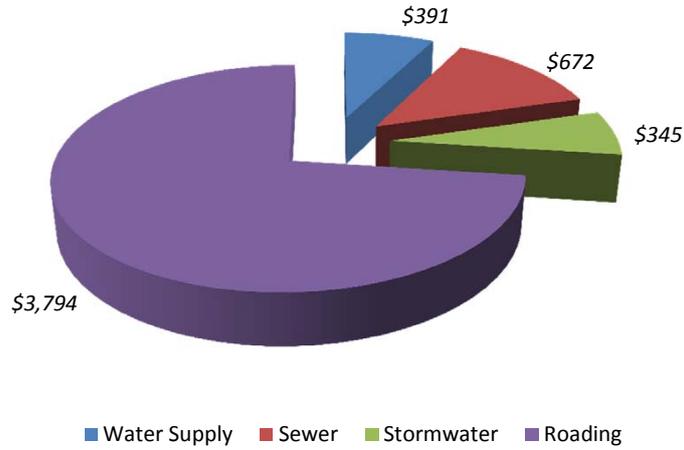
Napier City annually sets aside 65 - 70% of rate funded capital plan to meet the cost of core infrastructure renewals. Funds are set aside, in advance of requirements, based on the annualised projected cost of renewals over the expected life of the assets (excludes Road renewals – see below). Costs of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

Consequently, Council annually moves any unspent renewals funds (difference between plan allocation and actual costs) to the Infrastructure Asset Renewal Reserve to ensure that these funds are used for the purposes intended.

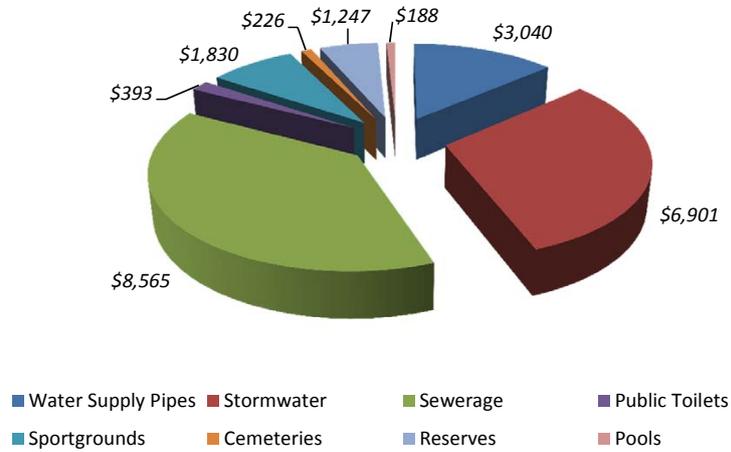
Napier City Council is holding around \$22m at 30 June 2014 in infrastructure asset renewal reserves for water, stormwater, sewer, public toilets, sports grounds, cemeteries, reserves, solid waste and pools. Interest earned on the balance of funds held in this reserve is also paid into the reserve to ensure funds collected for this purpose are not diminished as a result of inflation.

Road renewals are not funded through the renewals reserve. These are funded annually from a combination of rates and NZ Transport Agency subsidies. Road 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 3 years was the renewal and upgrade of Taradale roads.

Renewals Expenditure Infrastructure Actual 2013/14 \$000's



Infrastructure Renewals Funds held at 30 June 2014 \$000's



Statement of Comprehensive Income

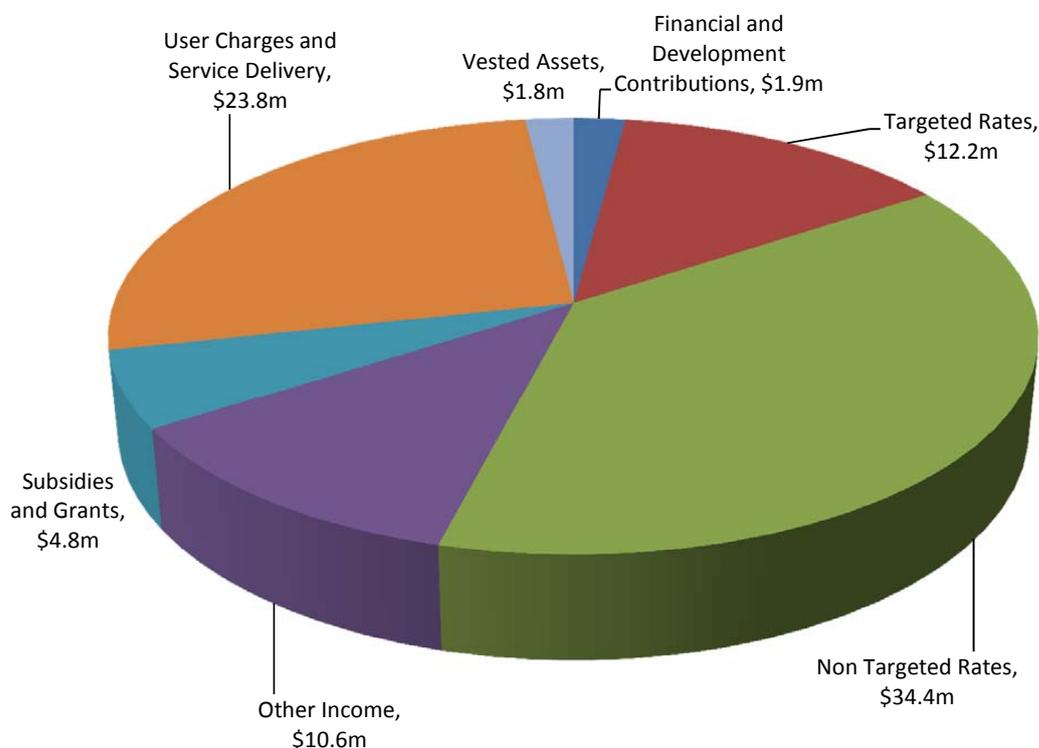
This section provides an overview of the Council's financial results for the year ended 30 June 2014. For detailed information please refer to the following sections in this Annual Report: Part 2 - Financial Statements and Part 3 - Activity Statements.

The financial statements contained in Part 2 (pages 31 to 35) of this report comply with New Zealand International Financial Reporting Standards as appropriate for public benefit 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, Part 2 (pages 36 to 47) of this report.

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Income				
Rates revenue	3	46,632	46,134	45,938
Finance income	9	3,284	1,500	3,491
Development and financial contributions		1,860	1,879	1,616
Subsidies and grants	4	4,781	4,789	7,782
Other revenue	5	33,184	40,898	31,472
Other gains/(losses)	6	(987)	1,098	(4,400)
Total income		88,754	96,298	85,899
Expenditure				
Employee benefit expenses	7	27,481	26,392	25,429
Depreciation and amortisation	17, 18	21,299	22,334	21,099
Other expenses	8	32,125	35,231	31,570
Finance costs	9	108	141	255
Total expenditure		81,013	84,098	78,353
Operating surplus/(deficit) before tax		7,741	12,200	7,546
Share of associate surplus/(deficit)	20	102	225	291
Surplus/(deficit) before tax		7,843	12,425	7,837
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		7,843	12,425	7,837
Other comprehensive income				
Valuation gains/(losses) taken to equity		68,309	62,446	(392)
Fair value gains/(losses) through comprehensive income on investments		(2)	-	(20)
Total comprehensive income		76,150	74,871	7,425

Council Income 2013/14

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, Part 2 (page 52) of this report. In addition explanations of significant variances to budget are outlined in Note 2 of the financial statements.



The pie diagram above depicts the breakdown of the \$89.7m income received by the Council in 2013/14. Of this funding for Council activities 52% is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils rates levied are a low proportion of Napier City Councils revenue and reflect Napier City funding policies.

A table of the last 5 years of rates increases, compared to Consumers Price Index (CPI) is shown on the following page, along with a graph of the net rates received and cumulative CPI to cumulative rates increases over the same 5 year period. The key trend displayed is the very close alignment between rates increases and changes in CPI.

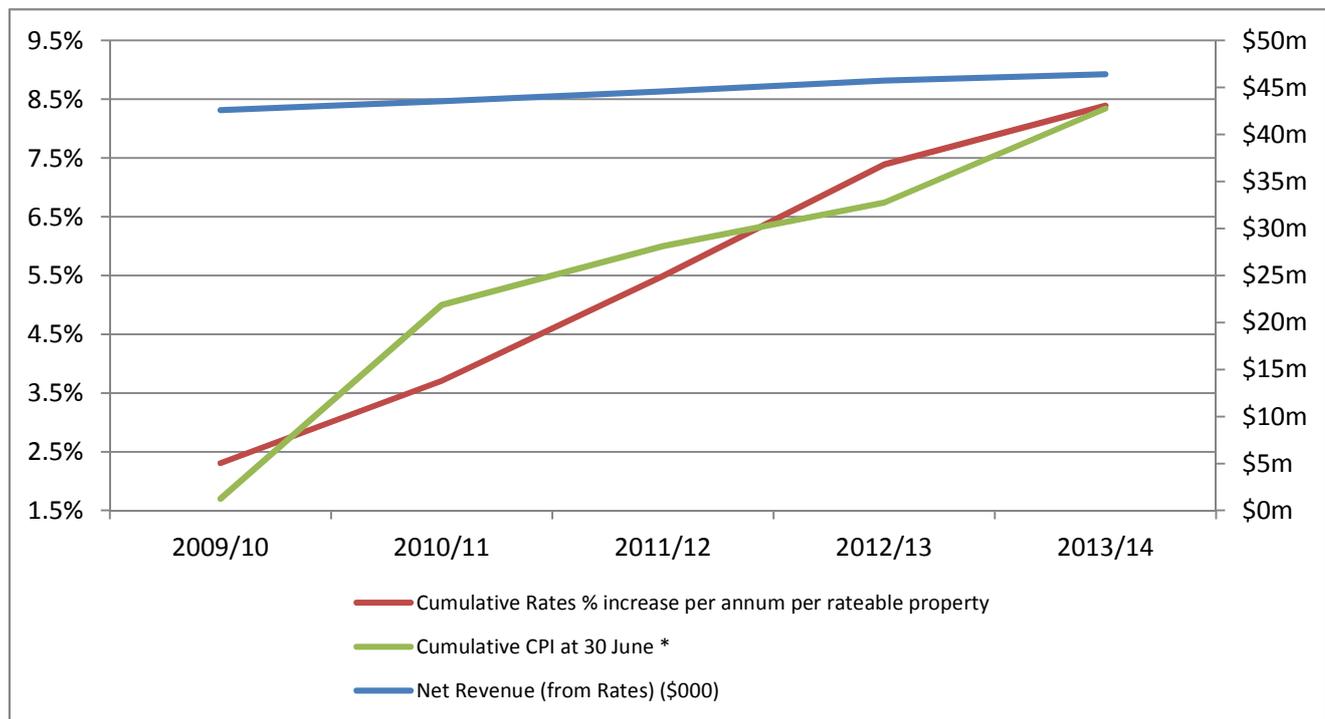
CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, cost changes which significantly impact Council, particularly in the area of capital expenditure are reflected in other indices such as the Capital Goods Price Index (CGPI), the Producers Price Index (PPI) and Labour Cost Index (LCI). CGPI and PPI indices move differently to CPI. This is due to the components within the indices. Items such as electricity, gas, oil and oil products, concrete and iron/steel are significant components within CGPI and PPI whereas food and housing costs are significant components within CPI. Due to the different components of these measures significant variances arise between CPI and PPI and CGPI. PPI and CGPI have, on average, been well above CPI over recent years. This has meant that pressures on Council expenditure from price increases has been above that measured by CPI. Council is very aware of this issue and has addressed cost increases with a multipronged approach to ensure rates increases are kept close to CPI to maintain community affordability. Council's approach has focussed on tight control of all costs, competitive purchasing processes, a focus on core infrastructure within the capital plan and adding new services only when costs for these can be met from within existing budgets. For variances between the 2013/14 Budget and the 2013/14 Annual Report refer pages 48 - 50.

Net Increase of Rating Revenue 5 Year Trend

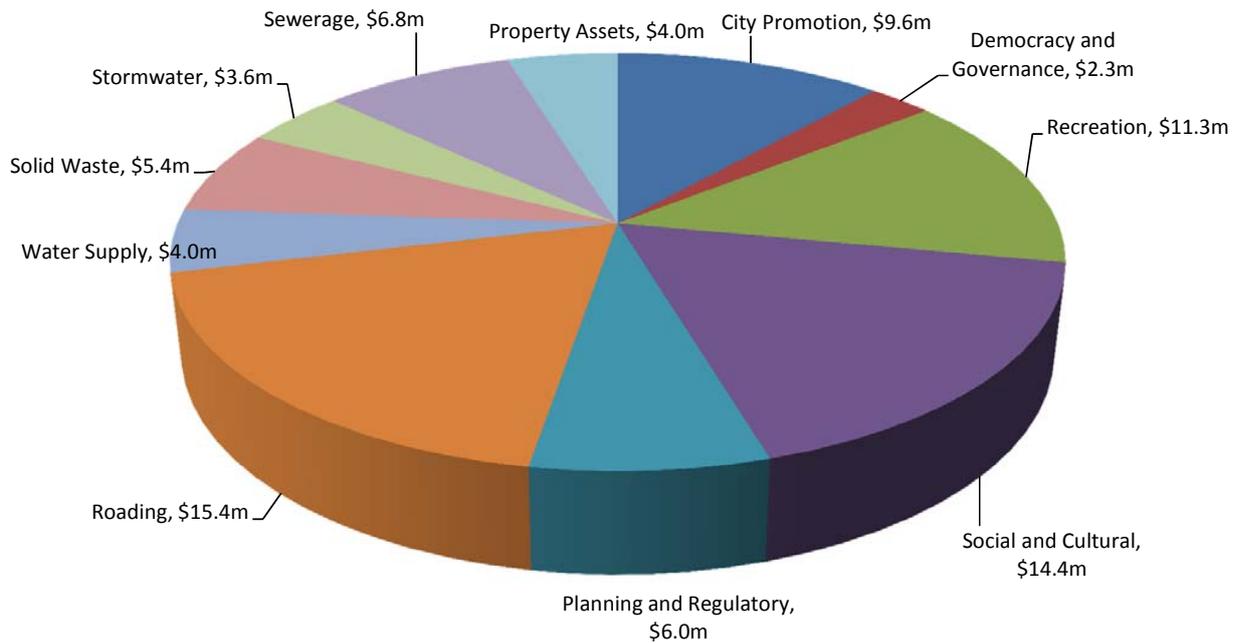
	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Gross Rating Revenue (including Penalties)	41,724	42,898	43,799	44,840	45,938	46,632
Remissions	(386)	(314)	(278)	(273)	(223)	(236)
Net Rates Revenue	41,338	42,584	43,521	44,567	45,715	46,396
	\$	\$	\$	\$	\$	\$
Rates per rateable property (average)	1,718	1,757	1,781	1,813	1,848	1,866
Rates % increase per annum per rateable property	2.5%	2.3%	1.4%	1.8%	1.9%	1.0%
CPI at 30 June*	1.9%	1.7%	3.3%	1.0%	0.7%	1.6%
Net increase (under)/over CPI per rateable property*	0.6%	0.6%	-1.9%	0.8%	1.2%	-0.6%

*Note: CPI quoted is the value at the end of the year reported i.e. for 2013/14 year is as at 30 June 2014. The 2010/11 CPI excludes the impact of the change of GST rate from 12.5% to 15%. CPI used for Annual Plan purposes is the reported value as at 30 June for the year prior to the Annual Plan (i.e. for 2013/14 year the base rate of CPI for Plan purposes was the rate at 30 June 2012).

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

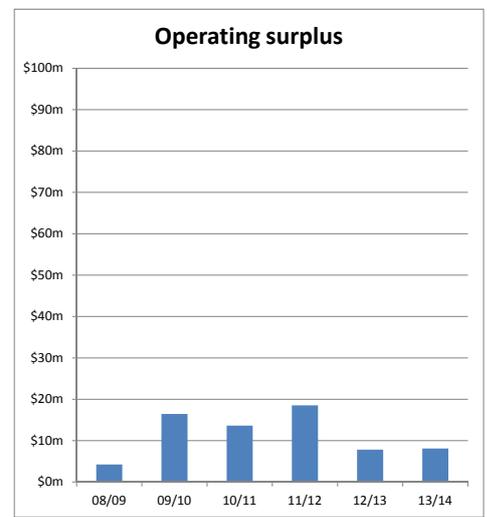
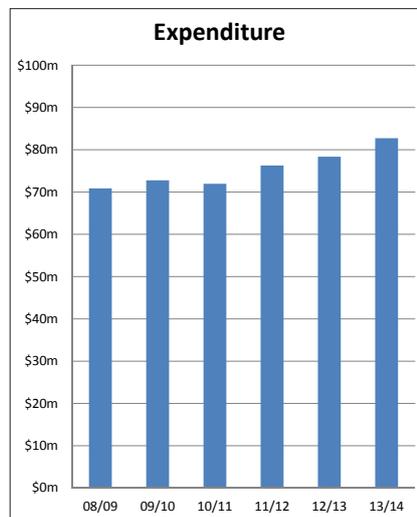
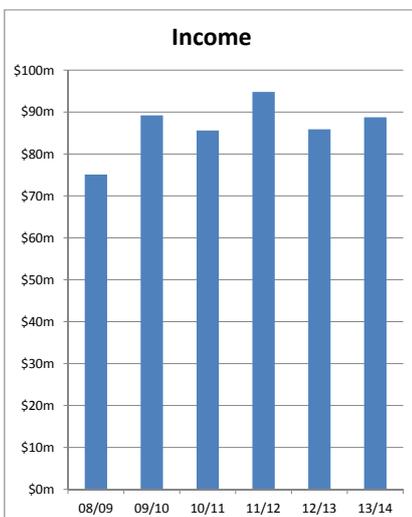


Council Operating Expenditure 2013/14



Details of income, operating and capital expenditure for each of the activities above are detailed in Part 3 - Activity Statements 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. The 2008/09 result reflects year 1 of the international financial crisis. The impact of this on the revaluation of investment property and Parklands Residential Development sales is clearly shown in the Income and Operating Surplus graphs below. 2011/12 Income and operating surplus was significantly above the 2010/11 due to contributions received for the Hawkes Bay Museum upgrade from government grants \$0.5m above 2010/11 year, other grants and donations for the Museum building \$2.2m above 2010/11 year and vested assets from all subdivision development \$2.0m above 2010/11 year. For variances between the 2013/14 Budget and the 2013/14 Annual Report refer pages 48 - 50.



Borrowing

The Council manages its finances prudently and in a way that supports both the current and the future generations within the community. Council prepares and consults on a Ten Year Plan every three years. The budget for the 2013/14 year was based on the Ten Year Plan 2011/12 - 2021/22 years with revisions of this contained in the Annual Plans for the 2012/13 and 2013/14 years. These Annual Plans which provided an update to the 2011/12 - 2021/22 Ten Year Plan, reflected, amongst other revisions, changes to inflation assumptions and other unusual items such as changes to roading subsidy levels.

The development and renewal of assets is funded by a number of sources including government grants and subsidies, contributions from developers for infrastructure costs required as a consequence of development through development and/or financial contributions, targeted rates, fees and charges and borrowing. A Ten Year Plan was adopted on 26 June 2012. Capital expenditure for the next 10 years, the funding sources for this expenditure and the borrowing levels for the next 10 years were reviewed and updated in this plan. As outlined in the 2012 - 2022 Ten Year Plan all external borrowing were extinguished during the 2014/15 year.

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

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Current secured loans	8	8	2,008
Non-current secured loans	4	4	13
Total secured loans	12	12	2,021

In line with the Ten Year Plan, Council has continues to fund capital projects from cash, held by Council, that is excess to Council's short-term requirements. Funding of capital projects by this method is termed 'internal loan funding'. Internal loans are used, where possible, for loan funded projects as the net cost of internal loans results in a lower cost arrangement to the benefit of Council. Internal loans are funded from cash sourced from a mixture of equity and special funds and enable effective use of funds held while also ensuring activities with loan funding are not cross subsidised by other activities. This method of loan cost allocation between activities also supports the integrity of Council's funding policies. The table below displays the gross debt of Council over the last 5 years. However, it is important to note that if Council had funded all loan funded projects through external debt, Council would also have shown an equivalent increase in the level of cash or cash and investments in Council's statement of financial position.

Debt Levels Internal and External	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
External debt (excluding Finance Leases)	11,562	7,055	6,044	4,036	4,028	2,021	12
Internal debt	27,057	31,754	34,233	34,489	32,749	35,261	36,783
	38,619	38,809	40,277	38,525	36,777	37,282	36,795

In addition to existing loans, Council has approved loan funded capital projects in current and prior years capital plans of \$23.5m. These projects are either in progress at present or will be commenced and completed in future years. Significant projects which are partly funded by loans, and included in the \$23.5m, are sewerage projects \$3.9m, Whakariri Groyne and Westshore Beach Reprofiling \$3.7m, sportsgrounds development projects \$4.9m, roading CBD projects \$3.2m and Prebensen Drive projects \$3m. Future cashflow requirements and expected loan levels, including the \$23.5m of loan funded projects above are included in the forecast financial statements included in the 2012 - 2022 ten year plan.

Under Council's Liability Management Policy, Council is able to borrow to fund projects which will benefit several generations of residents or when a project is a 'one-off' or to fund Council's balance sheet. However, the risk to both current and future generations of uncontrolled borrowing is significant, so Council, within its policy, manages these risks within specific borrowing limits. Performance against these limits is measured annually as a part of year end reporting. The performance against these limits at the end of 2011/12 and over the 5 preceding years is shown in the tables below.

Debt Servicing

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

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Debt Servicing Proportion - actual	10.3%	9.2%	8.9%	8.3%	7.5%	7.7%
Policy limit:	16%	16%	16%	16%	16%	16%

Rate Funded Debt per Capita

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

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Rate Funded Debt per Capita - actual	\$536	\$530	\$485	\$459	\$480	\$501
Policy limit:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

Debt / Income

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

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Net Debt % of Total Income - actual	50%	44%	44%	37%	42%	41%
Policy limit:	100%	100%	100%	100%	100%	100%

Liquidity

Liquidity to peak 12 month Net Debt

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Liquidity % - actual	206%	328%	385%	724%	630%	631%
Policy minimum:	110%	110%	110%	110%	110%	110%

Cash Flows

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

Debt Levels Internal and External

	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Net cash flows from or used in operating activities	30,196	40,936	31,899	37,069	34,624	29,964
Net cash flows from or used in investing activities	(23,300)	(40,200)	(28,190)	(39,666)	(29,224)	(28,697)
Net cash flows from or used in financing activities	(4,559)	(1,023)	(2,010)	(8)	(2,008)	(2,008)
Net cash inflow/(outflow) for the period	2,337	(287)	1,699	(2,605)	3,392	(741)

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

Net cash from or used in investing activities includes purchase and sale of property plant and equipment and intangibles and acquisition and withdrawal of investments.

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

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

Maori Contribution to Decision Making Process

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

Maori Consultative Committee

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

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

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

Council Kaumatua

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 Kaumatua at the City Services Committee meeting in the same Decision of Council as the appointment of the Maori Consultative Committee.



Playground Marine Parade

Statement of Compliance and Responsibility

Compliance

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 control 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 2014 fairly reflect the financial position and operations of Napier City Council.



Wayne Jack
CHIEF EXECUTIVE
22 October 2014



Bill Dalton
MAYOR
22 October 2014



Clive Square Bus Terminus



Part Two

Financial Statements

Statement of Comprehensive Income
Statement of Income
Statement of Changes in Equity
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Funding Impact Statement
Special Funds
Borrowing Programme
Financial Prudence Benchmarks
Audit New Zealand Report

Statement of Comprehensive Income

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Income				
Rates revenue	3	46,632	46,134	45,938
Finance income	9	3,284	1,500	3,491
Development and financial contributions		1,860	1,879	1,616
Subsidies and grants	4	4,781	4,789	7,782
Other revenue	5	33,184	40,898	31,472
Other gains/(losses)	6	(987)	1,098	(4,400)
Total income		88,754	96,298	85,899
Expenditure				
Employee benefit expenses	7	27,481	26,392	25,429
Depreciation and amortisation	17, 18	21,299	22,334	21,099
Other expenses	8	32,125	35,231	31,570
Finance costs	9	108	141	255
Total expenditure		81,013	84,098	78,353
Operating surplus/(deficit) before tax		7,741	12,200	7,546
Share of associate surplus/(deficit)	20	102	225	291
Surplus/(deficit) before tax		7,843	12,425	7,837
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		7,843	12,425	7,837
Other comprehensive income				
Valuation gains/(losses) taken to equity		68,309	62,446	(392)
Fair value gains/(losses) through comprehensive income on investments		(2)	-	(20)
Total comprehensive income		76,150	74,871	7,425

The Notes to the Financial Statements on pages 36 to 82 form part of and should be read in conjunction with these financial statements.

Statement of Income

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Total operating revenue (Activity Cost of Service Statements)				
Roading		5,503	5,876	5,153
Solid Waste		5,239	5,274	5,047
Stormwater		1,141	847	674
Sewerage		7,114	7,549	7,943
Water Supply		4,401	4,484	3,910
Recreation		2,406	2,487	2,479
Social and Cultural		5,433	5,898	8,097
City Promotion		6,101	7,640	6,783
Planning and Regulatory		4,900	4,963	4,612
Property Assets		7,992	14,875	4,123
Total operating revenue		50,230	59,893	48,821
Other income (as per Statement of Comprehensive Income)				
Non-targeted rates		34,397	33,995	32,783
Interest income		3,284	1,500	3,491
Rendering of services		480	596	592
Other income		364	314	212
Total income		88,755	96,298	85,899
Total operating expenditure (Activity Cost of Service Statements)				
Democracy and Governance		2,256	2,122	1,799
Roading		15,382	14,631	16,531
Solid Waste		5,393	5,079	4,933
Stormwater		3,620	3,524	3,308
Sewerage		6,801	6,786	6,549
Water Supply		4,038	4,034	4,025
Recreation		11,359	10,965	10,386
Social and Cultural		14,397	14,010	12,752
City Promotion		9,611	9,855	9,061
Planning and Regulatory		5,988	6,148	5,629
Property Assets		3,906	7,968	4,283
Total operating expenditure*		82,751	85,122	79,256
Other expenditure (as per Statement of Comprehensive Income)				
Internal expenditure		(1,777)	(1,980)	(1,543)
Rates remissions		236	164	223
Other expenses		(196)	792	417
Total expenditure		81,014	84,098	78,353
Operating surplus/(deficit) before tax (as per Statement of Comprehensive Income)		7,741	12,200	7,546
Share of associate surplus/(deficit)	20	102	225	291
Surplus/(deficit) before tax (as per Statement of Comprehensive Income)		7,843	12,425	7,837
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		7,843	12,425	7,837

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

The Notes to the Financial Statements on pages 36 to 82 form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Retained earnings at beginning of period		724,922	730,621	716,220
Surplus/(deficit) after tax [i]		7,843	12,425	7,837
Transfers from restricted reserves		(327)		12
Transfers to restricted reserves		485	(203)	(976)
Transfer from revaluation reserve on disposal of property, plant & equipment		775		1,829
Retained earnings at close of period	25	733,698	742,843	724,922
Other reserves				
Revaluation reserves at beginning of period		625,515	634,324	627,733
Restricted reserves at beginning of period		10,070	2,680	9,106
Fair value through equity reserve at beginning of period		(120)	(100)	(100)
Other reserves at beginning of period		635,465	636,904	636,739
Movements				
Transfers from restricted reserves to retained earnings		327	203	(12)
Transfers from retained earnings to restricted reserves		(485)	-	976
Valuation gain/(loss) taken to equity [ii]		68,309	62,446	(392)
Fair value gains/(losses) through comprehensive income on investments [iii]		(2)	-	(20)
Transfer to retained earnings on disposal of property, plant & equipment		(775)	-	(1,827)
Total movements in other reserves		67,374	62,649	(1,275)
Revaluation reserves at close of period		693,049	696,770	625,514
Restricted reserves at close of period		9,912	2,883	10,070
Fair value through equity reserve at close of period		(122)	(100)	(120)
Total other reserves at close of period	25	702,839	699,553	635,464
Total equity		1,436,537	1,442,396	1,360,386
Total comprehensive income includes items [i], [ii] and [iii] above:		76,150	74,871	7,425

The Notes to the Financial Statements on pages 36 to 82 form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

	Note	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
Assets				
Current assets				
Cash and cash equivalents	11	7,262	5,829	8,003
Debtors and other receivables	12	8,783	12,654	8,450
Inventories	13	2,407	4,677	3,938
Biological assets	14	323	300	264
Other financial assets	15	70,500	5,000	73,374
Total current assets		89,275	28,460	94,029
Non-current assets				
Property, plant and equipment	17	1,324,102	1,383,756	1,244,745
Intangible assets	18	354	903	390
Inventories	13	3,207	2,058	2,480
Investment property	19	31,568	35,992	31,290
Investment in associates	20.1	4,326	4,439	4,340
Other financial assets	15	848	7,075	849
Total non-current assets		1,364,405	1,434,223	1,284,094
Total assets		1,453,680	1,462,683	1,378,123
Liabilities				
Current liabilities				
Creditors and other payables	21	10,086	12,133	8,649
Employee benefit liabilities	22	3,306	3,669	3,226
Borrowings	23	8	8	2,008
Total current liabilities		13,400	15,810	13,883
Non-current liabilities				
Provisions	24	1,235	1,420	1,007
Revenue received in advance	5	1,040	1,040	1,294
Employee benefit liabilities	22	1,464	2,013	1,540
Borrowings	23	4	4	13
Total non-current liabilities		3,743	4,477	3,854
Total liabilities		17,143	20,287	17,737
Equity				
Retained earnings	25	733,698	742,843	724,922
Other reserves	25	702,839	699,553	635,464
Total public equity		1,436,537	1,442,396	1,360,386
Total liabilities and equity		1,453,680	1,462,683	1,378,123

The Notes to the Financial Statements on pages 36 to 82 form part of and should be read in conjunction with these financial statements..

Statement of Cash Flows

	Note	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Cash flows from operating activities				
Receipts from rates revenue		46,276	46,124	45,682
Interest received		3,428	1,500	3,317
Dividends received		2	-	4
Receipts from other revenue		37,411	44,550	43,713
Goods and services tax (net)*		61	-	(364)
Payments to suppliers and employees		(57,062)	(61,570)	(57,440)
Interest paid		(152)	(141)	(289)
Net cash from operating activities	29	29,964	30,463	34,623
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		1,276	172	1,707
Proceeds from withdrawal of investments		118,829	19,925	139,489
Purchase of property, plant & equipment		(32,799)	(50,500)	(28,141)
Purchase of intangible assets		(119)	-	(243)
Acquisition of investments		(115,884)	(5,000)	(142,036)
Net cash from investing activities		(28,697)	(35,403)	(29,224)
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayment of borrowings		(2,008)	(2,008)	(2,008)
Payment of finance lease liabilities		-	-	-
Net cash from financing activities		(2,008)	(2,008)	(2,008)
Net (decrease)/increase in cash, cash equivalents & bank overdrafts		(741)	(7,044)	3,391
Cash, cash equivalents & bank overdrafts at 1 July 2013		8,003	12,873	4,612
Cash, cash equivalents & bank overdrafts at 30 June 2014		7,262	5,829	8,003

*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.

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 and is governed by the Local Government Act 2002.

The accounting policies adopted for preparation of the 2013/2014 financial statements comply with the New Zealand Equivalents to International Financial Reporting Standards for Public Benefit Entities (NZ IFRS PBE) and are set out below. These policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

The Council holds a 26% share of Hawke's Bay Airport Limited, which is equity accounted. The Council jointly owns HB LASS Limited, a limited liability company with Central Hawke's Bay District Council, Hastings District Council, HB Regional Council, Napier City and Wairoa District Council.

The primary objective of the Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Council are for the year ended 30 June 2014. The financial statements were authorised for issue by the Council on 22 October 2014.

1.2 Basis of Preparation

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).

The financial statements comply with NZ GAAP and NZ IFRS for PBE, and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement Base

These financial statements have been prepared on a historical cost basis, except where modified by the revaluation of certain assets and liabilities as specifically stated in these accounting policies.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Council and its associates is New Zealand dollars.

1.3 Changes in Accounting Policies

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

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council include -

NZ IFRS PBE 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS PBE 9. NZ IFRS PBE 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS PBE 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS PBE 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full public sector Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB and are mainly based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development the Council will continue to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Adjustments

Adjustments have been made to the budget figures in the Long Term Plan to those disclosed in this annual report. Changes have arisen due to:

- reclassification of the War Memorial Conference Centre activity from Social and Cultural to City Promotion on the group activity statements comparatives to the LTP.
- changes to classifications of items within the funding impact statements. These adjustments have arisen from an increased understanding and classification items to be in line with the requirements of the regulations.

Where these changes have occurred these have been highlighted in the annual report.

1.4 Basis of Consolidation

Consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income, and expenses on a line-by-line basis. All significant intra-group balances, transactions, income, and expenses are eliminated on consolidation.

Investment in Associates

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

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

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

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

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

Subsidiaries

As at 30 June 2014 the Council has no subsidiaries.

1.5 Joint Ventures

Jointly Controlled Assets

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

1.6 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Council's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand dollars, which is the Council's functional and presentation currency. All values are rounded to the nearest thousand dollars (\$000).

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 the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges.

1.7 Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts. Revenue is recognised as follows:

Rates

Rates are recognised when levied. Penalties and discounts relating to rates are included where applicable.

Residential Developments

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

Traffic and Parking Infringements

Traffic and parking infringements are recognised when tickets are issued.

Licences and Permits

Revenue derived from licences and permits are recognised on application.

Development and Financial Contributions

Development contributions are recognised when the work is carried out and are no longer refundable.

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

Rental revenue is recognised in the period that it relates to.

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income 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 Income

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

Donated, Subsidised or Vested Assets

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

Grants and Subsidies

Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Other grants and subsidies are recognised when receivable. The Council receives the majority of grants and subsidies income from New Zealand Transport Agency (NZTA) which subsidises part of the Council's costs in maintaining the local road infrastructure.

1.8 Income Tax

The Council is exempt from income tax except on interest or other income received from certain trading activities.

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 parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

1.9 Goods and Services Tax (GST)

The Statement of Comprehensive Income 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.

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 Income 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 Income 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 income (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 provision 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 on going 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 of receivables. 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 Income.

1.13 Inventories

Raw Materials and Stores, Work In Progress and Finished Goods

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

Inventory Held for Distribution

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

1.14 Non-current Assets Held For Sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell in the Council's operating costs. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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

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

1.15 Investments and Other Financial Assets

Financial Assets at Fair Value through Profit or Loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through the surplus or deficit on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

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. They are included in current assets. Those with maturities greater than 12 months after the balance date are classified as non-current assets.

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 balance date, which are included in non-current assets.

Financial Assets at Fair Value through Comprehensive Income

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.

Purchases and sales of investments are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value in the surplus or deficit. Financial assets are derecognised 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.

Measurement of Investments and Other Financial Assets

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as fair value through comprehensive income are recognised in comprehensive income in the fair value investments revaluation reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

Fair Value Changes

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

Impairment of Financial Assets

The Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. 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 profit and loss is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

1.16 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Council designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the surplus or deficit, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts accumulated in equity are recycled in the Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

Derivatives that do not qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

1.17 Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

1.18 Property, Plant and Equipment

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

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

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. 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. Investment properties are revalued annually and shown at fair value. Land and Buildings are revalued three yearly are shown at fair value. Library Books are revalued annually and shown at fair value. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revalued assets are credited to a revaluation reserve in public equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Statement of Comprehensive Income.

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 Bookstock	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	60-120
Surfacings	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80
Drainage	25-90
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 (Note 1.21).

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 2014 Council's Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Investment Property	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using fair value. Valuation of this class of asset is performed on an annual basis (see also Note 1.19).
Library Collections	Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by James Parkinson BA(Hst/PolSc) MPINZ, Director, Art + Object and performed on an annual basis. The last valuation was performed in June 2014.
Land Under Roads	Land under roads were valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. Under NZ IFRS the Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads are no longer revalued.

Description	Method of Valuation
Land and Buildings	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using fair value. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different to fair value.
Infrastructural Assets	Infrastructural 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 to fair value. If there is a material difference, then the off-cycle asset classes are revalued. All infrastructural asset classes carried at valuation were valued.
Infrastructural Road Assets	Infrastructural Road Assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2014. Prepared by Opus staff and reviewed by Thayalan Sivachelvan – BE (Civil), CPEng, MIPENZ, IntPE(NZ), Member of IPENZ Transportation Group.
Water, Wastewater and Stormwater Above and Below Ground Assets	Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council's engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2014. Some above ground assets eg. pumps are independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2014.
Restricted Assets	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2014 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued. All restricted asset classes carried at valuation were valued.
Plant and Equipment	Valued in 1994 using market value. Additions are at cost.
Omarunui Landfill	Landfill assets comprise of land, plant and equipment and motor vehicles. All assets are valued at cost less depreciation.

1.19 Investment Property

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

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

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

Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in the surplus or deficit.

1.20 Intangible Assets

Trademarks and Licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 5 years.

Computer Software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Cost 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 Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows, and 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Once this assessment is made, this is adjusted through the revaluation reserve for revalued assets (where there is a positive reserve), or in the Income Statement where revaluation does not occur.

1.22 Trade and Other Payables

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

1.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings 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

The Council has elected to defer the adoption of NZ IAS 23 Borrowing Costs (revised 2007) in accordance with the transitional provisions which are applicable to public benefit entities.

Consequently, 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 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.

1.27 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 other payables 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, have 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.

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.

1.28 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.

1.29 Equity

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

The components of equity are:

- Retained Earnings
- Restricted Reserves
- Fair Value and Hedging Reserves
- Asset Revaluation 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.

1.30 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.

1.31 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.

1.32 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 estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. 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, eg. pumps are independently valued by independent valuer.

Critical Judgements in Applying Napier City Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2014.

Classification of Property

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

2 Major Budget Variances

Explanations for major variations from Council's 2013/14 Annual Plan are as follows:

2.1. Statement of Financial Performance

2.1.1 Income

Income was \$7.5m below 2013/14 budget and \$2.9m higher than 2012/13 year. Significant variances to budget arise from finance income, other revenue, and other gains/(losses) classifications as follows:

(a) Finance Income

Interest income of \$3.3m for 2013/14 was better than budget by \$1.8m. Interest bearing deposits were significantly higher during the year than anticipated in the budget as cash held by Council was significantly higher than budget. Cash held is invested in interest bearing deposits in accordance with Council's investment policy. Increased amounts held on deposit have resulted in higher than planned interest income.

(b) Other Revenue:

Other revenue: This item was \$7.7m under budget for the 2013/14 year. The most significant variances were:

- Parklands Residential Development section sales were \$6.1m below budget for the year, and \$0.1m lower than 2012/13. New section sales slowed significantly during both the 2012/13 and 2013/14 year, as a result of the current economic conditions.
- Income for the City Promotion group was below budget by \$1.3m. The Art Deco Bus service performance was lower than anticipated with a budget year end income variance of \$0.4m. This service was subsequently discontinued and an impairment loss of \$0.9m was accounted for in 2013/14.
- Vested assets are recognized through revenue when infrastructure assets are passed to Council. This is generally the result of a housing development. Vested assets from residential developments were \$1.2m below budget and \$0.2m below 2012/13. Vested assets from other assets were \$0.7m above budget for the year. City growth was 99% of that assumed in the 2013/14 Annual Plan.

(c) Other Gains/(Losses)

Other gains/(losses) were \$2.1m below budget. Other gains/(losses) are detailed in Note 6 of these Financial Statements. The variance between actual and budget was a combination of losses on disposal of assets, revaluation of investment property and library book stock valuation variances.

- Disposal of assets resulted in a variance to budget of -\$0.7m. This loss arose from the disposal of a number of Council assets during 2013/14. The amount of loss being the difference between the book value of the asset, and the disposal value. The losses related to disposal of assets which were renewed, upgraded or surplus to requirements. A gain on sale of assets of \$0.5m included the property free holding of land during 2013/14, and sale of livestock.
- Investment property revaluation resulted in a valuation gain of \$0.3m. This was a -\$0.8m variance to budget, however property over the long term continues to be a good investment for Council.
- The Art Deco Bus service was discontinued in 2013/14 and the associated asset impairment of \$0.9m was accounted for. The buses have now been sold.

2.1.2 Expenditure

Total operating expenditure is \$3.1m below budget and \$2.7m above 2012/13 actual outcome. Significant items of variance are as follows:

(a) Other Expenses

Other expenses are \$3.0m below 2013/14 budget and \$0.6m above 2012/13 year. The variances comprised:

- Development for residential sections sold were \$3.0m below 2013/14 budget and \$0.6m above 2012/13. The lower actual cost of sales compared to budget is a direct result of lower than budget sales for the 2013/14 year.
- Operating expenditure for the City Promotion group was \$0.8m below 2013/14 budget, and \$0.2m higher than 2012/13. This was due to lower than forecast activity, including total visitor arrivals and visitor nights staying in commercial accommodation. Kennedy Park was below budget \$0.2m. This was a result of lower visitor nights for the year than budget and reflects items such as lower costs of casual staff, restaurant costs and accommodation supplies. Due to the later than anticipated start date of the Art Deco Bus Service, costs associated with this activity were 0.3m lower than budget for 2012/13. Revenue was also lower and consequently did not improve overall surplus.
- Roadway operating costs were \$0.7m higher than budget for 2013/14 and \$1.2m above 2012/13. The budget variance of \$1.1m arose from the development of Pandora Roundabout, which has now vested to New Zealand Transport Authority (NZTA)

for ongoing maintenance as this roundabout is on a state highway. Note, state highway are owned by NZTA. Depreciation was higher than budget \$0.7m, refer 2.1.2 (b) Depreciation below.

(b) Employee Benefit Expense

Employee benefit expense was above budget by \$1.1m due to higher than planned staffing levels for reopening of MTG Hawke's Bay, and contract staff requirements for the capital work associated with the Advanced Wastewater Treatment Plant

(c) Depreciation

Depreciation charges were \$1.0m below budget for the year. The most significant variance was Social and Cultural Activity Group at \$0.5m below budget, and this was mainly due to MTG Hawkes Bay (\$0.4m) reopening being later than anticipated due to the additional earthquake strengthening requirements. Roading depreciation was lower (\$0.3m) due to the changes in depreciation rates for 2012/13 identified through the revaluation of assets. Libraries depreciation was lower (\$0.1m) due to the delay in building capital projects. Other budget variances were immaterial amounts below .

2.1.3 Other Comprehensive Income

The variation in valuation gains/losses taken to equity \$5.9m reflects the non cash book adjustment that arose from changes in the fair value of the assets revalued and asset impairment.

2.2. Statement of Financial Position

2.2.1 Current Assets

Significant variances in current assets are:

- a. Debtors and other receivables were below budget by \$3.9m. This variance was in part due to the lower than anticipated Parkland sales and corresponding forecast receivables at year end.
- b. The current asset portion of inventories are \$2.2m below 2013/14 budget and \$1.5m below the 2012/13 value. The actual at 30 June 2014 budget variance reflects the work undertaken to prepare lots for the anticipated sales associated with the estimated number of sections expected to be sold within the next financial year. This is calculated on the basis of more up to date forecast information.
- c. The current portion of other financial assets consisted of cash on deposit, where the deposit is held for greater than 3 months but less than 12 months. Other financial assets under current assets needs to be read in conjunction with other financial assets under non current assets and cashflow analysis, see Note 2.4. The higher level of current assets, that is above budget, reflects known cash requirements at 30 June. As in other commentary regarding variances, a number of projects are in progress and cash will be required for these within 12 months of balance date. Examples are the Advanced Water Treatment project, Roading projects, and the Marine Parade redevelopment.
- d. Cash and cash equivalents are higher than budget by \$1.4m. This variance is due to lower than anticipated accounts payable levels at 30 June 2014, and lower property plant and equipment purchases compared to budget.

2.2.2 Non-Current Assets

Significant variances in non-current assets are:

- a. Property, plant and equipment was \$60.0m below 2013/14 budget at year end. Significant variances between property, plant and equipment at 30 June 2014 and budget are outlined in the table below.

Item	Budget 2013/14 \$M	Actual 2013/14 \$M	Variance \$M	Comment
2012/13 closing balance actual vs. budget	1,285.22	1,244.75	41.0	2012/13 actual was lower compared to budget forecast value due to the timing of projects
Depreciation (excluding intangibles)	(22.3)	(21.2)	(1.1)	Higher depreciation 2013/14 see Note 2.1.2(a)
Asset disposals	-	(3.0)	3.0	Disposals not budgeted

Item	Budget 2013/14 \$M	Actual 2013/14 \$M	Variance \$M	Comment
Asset Addition Variances				
Vested Assets	2.5	1.8	0.7	No cash impact from this item – vested assets budgeted each year
Stormwater Projects	4.0	1.8	0.6	Project in Progress
CBD Development/Hastings St Development	3.9	0.7	3.2	Work to be completed in future years. Work delayed to co-ordinate with building redevelopments in progress in Hastings Street.
Sportsground irrigation and development	1.2	-	1.2	Work to be completed in future years
Marine Parade development/landscaping/Playground/BMX Track	5.7	0.0	5.7	Project to be consulted on
Infrastructure Renewals and Minor Capital	10.0	6.1	3.9	Projects in progress

- b. Investment properties – refer Note 2.1.1(c.) Other Gains/Losses. Other variances arose from a lower than forecast opening balance.
- c. Inventory variance of \$1.1m is due to Parklands development and associated inventory being maintained at lower levels than budget due to lower average annual sales of sections.
- d. The non current portion of other financial assets consisted of unlisted shares and corporate bonds, where payment is expected to be more than twelve months forward. The decrease of \$6.2m between budget for 2013/14 and actual 2013/14 other financial assets arose from a higher value of other financial assets being held in current rather than non current. Refer also 2.2.1(c) and 2.4 - cashflow.

2.2.3 Current Liabilities

Significant variances in Current Liabilities are:

- a. Creditors and other payables are \$2.0m lower than anticipated in the 2013/14 budget and \$1.3m higher 2012/13 actual. The budget variance is due to the timing of project expenditure such as the Waste Water Treatment Plant. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

2.2.4 Equity

Significant variances in equity are:

- a. Retained earnings are \$9.0m below budget for the 2013/14 year due to the lower than anticipated surplus (\$4.4m) and the opening balance variance. Refer note 2.1.1 and 2.1.2.
- b. Other reserves are \$3.3m above budget for the 2013/14 year. This is partly due to the timing of projects including the redevelopment of Marine Parade, has resulted in a timing variance in reserves being held at year end. Budgets were developed in advance of the detailed work programme, consequently variances are timing differences only. Opening balance for revaluation reserves and retained earnings were also lower than budget impacting on closing balances.

2.3. Statement of Movements in Equity

Major variations in the statement of movements in equity are the below 2013/14 budget after tax surplus of \$8.0m, the transfers from revaluation reserve on disposal of property, plant and equipment of -\$0.8m, offset by the higher than planned revaluation reserves at June 2014 of \$5.8m, and lower restricted reserve movements of \$7.1m as per 2.2.4 b.

2.4. Cashflow

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

All excess cash arising from operating and investing activities was invested in interest bearing deposits at the 2013/14 year end. Consequently the net variance between proceeds from withdrawals of investments and acquisition of investments was \$26.8m above 2013/14 forecast.

3 Rates Revenue

	Actual 2014 \$000	Actual 2013 \$000
Non-targeted rates	34,397	32,783
Targeted rates attributable to activities		
Water	3,683	3,619
Sewerage	6,498	7,406
Refuse and sanitation	1,725	1,809
Roading	162	156
Marketing	167	165
Total revenue from rates	46,632	45,938
Rates remissions	(236)	(223)
Rates revenue net of remissions	46,396	45,715

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 2014 \$000	Actual 2013 \$000
Land Transport and other Government grants	4,422	5,737
Other Grants and Donations	359	1,545
Lotteries Grant and Museum Building Development Project	-	500
Total grants and donations	4,781	7,782

A donation of \$10,000 was received from the Eastern & Central Community Trust in the 2013/14 financial year.

5 Other Revenue

	Actual 2014 \$000	Actual 2013 \$000
User charges	5,229	5,062
Regulatory revenue	2,703	2,428
Rental income from investment properties	1,336	1,323
Other rental income	4,516	4,637
Infringements and fines	1,006	989
Rendering of services	1,862	1,830
Retail and product sales	8,084	7,667
Omarunui Landfill Joint-Venture	1,935	1,725
Sales residential development	3,954	4,057
Other income	428	407
Petrol tax	378	382
Vested assets - Parklands Residential Development	567	813
Vested assets - other	1,184	148
Dividend income	2	4
Total other revenue	33,184	31,472

5.1 Revenue Received in Advance

In the 2009/10 year Council received funds from the sale of both 10 year licences' to occupy corporate boxes in the Graeme Lowe Stand at McLean Park and naming rights for the same. Further licences' to occupy other McLean Park boxes, with varying lengths of terms, have been added during the current year. Recognition of naming rights and licences to occupy as revenue to Council is spread over the life of each agreement. Consequently the equivalent of 1 year of the funds received are recognised each year as income in user charges. The remainder is included in the Statement of Financial Position within either current liabilities or non-current liabilities. The value recognised in current liabilities is the amount that will be recognised in the following financial year \$254,000 (2013: \$264,000) as revenue and any amounts that will be recognised in later years are classified and included in non-current liabilities. This amount \$1,040,000 (2013: \$1,294,000), is separately disclosed in non-current liabilities, as revenue received in advance.

6 Other Gains/(Losses)

	Actual 2014 \$000	Actual 2013 \$000
Non-financial instruments		
Gain/(loss) on revaluation of Library bookstock	(96)	(150)
Gain/(loss) on revaluation of investment properties	278	(3,604)
Gain/(loss) on sale of assets	330	45
Gain/(loss) on disposal of assets	(706)	(712)
Fair value gain/(loss) on livestock	134	21
Impairment on vehicles	(927)	-
Total gains/(losses)	(987)	(4,400)

7 Employee Benefit Expenses

	Actual 2014 \$000	Actual 2013 \$000
Salaries and wages	27,014	25,166
Employer contributions to multi-employer defined benefit plans	556	373
Increase/(decrease) in employee benefit liabilities	(89)	(110)
Total employee benefit expenses	27,481	25,429

8 Other Expenses

	Actual 2014 \$000	Actual 2013 \$000
Audit fees - financial statement audit	123	123
Donations	14	48
Bad debts written off	1	7
Rental expense on operating leases	269	430
Other operating expenses	31,718	30,962
Total other expenses	32,125	31,570

9 Finance Income and Finance Costs

	Actual 2014 \$000	Actual 2013 \$000
Finance income		
Interest income		
Term deposits and call accounts	3,190	3,269
Local authority stock	94	222
Total finance income	3,284	3,491
Finance costs		
Interest expense		
Interest on external borrowings	108	255
Interest on internal borrowings	1,665	1,431
Total interest expense	1,773	1,686
Internal interest expense	(1,665)	(1,431)
Total finance costs	108	255
Net finance income	3,176	3236

10 Tax

	Actual 2014 \$000	Actual 2013 \$000
Relationship between tax expense and accounting profit		
Surplus/(deficit) before tax	7,843	7,837
Tax at 28% (2012:28%)	2,196	2,194
Non-taxable income	(2,196)	(2,194)
Tax Expense	-	-

Additional disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$1,527,053 (2013: \$1,263,695)

11 Cash and Cash Equivalents

	Actual 2014 \$000	Actual 2013 \$000
Cash at bank and in hand	4,886	6,017
Short-term deposits maturing 3 months or less from date of acquisition	-	-
Omarunui Landfill	2,376	1,986
Total cash and cash equivalents	7,262	8,003

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 2014 \$000	Actual 2013 \$000
Cash at bank and in hand	4,886	6,017
Short-term deposits maturing within 3 months	-	-
Omarunui Landfill	2,376	1,986
Total cash and cash equivalents	7,262	8,003

Omarunui Landfill represents the Napier City Council share of the Omarunui Landfill investments at 30 June 2014.

12 Debtors and Other Receivables

	Actual 2014 \$000	Actual 2013 \$000
Rates receivables	927	752
Other receivables	4,399	4,512
Parklands - unconditional contracts subdivision sales	2,614	2,567
NZTA subsidy claims	841	614
Prepayments	2	5
Total debtors and other receivables	8,783	8,450

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. Parklands does not carry any risk as ownership does not transfer until full payment is made.

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 2014 and 2013 are detailed below:

	Actual 2014 \$000	Actual 2013 \$000
Current	6,497	6,765
Past due 30 days	468	553
Past due 60 days	437	34
Past due 90 days	1,381	1,098
Total receivables	8,783	8,450

13 Inventories

	Actual 2014 \$000	Actual 2013 \$000
Current portion		
Inventory held for distribution	177	181
Inventory held for resale	186	138
Parklands - work in progress	2,044	3,619
Total current portion	2,407	3,938
Non-current portion		
Parklands - land under development	1,219	1,075
Parklands - work in progress	1,988	1,405
Total non-current portion	3,207	2,480

Inventory held for distribution and resale decreased in 2014: \$3,864 (2013: \$4,138) as a result of stocktake adjustments.

The carrying amount of inventories pledged as security for liabilities is \$nil (2013: \$nil).

The Council is currently developing land for future sale and of the costs to date (including the value of land transferred to inventory) \$3,207,000 are not expected to be recovered until after 30 June 2015.

14 Biological Assets

	Actual 2014 \$000	Actual 2013 \$000
Biological assets changes in value		
Opening value 1 July 2013	264	412
Change in value arising from changes in fair value	134	21
Increase in value due to natural increase/(decrease)	147	192
Increase in value due to purchases	295	261
Change in value due to sales	(517)	(622)
Closing value 30 June 2014	323	264

Biological Assets comprise 2,192 sheep (2013: 1,205) largely held for breeding and 36 cattle (2013: 134) largely held for trading.

15 Other Financial Assets

	Actual 2014 \$000	Actual 2013 \$000
Current portion		
Short-term deposits with maturities of 4-12 months	70,500	71,374
Local authority stock	-	2,000
Total current portion	70,500	73,374
Non-current portion		
Term deposits with maturities of over 12 months	-	-
Unlisted shares	348	349
Corporate bonds	500	500
Total non-current portion	848	849

There were no impairment provisions for other financial assets.

The carrying amount of term deposits approximates their fair value.

Local authority stock is classified as held to maturity. The fair value of local authority stock is \$nil (2013 \$2,086,000). Fair value has been determined by discounting cash flows from the instrument using a discount rate derived from relevant market inputs. The discount rate is 0.00% (2013: 3.22%).

Unlisted Shares - Valuation

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

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:

30 June 2014	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets				
Derivatives	-	-	-	-
Shares	348	348	-	-
Term deposits	70,500	70,500	-	-
Sinking fund investments	-	-	-	-
Local authority stock	-	-	-	-
Corporate bonds	500	500	-	-
Financial liabilities				
Derivatives	-	-	-	-

30 June 2013	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- Observable Inputs \$000
Financial assets				
Derivatives	-	-	-	-
Shares	349	349	-	-
Term deposits	71,374	71,374	-	-
Sinking fund investments	-	-	-	-
Local authority stock	2,000	2,000	-	-
Corporate bonds	500	500	-	-
Financial liabilities				
Derivatives	-	-	-	-

16 Non Current Assets Held for Sale

There are no non-current assets held for sale as at 30 June 2014 (2013: \$nil).

17 Property Plant and Equipment

	30 June 2014	Accumulated Depreciation & Impairment Charges 1 July 2013 \$000	Carrying Amount 1 July 2013 \$000	Additions Vested Assets	Current Year Additions Others \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus/ (Impairment) \$000	Cost/ Revaluation 30 June 2014 \$000	Accumulated Depreciation & Impairment Charges 30 June 2014 \$000	Carrying Amount 30 June 2014 \$000
Council operation assets													
Land	66,665	-	66,665	-	56	(635)	-	573	-	8,938	75,597	-	75,597
Leasehold land	5,123	-	5,123	-	-	(344)	-	-	-	160	4,939	-	4,939
Buildings	65,076	(2,554)	62,522	-	1,232	-	3,880	(1,377)	(1,326)	265	65,196	-	65,196
Library books	2,735	-	2,735	-	327	(163)	256	-	(256)	(390)	2,509	-	2,509
Plant & equipment	29,538	(19,288)	10,250	-	4,690	(281)	212	179	(1,924)	-	34,126	(21,000)	13,126
Motor vehicles	6,025	(2,778)	3,247	-	397	(278)	267	(39)	(555)	(927)	5,178	(3,066)	2,112
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	225	(225)	-
Total operational assets	175,387	(24,845)	150,542	-	6,702	(1,701)	4,615	(664)	(4,061)	8,046	187,770	(24,291)	163,479
Council infrastructural assets													
Sewerage system treatment plant	128,279	(5,513)	122,766	-	15,730	(933)	8,709	-	(3,196)	(1,076)	142,000	-	142,000
Sewerage system other assets	8,256	(652)	7,604	362	-	-	1,015	-	(363)	(1,582)	7,036	-	7,036
Water system	68,248	(2,407)	65,841	161	391	(238)	3,874	-	(1,467)	12,266	80,828	-	80,828
Drainage network	108,259	(3,505)	104,754	610	1,203	(113)	5,353	-	(1,848)	(1,448)	108,511	-	108,511
Roading network	154,988	-	154,988	618	5,660	-	7,072	29	(7,072)	27,818	189,113	-	189,113
Land under roads	420,198	-	420,198	-	399	-	-	-	-	-	420,597	-	420,597
Total infrastructural assets	888,228	(12,077)	876,151	1,751	23,383	(1,284)	26,023	29	(13,946)	35,978	948,085	-	948,085
Council restricted assets													
Sportsgrounds	145,996	(1,881)	144,115	-	2,532	-	3,111	8,504	(1,281)	(10,805)	146,227	(51)	146,176
Grandstands & halls	19,009	(650)	18,359	-	64	-	794	(8,803)	(1,44)	(1,584)	8,686	-	8,686
Buildings on reserves	35,760	(1,846)	31,914	-	143	-	2,824	975	(978)	(476)	34,402	-	34,402
Swimming pools	11,925	(706)	11,219	-	96	-	1,126	(41)	(420)	(963)	11,017	-	11,017
Inner harbour	12,969	(524)	12,445	-	137	-	792	-	(268)	(849)	12,257	-	12,257
Total restricted assets	223,659	(5,607)	218,052	-	2,972	-	8,647	635	(3,091)	(14,677)	212,589	(51)	212,538
Total property plant & equipment	1,287,274	(42,529)	1,244,745	1,751	33,057	(2,985)	39,285	-	(21,098)	29,347	1,348,444	(24,342)	1,324,102

Items added to work in progress \$27,267,026 (2013: \$24,211,062). Completed assets transferred from work in progress \$28,513,496 (2013: \$20,851,157). The net carrying amount of plant and equipment held under finance leases is \$nil (2013: \$nil). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

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.

Napier City Council does not operate a water treatment plant due to water being sourced naturally through the Heretaunga Plains aquifer (see Activity information page 120)

	Cost/Revaluation 1 July 2012 \$000	Accumulated Depreciation & Impairment Charges 1 July 2012 \$000	Carrying Amount 1 July 2012 \$000	Current Year Additions \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus/ (Impairment) \$000	Cost/Revaluation 30 June 2013 \$000	Accumulated Depreciation & Impairment Charges 30 June 2013 \$000	Carrying Amount 30 June 2013 \$000
Council operation assets												
Land	67,409	-	67,409	221	(872)	-	(93)	-	-	66,665	-	66,665
Leasehold land	5,885	-	5,885	-	(762)	-	-	-	-	5,123	-	5,123
Buildings	56,634	(1,188)	55,446	8,448	(99)	3	93	(1,369)	-	65,076	(2,554)	62,522
Library books	2,653	-	2,653	589	(97)	269	-	(269)	(410)	2,735	-	2,735
Plant & equipment	29,357	(17,966)	11,391	789	(608)	601	-	(1,923)	-	29,538	(19,288)	10,250
Motor vehicles	4,619	(2,529)	2,090	1,653	(247)	199	-	(448)	-	6,025	(2,778)	3,247
Landfill post closure	225	(225)	-	-	-	-	-	-	225	-	(225)	-
Total operational assets	166,782	(21,908)	144,874	11,700	(2,685)	1,072	-	(4,009)	(410)	175,387	(24,845)	150,542
Council infrastructural assets												
Sewerage system	133,123	(2,938)	130,185	3,805	(393)	280	-	(3,507)	-	136,535	(6,165)	130,370
Water system	68,433	(1,234)	67,199	473	(658)	298	-	(1,471)	-	68,248	(2,407)	65,841
Drainage network	106,084	(1,743)	104,341	2,220	(45)	42	-	(1,804)	-	108,259	(3,505)	104,754
Roading network	155,055	-	155,055	7,126	-	7,250	-	(7,250)	(7,193)	154,988	-	154,988
Land under roads	420,220	-	420,220	10	(32)	-	-	-	-	420,198	-	420,198
Total infrastructural assets	882,915	(5,915)	877,000	13,634	(1,128)	7,870	-	(14,032)	(7,193)	888,228	(12,077)	876,151
Council restricted assets												
Sportsgrounds	143,638	(908)	142,730	2,358	-	-	-	(973)	-	145,996	(1,881)	144,115
Grandstands & halls	19,271	(325)	18,946	187	-	-	-	(325)	(449)	19,009	(650)	18,359
Buildings on reserves	33,519	(922)	32,597	241	-	-	-	(924)	-	33,760	(1,846)	31,914
Swimming pools	11,283	(323)	10,960	642	-	-	-	(383)	-	11,925	(706)	11,219
Inner harbour	12,910	(263)	12,647	73	(14)	2	-	(263)	-	12,969	(524)	12,445
Total restricted assets	220,621	(2,741)	217,880	3,501	(14)	2	-	(2,868)	(449)	223,659	(5,607)	218,052
Total property plant & equipment	1,270,318	(30,564)	1,239,754	28,835	(3,827)	8,944	-	(20,909)	(8,052)	1,287,274	(42,529)	1,244,745

Items added to work in progress \$24,211,062 (2012: \$14,952,631). Completed assets transferred from work in progress \$20,851,157 (2012: \$4,289,726). The net carrying amount of plant and equipment held under finance leases is \$nil (2012: \$nil). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

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 2014:

	30 June 2014	30 June 2013
	\$	\$
Buildings	557	14,704
Drainage network	1,271	1,923
Land	264	264
Plant and equipment	173	159
Roading network	2,752	3,842
Sewerage system	23,944	9,305
Sportsgrounds	1,106	1,002
Water system	98	48
Total	30,165	31,247

	Replacement Cost as at 30 June 2014 \$000
Council infrastructural assets	
Sewerage system	
- treatment plant	12,283
- other assets	229,559
Water system	128,873
Drainage network	163,044
Roading network	327,332
Total infrastructural assets	861,091

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

18 Intangible Assets

30 June 2014

Cost/revaluation 1 July 2013 \$000	Accumulated depreciation and impairment charges 1 July 2013 \$000	Carrying amount 1 July 2013 \$000	Current year additions \$000	Current year disposals \$000	Current year disposal accum \$000	Current year impairment charges \$000	Current year ammortisation \$000	Revaluation Surplus \$000	Cost/revaluation 1 July 2014 \$000	Carrying amount 1 July 2014 \$000	Accumulated depreciation and impairment charges 1 July 2014 \$000
Computer software											

30 June 2013

Cost/revaluation 1 July 2012 \$000	Accumulated depreciation and impairment charges 1 July 2012 \$000	Carrying amount 1 July 2012 \$000	Current year additions \$000	Current year disposals \$000	Current year disposal accum \$000	Current year impairment charges \$000	Current year ammortisation \$000	Revaluation Surplus \$000	Cost/revaluation 1 July 2013 \$000	Carrying amount 1 July 2013 \$000	Accumulated depreciation and impairment charges 1 July 2013 \$000
Computer software											

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

19 Investment Property

	Actual 2014 \$000	Actual 2013 \$000
Balance at 1 July	31,290	34,894
Additions from acquisitions		-
Reclassification		
Fair value gains/(losses) on valuation	278	(3,604)
Balance at 30 June	31,568	31,290

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

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

	Actual 2014 \$000	Actual 2013 \$000
Rental income from investment property	1,336	1,323
Expenses from investment property generating income	-	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

20 Investment in Council Controlled Organisations

20.1 Hawke's Bay Airport Limited

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 2014 \$000	Actual 2013 \$000
Balance at 1 July	4,340	4,134
New investments during year	-	-
Share of total recognised revenues and expenses	102	291
Share of dividend	(116)	(85)
Balance at 30 June	4,326	4,340

Summarised Financial Information of Associate Entities

	Actual 2014 \$000	Actual 2013 \$000
Assets	23,394	23,659
Liabilities	6,252	6,966
Revenues	4,010	3,641
Surplus/(deficit)	896	1,119
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

Local Government (Financial Reporting) Regulations 2011 require Council to specify the sum of the Council's investment in Council Controlled Organisations (CCO's).

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 159-162):

- Hawkes Bay Local Authority Shared Services Ltd, with an investment of \$1,000 (joint shareholding); and
- Hawkes Bay Museum Trust with no investment (associate interest)

21 Creditors and Other Payables

	Actual 2014 \$000	Actual 2013 \$000
Trade payables	8,531	7,194
Deposits and bonds	823	733
Accrued interest	-	44
Rates in advance	732	678
Total creditors and other payables	10,086	8,649

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

22 Employee Benefit Liabilities

	Actual 2014 \$000	Actual 2013 \$000
Current portion		
Accrued pay	182	269
Annual leave	2,895	2,715
Retirement and long service leave	229	242
Total current portion	3,306	3,226
Non-current portion		
Retirement and long service leave	1,464	1,540
Total non-current portion	1,464	1,540
Total employee entitlement	4,770	4,766

23 Borrowings

	Actual 2014 \$000	Actual 2013 \$000
Current portion		
Secured loans	8	2,008
Total current portion	8	2,008
Non-current portion		
Secured loans	4	13
Total non-current portion	4	13

Fixed Rate Debt

The Council's debt of \$12,350 has an interest rate of 0.00% (2013: \$2,020,300 issued at a fixed rate of interest).

The Council's loans are secured by a Secured Trust Deed creating a charge over the special rate deemed to be made by the Council upon the value of all rateable property within the City of Napier.

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

Refinancing

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

Maturity Analysis and Effective Interest Rates

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

	Actual 2014 \$000	Actual 2013 \$000
Secured Loans		
Less than one year	8	2,008
Weighted average effective interest rate	0.00%	7.62%
Later than one year but not more than five years	4	13
Weighted average effective interest rate	0.00%	0.00%
Later than five years	-	-
Weighted average effective interest rate	-	-
Total	12	2,021

Description of Material Leasing Arrangements

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

24 Provisions

	30 June 2014	Financial Guarantees \$000	Landfill Aftercare Provision \$000	Total \$000
Balance at 1 July 2013		855	152	1,007
Additional provisions made			267	267
Unused amounts reversed		(39)		(39)
Balance as at 30 June 2014		816	419	1,235
30 June 2013				
Balance at 1 July 2012		996	149	1,145
Additional provisions made		-	3	3
Unused amounts reversed		(141)	-	(141)
Balance as at 30 June 2013		855	152	1,007

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 Landfill Aftercare

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

Closure responsibilities:

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

Post-closure responsibilities:

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

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

Capacity of the Site:

The landfill is divided into four valleys as below:

	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life
Valley A - opened in December 1998, closed 2006	2.6m ³	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m ³	17 years	10.3 years
Valleys B & C - not yet in operation	-	-	-

Estimates of useful 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; and
- The provision reported is for the Napier City Council's share only (36.32%).

25 Equity

	Actual 2014 \$000	Actual 2013 \$000
Retained earnings		
As at 1 July	724,922	716,220
Transfers to:		
Restricted reserves	485	(976)
Transfers from:		
Asset revaluation reserve on disposal of property, plant & equipment	775	1,829
Restricted reserves	(327)	12
Surplus/(deficit) for the year	7,843	7,837
As at 30 June	733,698	724,922
Restricted reserves		
As at 1 July	10,070	9,106
Transfers to:		
Retained earnings	327	(12)
Transfers from:		
Retained earnings	(485)	976
As at 30 June	9,912	10,070
Restricted reserves consist of:		
Loan redemption reserve	1,470	1,443
Loan funds reserves	(155)	(155)
Trusts and bequests	274	263
Advanced wastewater treatment fund (HBRC)	6,514	6,280
Other restricted reserves	1,809	2,239
Total restricted reserves	9,912	10,070
Asset revaluation reserves		
As at 1 July	625,515	627,733
Revaluation gains/(losses)	68,309	(392)
Asset revaluation reserve Hawke's Bay Airport Limited	-	-
Transfer of revaluation reserve to retained earnings on disposal of property, plant & equipment	(775)	(1,827)
As at 30 June	693,049	625,514

	Actual 2014 \$000	Actual 2013 \$000
Asset revaluation reserves consist of:		
Operational assets		
Land	54,767	45,933
Leasehold land	4,046	4,181
Buildings	32,143	28,313
Plant & equipment	293	160
Infrastructural assets		
Sewerage system	116,267	110,115
Water system	66,141	50,227
Drainage network	68,617	64,817
Roading network	215,623	180,742
Restricted reserves		
Sportsgrounds	102,466	108,620
Grandstands and halls	2,773	4,992
Buildings on reserves	13,987	11,606
Swimming pools	5,059	4,883
Inner Harbour	9,273	9,331
Hawke's Bay Airport Authority	1,594	1,594
Total asset revaluation reserves	693,049	625,514
Fair value through equity reserve		
As at 1 July	(120)	(100)
Valuation gains/(losses) on unlisted shares taken to equity	(2)	(20)
As at 30 June	(122)	(120)
Total other reserves	702,839	635,464

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

Napier City Council has the following Council created reserves:

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

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

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

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

27 Capital Commitments and Operating Leases

Capital Commitments

	Actual 2014 \$000	Actual 2013 \$000
Capital commitments		
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	3,794	8,527

Operating leases as lessee

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

(a) Napier Community House

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

(b) Temporary Accommodation HB Museum

Accommodation in Ahuriri is used to store the Museum collection and is the base for museum operations staff during the redevelopment of the Herschell Street site.

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 2014 \$000	Actual 2013 \$000
Not later than one year	92	83
Later than one year and not later than five years	-	-
Later than five years	-	-
Total non-cancellable operating leases	92	83

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance sheet date is \$nil (2013: \$nil).

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 2014 \$000	Actual 2013 \$000
Non-cancellable operating leases as lessor		
Not later than one year	271	317
Later than one year and not later than five years	206	298
Later than five years	-	-
Total non-cancellable operating leases	477	615

28 Contingencies

Contingent Liabilities

	Actual 2014 \$000	Actual 2013 \$000
Contingent Liabilities		
Financial guarantees	699	660
Total contingent liabilities	699	660

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.

Unquantified claims

In 2013/14, there are 2 (2013: 3) claims against Council which have been notified to Council's Insurers. Because of the uncertainty associated with the claims, an estimate of the financial effect cannot be made. These matters were not recognised in the financial statements because of the uncertainty associated with the outcomes.

Other contingencies

Contingent assets

The Council reviews annual rentals payable by lessees of its leasehold property portfolio in accordance with the lease arrangements entered into with various lessees. Accordingly, the Council has issued revised rentals payable for various properties as these have fallen due. The lessees of some properties, in accordance with the terms and conditions of the agreement between the parties, have chosen to dispute the new rentals advised by the Council. Pending the outcome of the disputed reviews, the Council has a not recognised \$35,000 (2013: \$250,000) of revised rental income as at 30 June 2014.

Contingent liabilities

The Council terminated a lease for office space. The arbitration of quantum is still ongoing. A nominal provision in line with a quantity surveyors assessment has been included within the financial statements pending the finalisation of arbitration.

Other contingencies

In the ordinary course of business Council can be subject to claims from clients utilising the services of Council. The Council has been notified of a claim by the Hawkes Bay Regional Council concerning the reinstatement of its Napier building. Two further leaky building claims for a West Quay property and Fenwick Street property is currently being discussed by affected parties. The building at 14 West Quay is subject to a claim for potential damage through water ingress to the value of \$6 million. Council is defending the claim, and is one of a number of parties to the claim. Council due to the nature of its role, is considered the party of last resort. At this stage there is a level of uncertainty around the total amount of the claim as investigations in regard to the claim are still in progress. While there may also be an inability of other responsible parties to meet the costs Council will make provision when there is further certainty around this matter. Due to the uncertainty, these claims cannot be quantified at this stage.

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 2014 \$000	Actual 2013 \$000
Surplus/(deficit) after tax	7,843	7,837
Add/(less) non-cash items		
Share of associate surplus/(deficit)	(102)	(291)
Depreciation and amortisation expense	21,299	21,099
Vested assets	(1,184)	(148)
Vested assets (Parklands)	(567)	(813)
(Gains)/losses in fair value of investment property	(278)	3,604
(Gains)/losses on library bookstock	96	150
(Gain)/loss on livestock	(134)	(21)
Other non-cash Items	0	(4)
Add/(less) items classified as investing or financing activities:		
(Gains)/losses on disposal of property plant and equipment	1,265	668
Add/(less) movements in working capital items:		
Accounts receivable	(334)	3,541
Inventories	804	1,009
Biological assets	75	169
Accounts payable	1,204	(1,494)
Provisions	228	(139)
Revenue received in advance	(254)	(274)
Employee benefits	3	(270)
Net cash inflow/(outflow) from operating activities	29,964	34,623

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 \$219,485 (2013: \$262,575). The outgoing Chief Executive who left during the year received a salary of \$104,615.

For the year ended 30 June 2014, the total annual cost including Fringe Benefit Tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$239,290 (2013: \$262,839).

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

	Actual 2014 \$	Actual 2013 \$
Cost During the Financial Year		
Subscriptions	1,368	264

Elected Representatives

The remuneration received by the elected representatives for the year to 30 June 2014 was:

Total Remuneration	Actual 2014 \$000	Actual 2013 \$000
Mayor		
Barbara Arnott	34	109
Bill Dalton	89	-
Councillors		
Bill Dalton	-	38
John Cocking	11	34
Kathie Furlong	14	44
Mark Herbert	41	39
Tony Jeffery	41	39
Rob Lutter	38	39
Dave Pipe	12	38
Faye White	42	35
Tania Wright	12	39
Keith Price	40	38
Maxine Boag	39	34
Michelle Pyke	39	34
Annette Brosnan	25	-
Mark Hamilton	25	-
Roy Sye	25	-
Graeme Taylor	25	-
Kirsten Wise	25	-

31 Employee Staffing Levels and Remuneration

As at 30 June 2014 the number of employees employed by Napier City Council was 511 (2013: 487)*

2014 Staffing Levels by Salary Band

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

2013 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2012/13	Other Staff Full Time Equivalent 2012/13	Total FTE's	Total Number of Employees
Less than \$60,000	236	65	301	379
\$60,000 to \$80,000	63	3	65	66
\$80,000 to \$100,000	26	-	26	26
\$100,000 to \$120,000	6	-	6	6
\$120,000 to \$160,000	6	-	6	6
\$160,000 to \$280,000	4	-	4	4
Total	341	68	408	487

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 30th June 2014. The budget 2013/14 full time equivalent staff was 470 (2013: 454). The variance is due to fluctuating seasonal staff requirements, that were not employees at 30 June 2014.

The variance between the 2013 and 2014 can be attributed to reopening of the MTG (Museum Theatre Gallery), the construction phase of the Waste Water Treatment Plant, and general replacements only recruited to enable the organisation to deliver services. Some roles will also be filled by contract staff due to current debate around amalgamation. Caution has been taken on permanent replacements.

Average salaries (excluding key personnel as noted in Note 36) for 2014 was \$42,092 (2013: \$49,899).

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

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

32 Severance Payments

For the year ended 30 June 2014, the Council made 1 (2013: nil) severance payments to employees totalling \$13k (2013: \$nil).

33 Events after the Balance Sheet

There have been no significant events since balance date.

34 Financial Instrument Risks

Financial Instrument Categories

	Actual 2014 \$000	Actual 2013 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	7,262	8,003
Debtors and other receivables	8,783	8,450
Other financial assets		
Term deposits	70,500	71,374
Total loans and receivables	86,545	87,827
Held to maturity		
Other financial assets		
Local authority stock	-	2,000
Corporate bonds	500	500
Total held to maturity	500	2,500
Fair value through equity		
Unlisted shares	348	349
Total fair value through equity	348	349
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	10,086	8,649
Secured loans	12	2,020
Total financial liabilities at amortised cost	10,098	10,669

Financial Instrument Risks

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

Market Risk

Price risk

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

Currency risk

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

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

Fair value interest rate risk

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

Cash flow interest rate risk

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

Credit risk

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

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

Credit quality of financial assets

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

	Actual 2014 \$000	Actual 2013 \$000
Counterparties with credit ratings		
Cash at Bank		
AA- (Others)	7,262	8,003
Total cash at bank	7,262	8,003
Term deposits		
AA- (Others)	54,500	71,374
A+	16,000	-
Total term deposits	70,500	71,374
Counterparties without credit ratings		
Local authority stock	-	2,000
Total	-	2,000

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

Liquidity Risk

Management of Liquidity Risk

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

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

Napier City Council has an overdraft facility of \$300,000 (2013: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2014 was \$nil (2013: \$nil). Napier City Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$242,000 in funds as at 30 June 2014 (2013: \$58,000).

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.

30 June 2014	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
Creditors & Other Payables	10,086	10,086	10,086	-	-	-
Secured Loans	12	12	8	4	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	816	816	816	-	-	-
Total	10,914	10,914	10,910	4	-	-
30 June 2013						
Creditors & Other Payables	8,649	8,649	8,649	-	-	-
Secured Loans	2,020	2,172	2,160	12	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	855	1,515	1,515	-	-	-
Total	11,524	12,336	12,324	12	-	-

Contractual Maturity Analysis of Financial Assets

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

30 June 2014	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
Cash & cash equivalents	7,262	7,262	7,262	-	-	-
Debtors & other rec'bles	8,783	8,783	8,783	-	-	-
Other financial assets						
Term deposits	70,500	72,801	72,801	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	500	605	26	26	553	-
Total	87,045	89,451	88,872	26	553	-
30 June 2013						
Cash & cash equivalents	8,003	8,003	8,003	-	-	-
Debtors & other rec'bles	8,450	8,450	8,450	-	-	-
Other financial assets						
Term deposits	71,374	73,743	73,743	-	-	-
Local authority stock	2,000	2,133	2,133	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	500	631	26	26	579	-
Total	90,327	92,960	92,355	26	579	-

Sensitivity analysis

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

Interest rate risk

	2014 \$000				2013 \$000			
	-50 Profit	bps Equity	100 Profit	bps Equity	-50 Profit	bps Equity	100 Profit	bps Equity
Financial assets								
Cash and cash equivalents	(36)	-	73	-	(40)	-	80	-
Other financial assets								
Term deposits	(353)	-	705	-	(357)	-	714	-
Local authority stock	-	-	-	-	(10)	-	20	-
Corporate bonds	(3)	-	5	-	(3)	-	5	-
Total	(392)	-	783	-	(410)	-	819	-

Explanation of interest rate risk sensitivity

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

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

Term loans

At 30 June 2014 Napier City Council had \$nil of floating rate debt (2013: \$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 2014, Napier City Council's current and non current investments and borrowings have all been negotiated at fixed interest rates for fixed terms (2013: \$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 2014 Council's forward foreign exchange contracts totalled EUR€nil or NZ\$nil (2013: EUR€344,000 or NZ\$554,000).

36 Related Party Transactions

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 2014 \$000	Actual 2013 \$000
Hawke's Bay Museums Trust (HBMT)		
Grants paid to HBMT	420	420
Book purchases paid to HBMT	-	-
Conferences expenses paid to HBMT	-	-
Services provided to HBMT	808	815
Accounts receivable from HBMT	-	78
Grant receivable from HBMT	-	-
Accounts payable to HBMT	-	-
Hawke's Bay Airport Limited (HBAL)		
Services provided to HBAL	-	4
Advertising at Airport	8	4
Omarunui Landfill		
Landfill fees paid to Hastings District Council	1,327	1,265
Hawkes Bay Local Authority Shared Services Ltd (HB LASS)		
Initial Shareholding	1	1
Share of Expenses paid to HB LASS	23	35

Transactions with key management personnel

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

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

The Council received revenue of \$1,238 (2013: \$367) from Portside Inns Limited and Group in which Mark Herbert, a Councillor, has an equity interest. This revenue was for licences related to East Pier Bar and Restaurant. The Council purchased goods and services from East Pier Bar and Restaurant of \$621 (2013: \$nil). Transactions between Council and East Pier Bar and Restaurant were on normal commercial terms.

Council received revenue of \$1,932 (2013: \$2,830) from Thirsty Whale Bar and Restaurant Limited, in which Keith Price, a Councillor, has an equity interest. This revenue was for licences related to Thirsty Whale Bar and Restaurant. All transactions were on normal commercial terms.

Council received revenue of \$287 (2013: \$265) from Wiseys Pies and Bakehouse Limited, in which Keith Price, a Councillor, has an equity interest. This revenue was for issuance of licences to Wiseys Pies and Bakehouse Limited. The Council also purchased goods and services from Wiseys Pies and Bakehouse Limited of \$15,552 (2013: \$21,358), with \$339 owing at year end (2013: \$1,119). Transactions between Council and Wiseys Pies and Bakehouse Limited and between Council and Keith Price were at normal commercial terms.

Council received revenue of \$87 (2013: \$87) from Clyde Jeffery Limited and of \$87 (2013: \$nil) from O SO U Ltd, in which Tony Jeffery, a Councillor, has equity interests. This revenue was for issuance of licences to Clyde Jeffery Limited and O SO U Ltd and were on normal commercial terms. Council purchased uniform shirts for i-Site \$207 (2013: \$nil) from Jeffery's Fashion for Men. Council received revenue of \$25,325 from Alexander Construction Company Limited, in which Mark Hamilton, a Councillor, has an equity interest. The revenue was for consents and licenses relating to the construction work undertaken at the Advanced Waste Water Treatment Plant. The Council purchased goods and services of \$1,032,243 from Alexander Construction Company Limited. This expenditure related to the construction work being undertaken at the Advanced Waste Water Treatment Plant and was on normal commercial terms, and entered into before Mark Hamilton became Councillor.

The Council received \$56 (2013: \$nil) from Black and White Accounting, in which Kirsten Wise has an equity interest. This income related to a licence fee and was on normal commercial terms.

Council received revenue of \$166 (2013: \$nil) from The Ahuriri Group Limited (Trading as no9 Marketing+design+online), in which Roy Sye has an equity interest. The revenue was for i-Site brochure advertising. The Council purchased goods and services of \$38,156 (2013: \$58,720). This related to the preparation of marketing material for the tourism group of Council. The Council purchased \$1,336 (2013: \$676) from Printing.com Napier Limited in which Roy Sye has an equity interest. This related to printing of marketing material for the Tourism group of Council.

The Council received revenue \$87 (2013: \$87) from Deco Affair Limited, in which John Cocking a Councillor has an equity interest. The revenue was for footpath signage licence fees at normal commercial terms.

The Council received \$1,250 (2013: \$1,250) from Michelle Pyke, a Councillor. This revenue was for lease of land on normal commercial terms.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2013: \$nil).

Key management personnel compensation

	Actual 2014 \$000	Actual 2013 \$000
Salaries and other short-term employee benefits	2,158	1,907
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-

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

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 2014 \$000	Actual 2013 \$000
Current assets	2,376	1,978
Non-current assets	4,134	4,346
Non-current liabilities	418	202
Income	2,335	2,125
Income (NCC sales eliminated)	(400)	(400)
Expenses	1,094	950
Depreciation	501	479

Joint venture commitments and contingencies

There are no capital commitments and contingent liabilities arising from involvement in the joint venture (2013: \$nil).

Funding Impact Statement (Whole of Council)

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	34,397	33,995	32,783	32,417
Targeted rates (other than targeted rates for water supply)	12,235	12,140	13,156	13,049
Subsidies and grants for operating purposes	4,084	2,394	4,098	2,456
Fees, charges and targeted rates for water supply	17,879	18,979	16,987	18,160
Interest and dividends from investments	3,285	1,502	3,494	1,659
Local authorities fuel tax, fines, infringement fees, and other receipts	13,554	19,419	13,520	19,015
Total operating funding (A)	85,434	88,429	84,039	86,756
Applications of operating funding				
Payments to staff and suppliers	59,370	61,445	56,769	59,854
Finance costs	108	141	255	278
Other operating funding applications	237	178	230	174
Total applications of operating funding (B)	59,714	61,764	57,253	60,306
Surplus (deficit) of operating funding (A - B)	25,720	26,665	26,786	26,450
Sources of capital funding				
Subsidies and grants for capital expenditure	697	2,395	3,684	4,783
Development and financial contributions	1,860	1,879	1,616	1,789
Increase (decrease) in debt	(2,008)	1,039	(2,008)	1,056
Gross proceeds from sale of assets	1,276	6,784	1,707	186
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	1,825	12,098	4,999	7,813
Application of capital funding				
Capital expenditure				
- to meet additional demand	685	5,251	1,920	3,463
- to improve the level of service	23,250	14,079	14,373	6,770
- to replace existing assets	9,267	14,965	11,801	14,574
Increase (decrease) in reserves	(5,644)	4,162	3,485	9,483
Increase (decrease) of investments	(14)	305	206	(27)
Total application of capital funding (D)	27,545	38,762	31,785	34,263
Surplus (deficit) of capital funding (C - D)	(25,720)	(26,665)	(26,786)	(26,450)
Funding balance ((A-B) + (C-D))	-	-	-	-

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

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

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

Special Funds

Reserve Funds

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

Council's Reserve Funds are classified into three categories:

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

TITLE	Activity to which fund relates	Opening 1 July 2013	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2014 \$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	(11,817)	(178)	15,045	3,049
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.	Dog Control	(408)	(682)	653	(437)
General Reserve No.1 Derived from rates arising from NZ Railway land in Munro 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	(102)	(123)	103	(121)
MTG Hawke's Bay Funds collected from donations and government grants for the Museum Redevelopment Project.	MTG Hawke's Bay	4	(697)	526	(165)
Financial Contributions Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Pools, Library	(8,930)	(2,368)	285	(11,013)
Infrastructural Asset Renewal and Upgrade Fund 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, Wastewater, Stormwater, Solid Waste, Reserves, Sportsgrounds, Libraries, Pools	(19,037)	(877)	(2,475)	(22,389)
Keep Napier Beautiful Originally derived from surplus revenue in Keep Napier Beautiful project. Currently credited with annual grant for garden competition and used for competition expenses and administration costs.	Reserves	(1)	-	-	(1)
Marine Parade Disability Hoist Derived from fundraising carried out by Mr N Bains. Funds intended to be used to purchase a disability hoist for the Marine Parade Pool.	Pools	(3)	-	-	(3)
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	(480)	-	95	(385)

TITLE	Activity to which fund relates	Opening 1 July 2013	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2014 \$000
Parking Contributions Account Funds derived for the provision of parking facilities.	Parking	(2,091)	(238)	1	(2,328)
Parking Account Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities within the Central Business District.	Parking	(5,832)	(2,407)	1,766	(6,473)
Parking Equipment Reserve Account To provide funds for replacement of parking equipment on a regular basis.	Parking	(663)	(101)	162	(602)
Taradale Parking Meters Funds collected from Parking Meters in Taradale Town Centre to fund the upgrade of the Town Centre (including parking) 2009 - 2019 Ten Year Plan.	Parking, Roothing	40	(188)	199	51
Regional Landfill 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	(124)	(1,954)	1,275	(802)
Reserve Subdivision of Land This account is 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	(1,565)	(74)	133	(1,506)
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	(1,125)	(928)	644	(1,408)
Total Council Created Reserves		(52,134)	(10,815)	18,415	(44,533)*
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	(6,281)	(234)	-	(6,514)
Creative New Zealand Derived from a grant from Creative NZ. This fund has been established to support local arts projects within the Napier area.	Community Planning	-	-	-	-
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	(1,482)	(51)	481	(1,052)
Hawke's Bay Harbour Board Endowment Land Income Account This account was derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. Council resolution of 26.6.02 states "That the full uncommitted balance of the Harbour Board Land Account at 30 March 2002 be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act".	Inner Harbour, Reserves	(756)	(2,340)	2,339	(757)
Loan Reserve Established to manage internal loan requirements.	Corporate	(1,288)	(27)	-	(1,315)
Total Restricted Reserves		(9,807)	(2,652)	2,820	(9,638)

*Included in the retained earnings reserves

TITLE	Activity to which fund relates	Opening 1 July 2013	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2014 \$000
BEQUESTS AND TRUST FUNDS					
Colenso Bequest					
Bequest is invested and the income derived used to:					
i) Provide a fund for the assistance of poor families. (Capital \$2500)					
ii) Provide assistance for prisoners released from Napier jail. (Capital \$500)					
iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000)					
iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)					
Estate Henry Hodge					
For charitable purposes, with a wish that it be used for the erection of flats for the needy.					
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.					
Hawke's Bay Municipal Theatre					
Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.					
John Close Bequest					
Bequest is invested and income used in two ways:					
i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy.					
ii) Coal Trust - provided wood and coal to the needy.					
A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.					
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.					
Napier Christmas Cheer					
For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District.					
Total Bequests Trust Funds		(263)	(29)	17	(275)

Borrowing Programme

	Actual 2014 \$000	TYP/AP 2014 \$000	Actual 2013 \$000
New loans			
- Rate funded	3,768	8,758	5,749
- Growth funded	-	1,267	-
- Non rate funded	132	3,709	51
	3,900	13,734	5,800
less repayments (net)	(4,386)	(4,546)	(5,296)
	(486)	9,188	504
Opening public debt	37,281	46,900	36,777
Gross Public Debt	36,795	56,088	37,281
Internal funding	(36,783)	(56,076)	(35,261)
Net Public Debt	12	12	2,020

Internal Borrowing	Actual 2014 \$000	Borrowed 2013/14	Repaid 2013/14	Actual 2013 \$000	Interest Paid
City Promotion	2,236	-	(289)	2,525	116
Planning and Regulatory	2,907	132	(75)	2,850 *	131
Property	904	-	(35)	939	70
Recreation	1,405	-	(75)	1,480	68
Roading	3,532	160	(140)	3,512	162
Sewerage	1,429	-	(36)	1,465	83
Social and Cultural	7,131	2,596	(197)	4,732	218
Solid Waste	423	-	(118)	541	25
Stormwater	6,951	273	(261)	6,939	319
Water Supply	178	-	(6)	184	9
Loan Redemptions	9,687	739	(1,146)	10,094	464
Total Internal Borrowing	36,783	3,900	(2,378)	35,261	1,665

- 1 This schedule is prepared specifically meet the requirements under Schedule 10, section 27 - Internal Borrowing, Local Government Act 2002.
- 2 Interest included in this schedule has been assigned to groups on the basis of capital expenditure related to each loan authority. Interest is allocated across activity groups as a capital charge, based on asset book values, through internal charges. The basis for allocations is disclosed in the Council's Annual Plan under significant forecasting assumptions.
- 3 A credit offset for internal interest income is applied when setting the level of general rates.
- 4 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

* The Planning & Regulatory loans relate to the redevelopment of the Taradale town centre, which are serviced from the Taradale Parking Account. The actual balance at 30 June 2013 was included under Rooding in the 2013 Annual Report

Financial Prudence Benchmarks

Local Government (Financial Reporting and Prudence) Regulations 2014

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

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

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

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

The Council has elected the early adoption of the disclosure requirements of the benchmarks for 2013/14 plus the four preceding years to provide better information for the community.

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

Rates Affordability Benchmarks

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

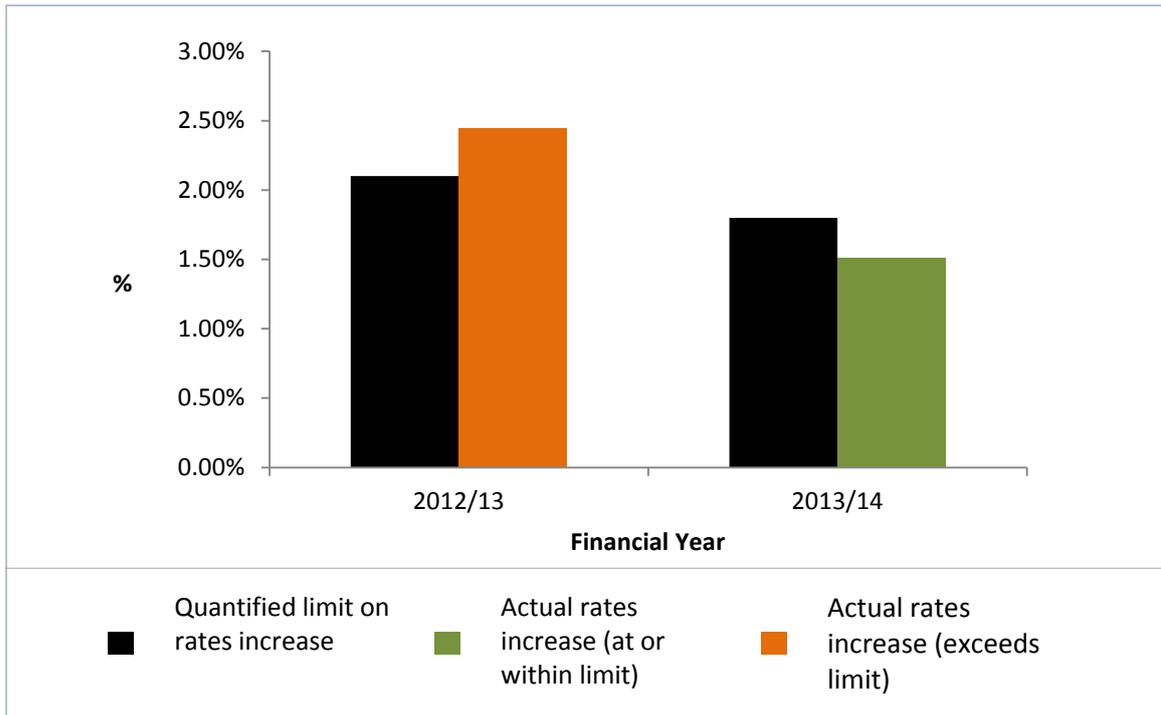
As per the Regulations 2014, the rates affordability benchmarks for 2012/13 and 2013/14 are based on Council's financial strategy adopted in the 2012 to 2022 Ten Year Plan that states:

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

In 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.

In 2013/14, the Council met its rates affordability benchmark whereby actual rates income of \$46,632,000 did not exceed the quantified limit of \$46,765,000 that was based on a quantified increase of 1.8% (CPI 30 June 2013 0.7% plus 1.1%), see graph 1.

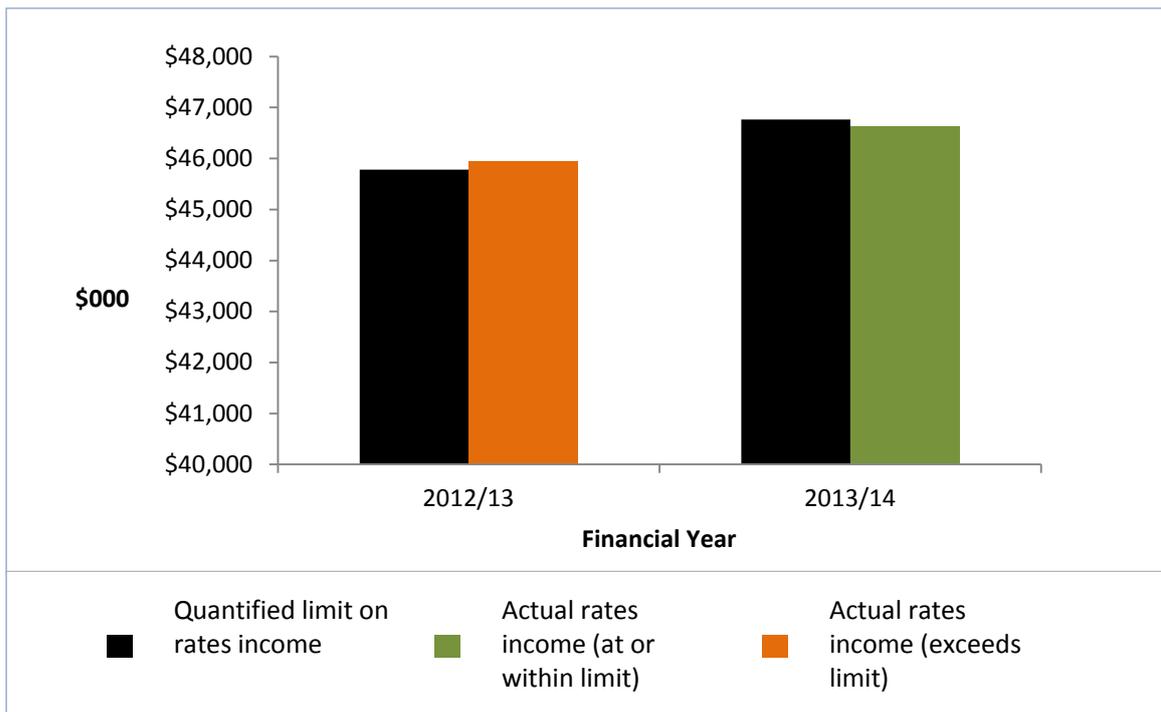
Graph 1: Rates Affordability - Rates Income to Planned Rates Income, 2012/13 to 2013/14



The Regulations 2014 were applied to the calculation of the quantified percentage increases for 20132012/13 and 20142013/14. 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%.

The Council met its rates affordability benchmark for quantified rates percentage increase in 2013/14 whereby the actual rates percentage increase of 1.51% did not exceed the quantified increase of 1.80% (CPI 30 June 2013 0.70% plus 1.1%), see graph 2

Graph 2: Rates Affordability - Actual Percentage Rates Increase to Planned Percentage Increase, 2013 to 2014



The rates indicator of actual rates dollars per rating unit was \$1,848 per rating unit in 2013/14 (2012/13: \$1,830).

Debt Affordability Benchmarks

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

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

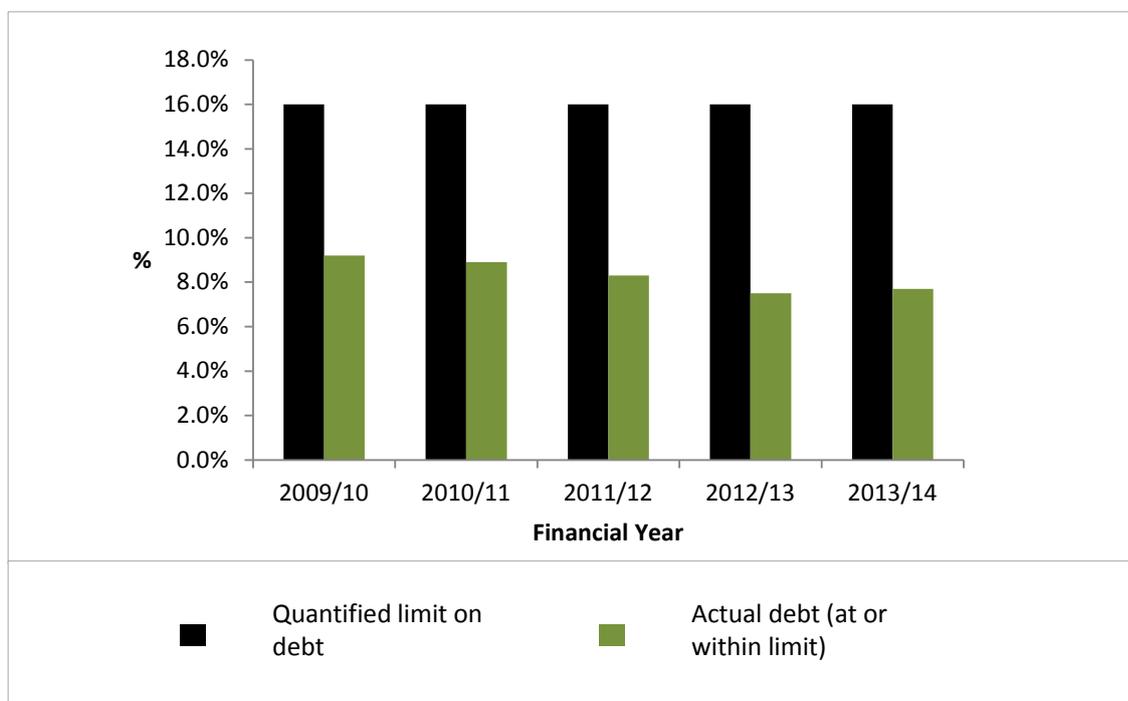
The Council's financial strategy in its 2012 to 2022 Ten Year Plan included three limits in relation to debt:

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

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

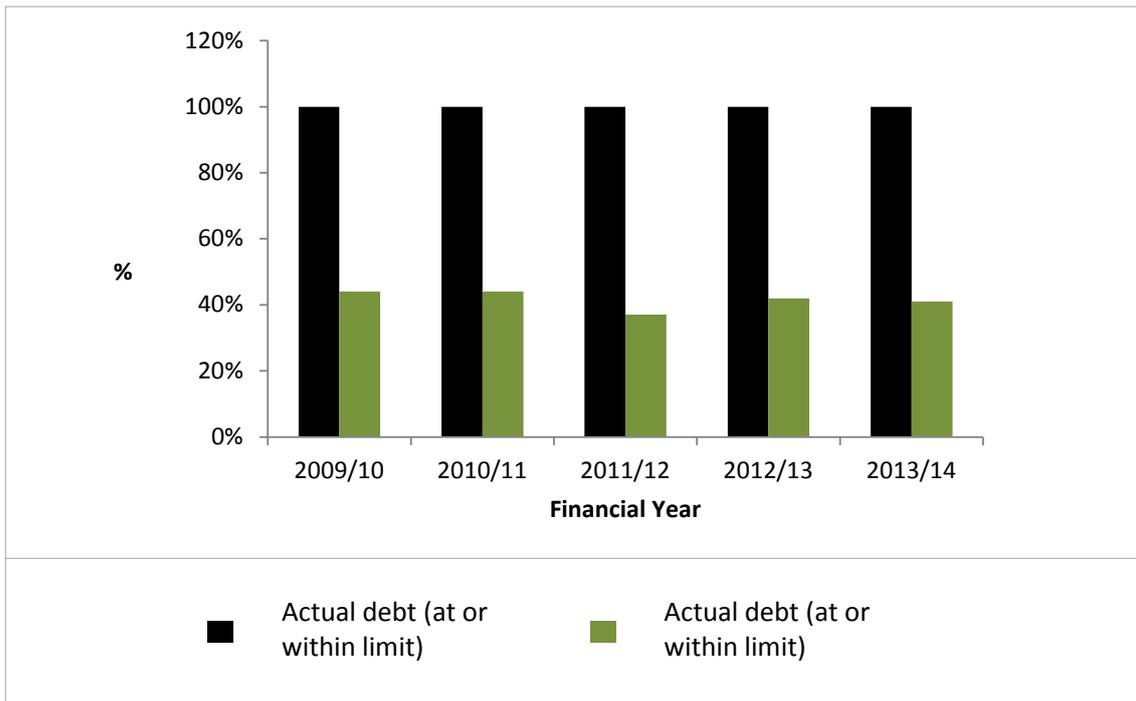
The Council met its debt affordability benchmark of cost of servicing rate funded debt not exceeding 16% in 2013/14 and the four preceding years, see graph 3.

Graph 3: Debt Affordability - Cost of Servicing Rate Funded Debt, 2009/10 to 2013/14



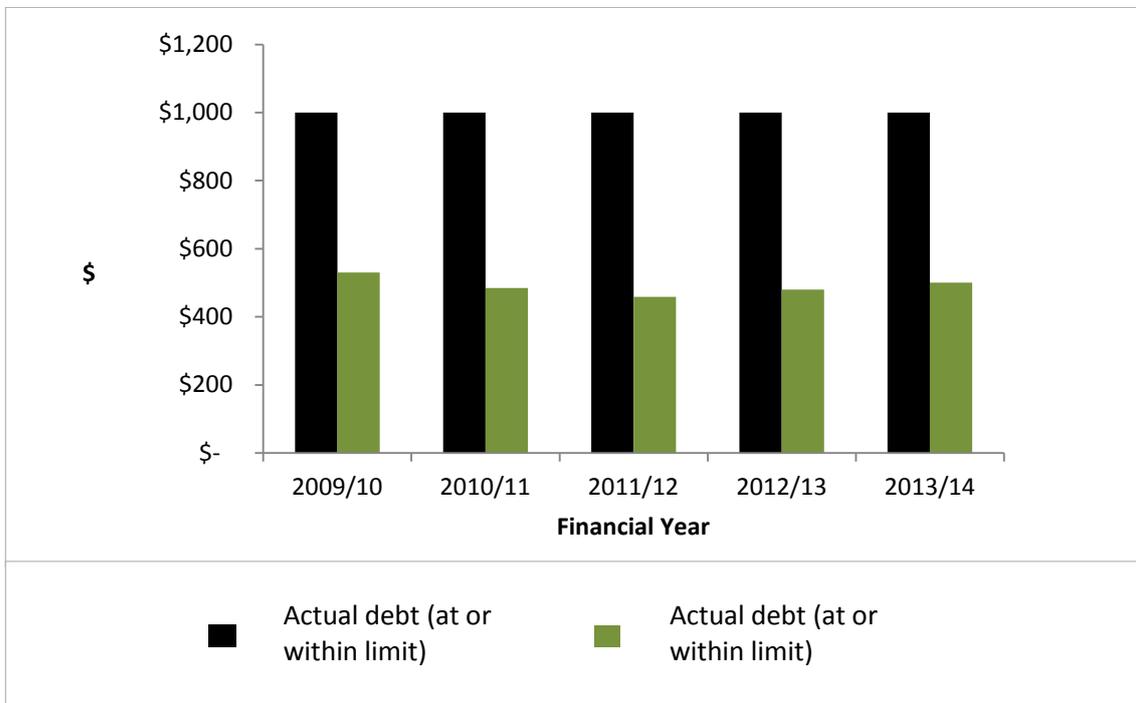
The Council met its debt affordability benchmark of net debt as a percentage of total income not exceeding 100% in 2013/14 and the four preceding years, see graph 4.

Graph 4: Debt Affordability – Net Debt as a percentage of total Income, 2009/10 to 2013/14



The Council met its debt affordability benchmark of net debt per capita not exceeding \$1,000 per capita in 2013/14 year and the four preceding years, see graph 5

Graph 5: Debt Affordability - Net Debt \$ per Capita, 2009/10 to 2013/14

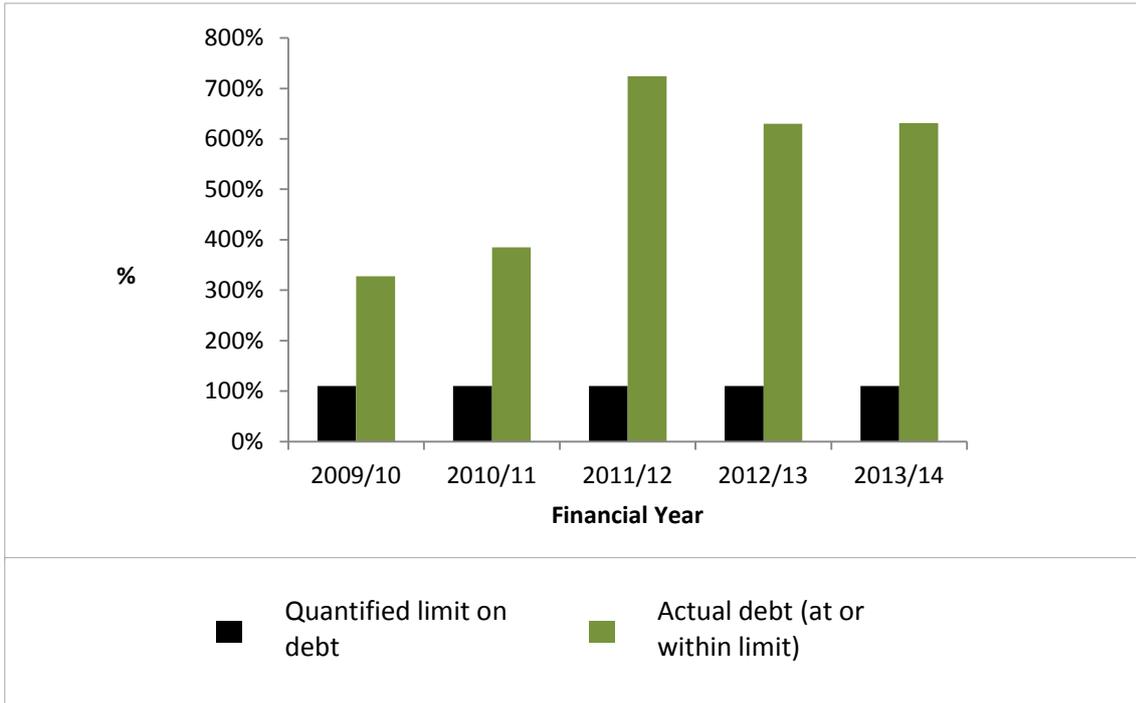


Under the Council’s Liability Management Policy 2009, the Council set an additional limit for managing borrowing which stated that:

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

The Council met its debt affordability benchmark of liquidity to 12 month debt being over 110% in 2013/14 and the four preceding years, see graph 6.

Graph 6: Debt Affordability - Liquidity to 12 month net debt, 2009/10 to 2013/14



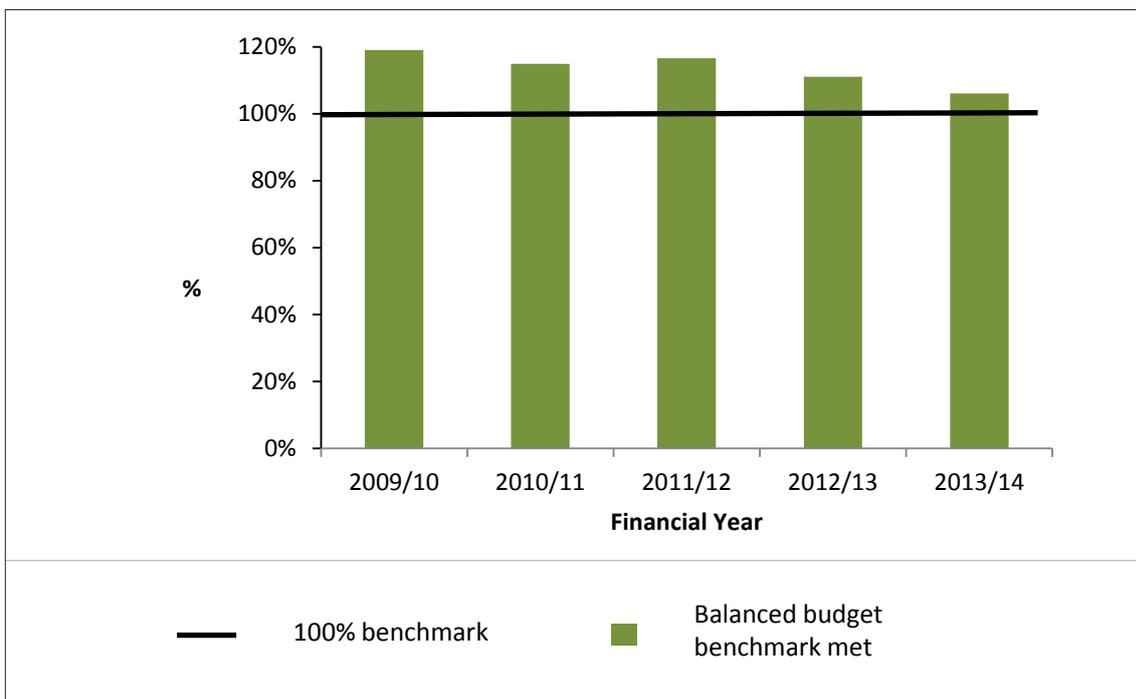
Due to Council attaining negative net debt each year, the debt indicator of actual net debt per rating unit was \$2,443 financial assets exceeding financial liabilities per rating unit in 2013/14 (2012/13: \$2,569).

Balanced Budget Benchmark

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

The Regulations 2014 state that a local authority meets the balanced budget benchmark if its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment) exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council met the balanced budget benchmark in 2013/14 and the four preceding years, see graph 7.

Graph 7: Balanced Budget Benchmark - Operating revenue to operating expenses, 2009/10 to 2013/14



Essential Services Benchmark

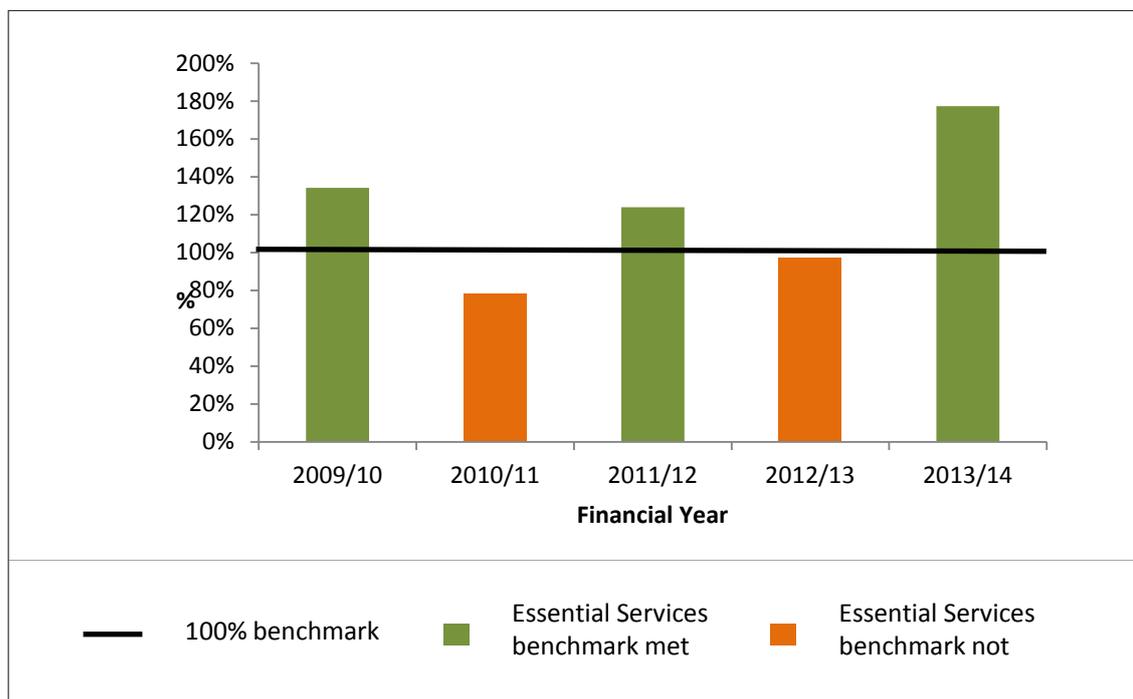
Under section 20 of the Regulations 2014, Council must disclose its actual performance in relation to the essential services benchmark. Performance is portrayed as a percentage of revenue to operating expenses.

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

The Council met the essential services benchmark in 2009/10, 2011/12 and 2013/14 with capital expenditure on network services exceeding the network services' depreciation. In 2010/11 and 2012/13 Council did not meet this benchmark, see graph 8.

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

Graph 8: Essential Services Benchmark - Capital expenditure to depreciation, 2009/10 to 2013/14

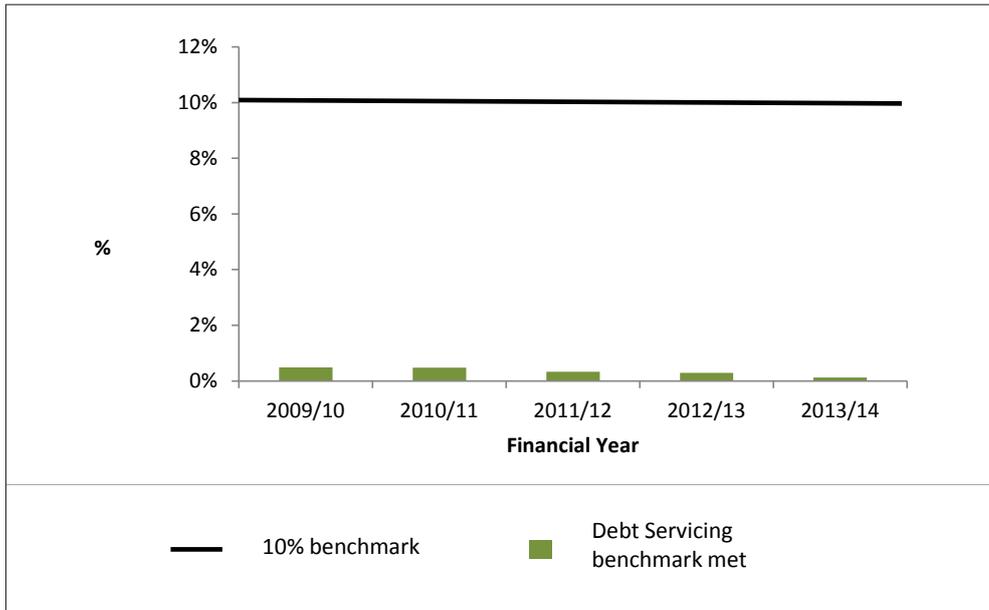


Debt Servicing Benchmark

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

The Regulations 2014 state that the Council meets the debt servicing benchmark if borrowing costs for the year are equal or less than 10% of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment). The Council met this benchmark for 2014 and the four preceding years, see graph 9.

Graph 9: Debt Servicing Benchmark - Borrowing costs to operating revenue, 2009/10 to 2013/14



Debt Control Benchmark

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

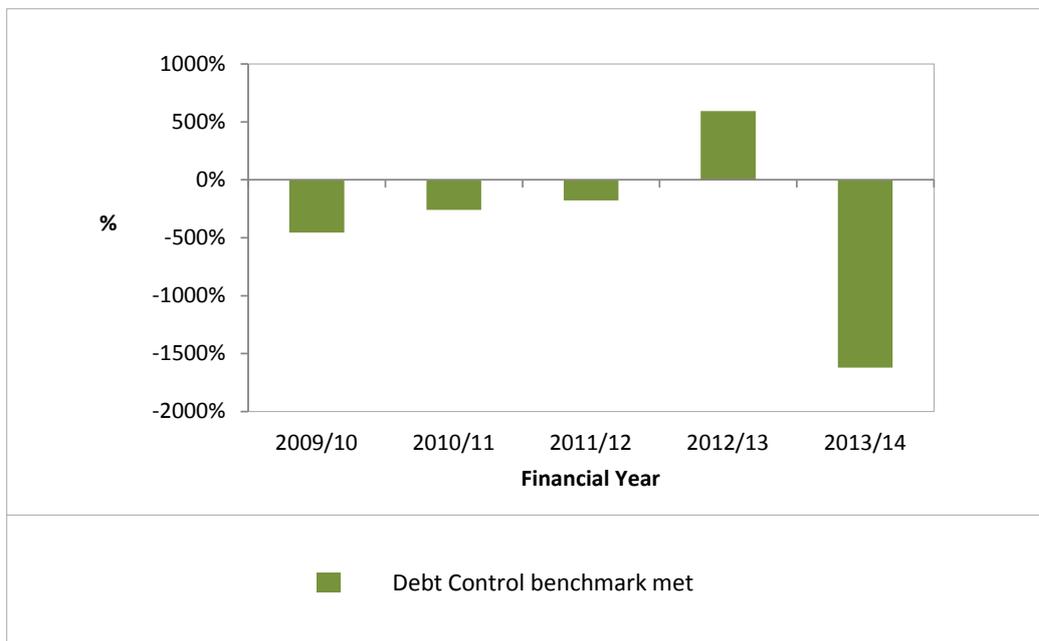
In the 2009 to 2019 and 2012 to 2022 Ten Year Plans, Council planned to have greater financial liabilities than financial assets (net debt) at the end of 2009/10, 2010/11, 2011/12 and 2013/14.

In 2009/10, Council’s financial assets were \$34.8m greater than budget due to greater than planned cash from operating activities in both 2008/09 and 2009/10. This resulted in Council having more financial assets than liabilities in 2009/10 instead of net debt, as planned. This is reflected in graph 9 with the debt control benchmark being green (achieved for 2009/10), however, a minus result below the line; planned net debt versus actual negative net debt (financial assets greater than financial liabilities).

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

In 2012/13 Council planned to have negative net debt (at the end of year). The Council met the debt control benchmark for 2013/14 and the four preceding years, see graph 10.

Graph 10: Debt Control Benchmark - Actual Net Debt to Planned Net Debt, 2009/10 to 2013/14



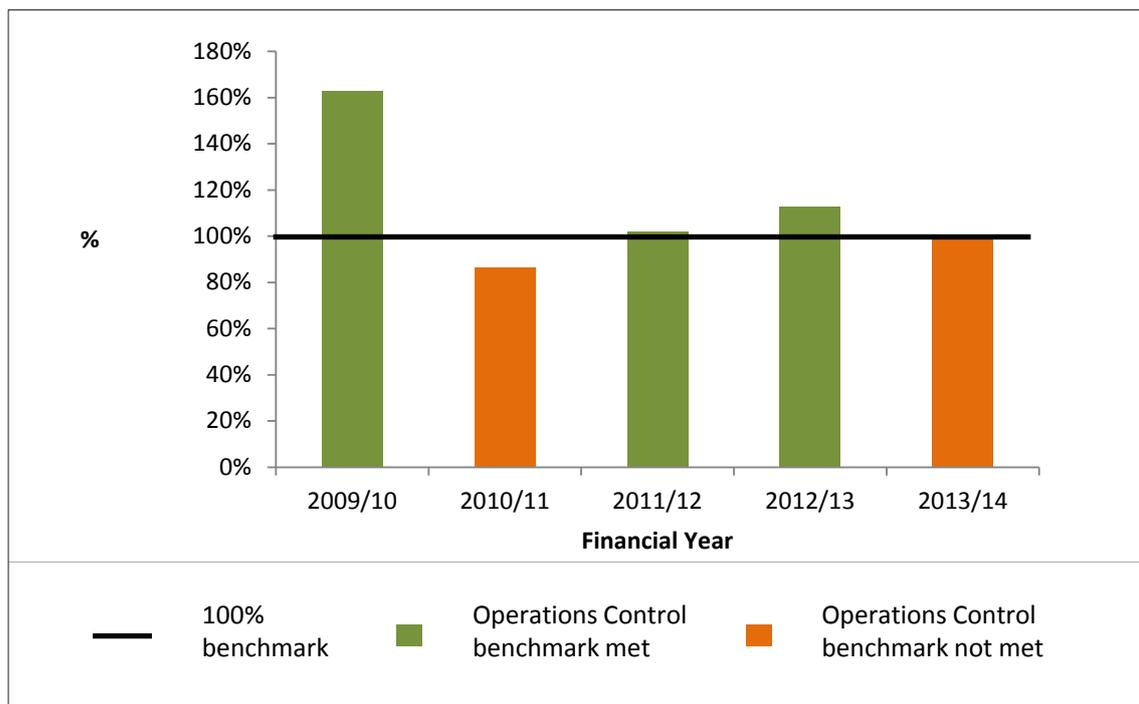
Operations Control Benchmark

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

The Regulations 2014 state that a local authority meets the operations control benchmark for a year if actual net cash flow from operations equals or is greater than planned net cash flow from operations. The Council met the operations control benchmark in 2009/10, 2011/12 and 2012/13 with actual net cash flow from operations exceeding planned.

In 2010/11 the Council's net cash flow from operations was \$31.9M which was 86% of the planned \$36.9M. In 2013/14, the Council's net cash flow from operations was \$30M which was 98% of the planned \$30.5M.

Graph 11: Operations Control Benchmark - Actual Net Operating Cash Flow to Planned Net Operating Cash Flow, 2009/10 to 2013/14



In both 2010/11 and 2013/14, 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.

Independent Auditor's Report

To the readers of Napier City Council's annual report for the year ended 30 June 2014

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

- the financial statements of the City Council that comprise:
 - the statement of financial position as at 30 June 2014 on page 34;
 - the statement of comprehensive income, statement of income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014 on pages 31 to 33 and page 35;
 - the funding impact statement of the City Council on page 83;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 109 to 157; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 36 to 82.
- the statement of service provision (referred to as performance results) of the City Council on pages 104 to 157 and the funding impact statements in relation to each group of activities of the City Council on pages 105 to 155; and
- the disclosures of the City Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 88 to 95.

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

- information about:
 - internal borrowing on page 87;
 - Council-controlled organisations on pages 159 to 162;
 - reserve funds on pages 84 to 86;
 - each group of activities carried out by the City Council on pages 104 to 157;

- remuneration paid to the elected members and certain employees of the City Council on page 74;
- employee staffing levels and remuneration on page 75;
- severance payments on page 75;
- rating base units on page 12; and
- insurance of assets on page 12.
- a report on the activities undertaken by the City Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 28; and
- a statement of compliance signed by the mayor of the Council, and by the City Council's chief executive on page 29.

Opinion

Audited information

In our opinion:

- the financial statements of the City Council on pages 31 to 82:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the City Council's financial position as at 30 June 2014; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the City Council on page 83, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan; and
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 109 to 157, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council's long-term plan or annual plan.
- the performance results of the City Council on pages 104 to 157:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the City Council's levels of service for the year ended 30 June 2014, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and

- the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the City Council on pages 105 to 155, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan; and
- the disclosures on pages 12, 28 to 29, 74 to 75, 84 to 95, 104 to 157 and 159 to 162 represent a complete list of required disclosures and accurately reflects the information drawn from City Council's audited information.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the City Council's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 22 October 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City Council's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control 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 all disclosures in the information we audited;

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

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

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

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

Responsibilities of the Council

The Council is responsible for preparing:

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

- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council 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.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the *Other Requirements*, we have carried out an audit of a Statement of Proposal to amend the Long Term Plan 2012-2022 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.



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



Part Three

Activity Groups

Contribution of Activity Groups to Community Outcomes

Democracy and Governance

Roading

Solid Waste

Stormwater

Sewerage

Recreation

Social and Cultural

City Promotion

Planning and Regulatory

Property Assets

Support Units

The War Memorial Conference Centre is included in the City Promotion Group (previously Social and Cultural). The Ten Year Plan has been restated for comparative purposes.

Contribution of Activity Groups to Community Outcomes

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

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

Council considers that meeting its service level targets constitutes its major role as a contributor to the progress of Community Outcomes for the 2013/14 year. The following table details the main contributions of the Activity Groups to the Community Outcomes.

Activity Group	Community Outcomes	Rationale
Democracy and Governance	Strong leadership	Through Democracy and Governance Council provides a democratic and consultative system of decision making. The Council, consisting of a Mayor and twelve Councillors, is elected three yearly. Through its structure of Committees, Sub-Committees, Working Parties and Forums, Council carries out the requirements of the Local Government Act 2002 and other related legislation.
Roading	Transport infrastructure and services that are safe, effective and integrated	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Solid Waste	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Stormwater	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Sewerage	A lifetime of good health and wellbeing An environment that is appreciated, protected and sustained for future generations	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.
Water Supply	A lifetime of good health and wellbeing	Council is the only viable provider of this activity on behalf of the whole community and for the wellbeing of the whole community.

Activity Group	Community Outcomes	Rationale
Recreation	Safe and accessible recreational facilities An environment that is appreciated, protected and sustained for future generations A strong, prosperous and thriving economy	Recreational facilities are a requirement for healthy urban environments as these offer the community a range of recreational choices and enhance the social and cultural wellbeing of the community. Because there is little or no economic return for an alternative provider Council is the only viable option to provide these facilities.
Social And Cultural	Safe and accessible recreational facilities Communities that value and promote their unique culture and heritage Supportive, caring and inclusive communities Safe and secure communities A lifetime of good health and wellbeing	Social and Cultural activities are provided to enhance the social and cultural wellbeing of the community. However, this comes at an economic cost.
City Promotion	A strong, prosperous and thriving economy	City Promotion activities are undertaken to support the economic wellbeing of the community through the promotion of tourism and visitors to the city.
Planning and Regulatory	Communities that value and promote their unique culture and heritage Safe and secure communities An environment that is appreciated, protected and sustained for future generations A lifetime of good health and wellbeing Transport infrastructure and services that are safe, effective and integrated	There is a statutory requirement for a number of these activities. However, all activities within this group are to ensure the environmental, cultural and social wellbeing of the wider community.
Property Assets	A strong, prosperous and thriving economy	Due to the nature of Council's activities and due to historic decisions made by previous authorities Council will hold land in various forms on behalf of the whole community. This separate activity provides professional management of these resources.

Democracy and Governance

Scope

The Democracy and Governance Group comprises:

Democracy and Governance

- Mayor and six Councillors elected by the City as a whole
- Ahuriri Ward – 1 Councillor
- Onekawa-Tamatea Ward – 1 Councillor
- Nelson Park Ward – 2 Councillors
- Taradale Ward – 2 Councillors

Through Democracy and Governance, Council provides a democratic and consultative system for decision making. The Council, consisting of a Mayor and twelve 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

The Council triennial election was held in October 2013. Mayor Barbara Arnott and Councillors Kathie Furlong, John Cocking, Dave Pipe and Tania Wright did not stand for their existing positions on Council. Councillor Cocking stood for Mayor but was not successful.

Bill Dalton was elected Mayor, Councillors Tony Jeffery, Michelle Pyke, Faye White, Rob Lutter, Keith Price, Maxine Boag (Nelson Park Ward) and Mark Herbert (Ahuriri Ward) were re-elected and were joined by Councillors Roy Sye, Annette Brosnan (Onekawa-Tamatea Ward), Mark Hamilton (Nelson Park Ward), Kirsten Wise (Taradale Ward) and Graeme Taylor (Taradale Ward). Councillors Lutter and Price were elected at large where as they had been Ward Councillors in the previous Council.

An extraordinary vacancy arose with the resignation of Mr Rob Lutter on 22 May 2014. A by-election has been scheduled to be held on Tuesday, 19 August 2014 to fill this extraordinary vacancy for a Napier City Councillor elected at large.

Performance Results 2013/14

Democracy and Governance

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council holds regular Council and Council Committee meetings that are accessible and notified to the local community.	Number of Council Meeting cycles.	7 cycles with the following Council and Standing Committee Meetings: Council (including Extraordinary) 11 City Services 7 Finance Committee 7 Community Development 5 Regulatory 7 Maori Consultative 6 City Development 6 LTCCP & Annual Plan 1	7 cycles (one less in election year)	8 cycles with the following Council and Standing Committee Meetings: Council (including Extraordinary) 13 City Services 8 Finance Audit & Risk 8 Major Projects 5 Regulatory 6 Maori Consultative 8 Tourism & Economic Development 5 LTCCP & Annual Plan 1
	All significant issues as defined by the Policy on Significance are subject to public consultation	Dog Control Bylaw and Policy Further submissions for District Plan Change 10	Report on all consultation carried out	Public Consultation for 2011/12: - Jervoistown Draft District Plan change - Napier Hill Plan Change 5 – hearing held December 2011 - Te Awa Plan Change 6 hearing held January 2012 - 2012/13 to 2021/22 Ten Year Plan
Community Perceptions				
Percentage of residents satisfied with the 'Sufficiency of Public Information' in the NRB Public Opinion Survey.		70%	80%	75%

Funding Impact Statement

Democracy and Governance

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	2,256	2,177	1,799	2,105
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)	2,256	2,177	1,799	2,105
Applications of operating funding				
Payments to staff and suppliers	-	-	-	-
Finance costs	-	-	-	-
Internal charges and overhead applied	2,256	2,177	1,799	2,105
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	2,256	2,177	1,799	2,105
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	-	-	-	-
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	-	-	-	-

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Roading

Scope

The Roothing Group comprises:

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

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

Key Issues

Roothing Projects

Key works for 2013/14:

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

Roothing Capital Projects (Bulk Funded):

Ongoing projects throughout the City. Work during 2013/14 included the completion of the North Terrace reconstruction, construction of a retaining wall in Convent Road and the completion of the Herschell Street redevelopment.

Transportation Proposals: Long term budget provision to cater for growth of the City. No physical work was carried out this year, however advanced land purchase has been undertaken to facilitate future works.

Prebensen Drive Four Laning: Council's share of the funding for this has been carried forward from past years. The New Zealand Transport Agency (NZTA) has not as yet approved the subsidy for this project.

CBD Upgrade: The first stage of the Hastings Street upgrade from Vautier Street to Albion Lane has been completed. The second stage of the Hastings Street redevelopment was put on hold pending the completion of the building reconstruction and strengthening works currently being carried out by many building owners / developers.

Cycleway Projects: The Water Trail Pathway joining Ahuriri and Bay View was completed. The second stage of the Taipo Stream pathway was completed and various short sections of paths to provide improved connectivity with the overall cycling network have also been completed.

Reduced NZTA Funding

As a result of the Government's revised targets for the Land Transport Programme, subsidy levels for maintenance and renewal works for the 3 years from 2011/12 to 2013/14 were reduced in line with previous years. The Council has carefully reprioritised its works programmes, particularly between renewal and maintenance, to minimise any adverse affect of this shortfall in funding.

Increase in Mass and Dimensions for Trucks

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

Performance Results 2013/14

Roading

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a transport system that is safe and efficient and enables users to move around effectively.	Number of Injury crashes in Napier City.	95	109	107 This was a 21% reduction.
	Average roughness of sealed roads. (NAASRA – National Association of Australian State Road Authorities. Ratings: 70 considered smooth, 150 considered rough.)	94	Less than 100 NAASRA	101.5 NAASRA counts per km
Community Perceptions				
	Percentage of residents satisfied with Roads in the NRB Public Opinion Survey.	93%	87%	89%
	Percentage of residents satisfied with Footpaths in the NRB Public Opinion Survey.	86%	82%	86%
Economic and Financial Performance				
	Rating cost per rateable property	\$395*	\$569	\$458

*Part of planned NZTA subsidised works program expenditure deferred, \$100K, due to cap limits on NZTA subsidies. Council has reprioritised its works programmes to future years.

Funding Impact Statement

Roading

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	9,867	11,101	9,466	10,430
Targeted rates	162	163	155	163
Subsidies and grants for operating purposes	3,274	1,888	3,339	1,793
Fees and charges	144	38	120	19
Internal charges and overhead recoveries	249	843	-	751
Local authorities fuel tax, fines, infringement fees, and other receipts	481	385	409	403
Total operating funding (A)	14,177	14,418	13,489	13,559
Applications of operating funding				
Payments to staff and suppliers	7,356	7,226	8,099	6,763
Finance costs	-	-	-	-
Internal charges and overhead applied	1,149	1,637	1,126	1,479
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	8,505	8,863	9,225	8,242
Surplus (deficit) of operating funding (A - B)	5,672	5,555	4,264	5,317
Sources of capital funding				
Subsidies and grants for capital expenditure	-	1,464	-	1,395
Development and financial contributions	823	978	669	955
Increase (decrease) in debt	310	1,450	1,616	2,250
Gross proceeds from sale of assets	35	-	347	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	1,168	3,892	2,632	4,600
Application of capital funding				
Capital expenditure				
- to meet additional demand	56	2,186	19	1,862
- to improve the level of service	2,368	1,950	1,688	1,882
- to replace existing assets	3,794	5,658	5,008	6,259
Increase (decrease) in reserves	622	(347)	181	(86)
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	6,840	9,447	6,896	9,917
Surplus (deficit) of capital funding (C - D)	(5,672)	(5,555)	(4,264)	(5,317)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	7,127	7,388	7,305	6,637

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Capital Expenditure

Roading

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Roading I.A.R.	3,646	4,101	3,935
Roading Gifted Vested Assets	619	1,151	460
Roading Capital Projects (bulk funded)	1,431	1,901	743
CBD Development	460	1,874	1,445
Jervois Road Footpath	5	120	-
Taradale Traffic Projects	132	-	56
Cycleway Projects	84	-	418
Transportation Proposals	11	2,131	-
Transport Study Projects	47	-	69
Prebensen Drive 4 Laning	12	-	24
Roading Minor Capital	390	-	26
	6,837	11,278	7,176

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) – three times per week

A kerbside recycling service for residential properties is provided fortnightly. Litter bins and drums are located throughout the City and serviced on a daily basis. Council's Refuse Transfer Station at Redclyffe accepts most domestic, garden and building waste, and recyclables.

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 and Napier City Councils and is managed on a day to day basis by the Hastings District Council.

Key Issues

Napier disposed of 16,413 tonnes of refuse during the 2013/14 year at the landfill from the domestic collection, the Transfer Station and litter bin collections.

The kerbside recycling collection diverted 3,133 tonnes of waste from landfill and a further 2,582 tonnes was diverted through recycling initiatives at the Redclyffe Transfer Station.

The most topical solid waste issue for the 2013/14 year was plastic recycling. Operation Green Fence caused a shift in the markets for plastic recycling. It involves China's waste legislation being enforced more strictly; recycling bales are checked by officials at the point of import to ensure that loads that have more than 2% contamination are not accepted into the country. Contamination includes plastics that don't have a resin number on them, plastics that are dirty or unwashed, product that is made from recycled materials and plastic bags. Operation Green Fence has been in place for several years but New Zealand has only been strongly effected since the beginning of its 3rd phase from February 2013 to November 2013 followed by the 4th phase beginning in May 2014. For New Zealand exporters, the greatest impact has been on sales of Mixed Plastics grades 3 – 7 and plastic bags.

Markets for mixed plastics are still tough and therefore quality has been, and continues to be, more topical for Councils and recycling businesses throughout New Zealand. Plastic bags may contaminate containers of plastic recycling for a variety of reasons whether it be because of their high level of print, no resin number, or food contamination. Consequently only supermarket plastic bags from the checkout are collected in Napier's kerbside recycling collection. Napier City Council and Hastings District Council share a contractor for the kerbside recycling collection; Green Sky Waste Solutions Ltd. They send these plastic supermarket bags in separate bales to Vietnam. Due to ongoing education and care with the quality of their bales, Green Sky Waste Solutions Ltd are just one of two recycling companies in New Zealand who are still successfully exporting plastics bales grades 1-7 to China.

In the second half of the 2013/14 year Napier City Council and Hastings District Council formed a joint committee to investigate long term alternative solutions to landfilling.

Performance Results 2013/14

Solid Waste

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a kerbside refuse collection service weekly to city residents to ensure city household waste is able to be removed from kerbside. In addition this activity provides a user pays facility at the Transfer Station for disposal of non-household refuse. These services are provided to promote community health through the prevention and spread of disease.	Weekly household kerbside waste collection	100%	100%	100%
	Transfer Station open for 362 days per year	100%	100%	100%
Council provides a kerbside recycling collection service fortnightly to reduce the quantity of waste to landfill. Council also actively promotes waste minimisation activities and responsible solid waste management decisions through education initiatives and a hazardous waste collection programme. Council also provides green waste and recycling facilities at the Redclyffe Transfer Station.	Waste to Landfill per capita.	279.81kgs	<306kgs	271kgs per capita
	Refuse Diversion Rate	25.8%*	31%	29%
	Compliance with resource consent parameters.	100%	100%	100%
	Education and waste reduction promotion programmes in place.	739**	1,000 students per annum	2,207 students for 2012/13
Community Perception				
Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey.		92%	92%	94%
Percentage of residents satisfied with Control of Litter, Graffiti, and Vandalism in the NRB Public Opinion Survey.		91%	87%	92%
Economic and Financial Performance				
Cost per rateable property.		\$216	\$202	\$202

*Refer to Key Issues for reasons

** Number of students in programmes down due to volume of students in prior year.

Funding Impact Statement

Solid Waste

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	568	447	424	430
Targeted rates	1,725	1,929	1,809	1,786
Subsidies and grants for operating purposes	176	173	166	173
Fees and charges	1,403	1,576	1,337	1,439
Internal charges and overhead recoveries	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	1,935	1,981	1,725	1,751
Total operating funding (A)	5,807	6,106	5,461	5,579
Applications of operating funding				
Payments to staff and suppliers	4,415	4,468	4,015	4,208
Finance costs	-	-	-	-
Internal charges and overhead applied	234	236	211	236
Other operating funding applications	1	-	-	-
Total applications of operating funding (B)	4,650	4,704	4,226	4,444
Surplus (deficit) of operating funding (A - B)	1,157	1,402	1,235	1,135
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	10	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	-	-	10	-
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	307	831	464	586
Increase (decrease) in reserves	850	571	781	549
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	1,157	1,402	1,245	1,135
Surplus (deficit) of capital funding (C - D)	(1,157)	(1,402)	(1,235)	(1,135)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	743	733	707	697

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Capital Expenditure

Solid Waste

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Omarunui Development - Valley D	267	261	350
Omarunui Development - Plant	16	9	15
Omarunui Development - Forestry	-	6	2
Omarunui Development - Valleys B and C	6	121	7
Solid Waste I.A.R.	18	91	90
	307	488	464

Stormwater

Scope

The Stormwater Group comprises:

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

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

Key Issues

Napier CBD

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

Design works commenced in 2013/14 for the construction of the outfall and associated viewing platform. It is expected that we will be tendering for its construction towards the end of the year.

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

Taradale

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

Initial design works have included the location of existing services as required to identify conflicts and required enabling works. Geotechnical testing has also taken place for the purpose of identifying design solutions for the reformation of the existing open drain, and for its extension.

Purimu Pump Station

The Purimu Pump Station is a critical infrastructural asset as this provides the sole means of discharge for the Purimu Stream and its catchment. The station provides for 5 pump installations. As the large number 2 pump was replaced in December last year, the number 4 pump installation is the only remaining pump to be replaced in order to reinstate the pump station to its full capacity.

Onehunga Pump Station

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 installation will be established alongside the existing pump station.

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.

Recent works included the extension of the existing Sale Street. This involved the placement of 12m long reinforced concrete box culvert to extend the existing outfall.

Future works include the extension of the Dalton Street outfall located alongside the old Marineland site. Relaying of the outfall at a higher grade from the road edge to the outlet will raise its level sufficiently above the beach gravels to allow for its free discharge.

Georges Drive Pump Station

The pump station has undergone electrical and structural upgrade works for the fitting of a new 70kW submersible stormwater pump.

Once the new number 3 pump has been installed, it is intended that last remaining non submersible pump be replaced.

Performance Results 2013/14

Stormwater

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides this service, which collects, conveys and disposes of stormwater, to protect the health and provide safety from flooding of the city's population by providing protection against flooding.	Reported number of properties inundated during events smaller than a 1 in a 50 year return period	0	0	0
	Percentage time total pumping capacity available to prevent flooding. (<i>Pumping capacity maintained at an average of 95% when pumps out of service for maintenance.</i>)	96%*	97%	94%
Council provides this service, which collects, conveys and disposes of stormwater, with no significant adverse environmental effects to protect the environment and the health of the city's population.	Compliance with discharge consent conditions.	100%	100%	100%
Community Perception				
Percentage of residents satisfied with Stormwater in the NRB Public Opinion Survey.		92%	87%	90%
Economic and Financial Performance				
Cost per hectare drained		\$1,341	\$1,303	\$1,303

*Refer to Key Issues

Funding Impact Statement

Stormwater

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	2,911	3,045	2,538	3,023
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	-	-	-	-
Internal charges and overhead recoveries	51	223	55	213
Local authorities fuel tax, fines, infringement fees, and other receipts	40	63	57	61
Total operating funding (A)	3,002	3,331	2,650	3,297
Applications of operating funding				
Payments to staff and suppliers	1,059	1,061	807	985
Finance costs	-	-	-	-
Internal charges and overhead applied	744	864	730	812
Other operating funding applications	-	-	2	-
Total applications of operating funding (B)	1,803	1,925	1,539	1,797
Surplus (deficit) of operating funding (A - B)	1,199	1,406	1,111	1,500
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	535	346	273	321
Increase (decrease) in debt	186	-	258	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	721	346	531	321
Application of capital funding				
Capital expenditure				
- to meet additional demand	164	-	3	-
- to improve the level of service	694	3,020	1,561	2,897
- to replace existing assets	345	521	297	650
Increase (decrease) in reserves	717	(1,789)	(219)	(1,726)
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	1,920	1,752	1,642	1,821
Surplus (deficit) of capital funding (C - D)	(1,199)	(1,406)	(1,111)	(1,500)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	1,868	1,906	1,824	1,855

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Capital Expenditure

Stormwater

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Upgrading Stormwater Catchments	352	802	53
Stormwater I.A.R.	74	455	3
Stormwater Gifted Vested Assets	610	439	347
CBD Stormwater Upgrade*	242	2,020	1,371
Taradale Stormwater Upgrade	67	51	-
Overland Drain	1	-	83
Georges Drive Drain	-	13	1
Purimu Replacement Pump	186	-	193
Bay View Upgrade Stormwater	-	-	19
Dalton Street Pump Replacement	-	-	27
Drain Improvements	50	59	-
Jervoistown Stormwater Improvements	-	140	-
Te Awa Stormwater Pond	164	-	3
Georges Drive Replacement Pump	5	-	74
Stormwater Minor Capital	62	54	34
	1,813	4,033	2,208

* Under budget due to timing of work now aligned to be conjunction with the Hastings Street upgrade that will commence Autumn 2015.

Sewerage

Scope

The Sewerage Group comprises:

Wastewater

- 44 Pump Stations
- 380km Wastewater Mains
- Milliscreen Plant (Awatoto)
- 1,607m Marine Outfall
- 93% of Napier's population serviced by reticulation system

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

Key Issues

Completion of Wastewater Treatment Plant

A major project with building commenced in 2012/13 was the Biological Trickling Filter (BTF) Wastewater Treatment Plant funded from the Advanced Wastewater Treatment Establishment Fund. The project was scheduled to be completed in August 2014, and was go-live on time by 31 August 2014.

Council committed to providing advanced sewage treatment following thorough investigations and a public consultation process initiated in 1993/94. There is no other single project with significant capital, operational and maintenance costs that has had a greater impact on Council's finances over the past two decades. Council has managed multiple contractors throughout the year for the construction of the Wastewater Treatment Plant. By year end most of the large structures had been completed, construction of the electrical/industrial screenings building was almost complete and work on industrial effluent pipelines, ventilation system and electrical and mechanical fitout was underway. Operating and maintenance smaller than with advanced primary treatment (APT).

The total budget of the project was \$36.1m with much of this provided in past plans. Savings of \$3.4m were identified before the end of the financial year, reducing the overall budget to \$32.7m. Expenditure during 2013/2014 was \$15m.

Performance Results 2013/14

Sewerage

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides this service, which collects, conveys and disposes of household wastewater, to protect the health of the city's population.	Number of reticulated properties that are unable to dispose of wastewater, due to stormwater infiltration, for longer than 6 hours.	1*	Zero	Zero
	Blockage resulting in overflow	Zero	Zero	Zero
	Compliance with requirements of resource consents for quality and volume.	100%	100%	100%
Ensure the sewerage system is effective and reliable.	Number of complaints relating to odour	1**	Zero	Zero
Community Perception				
Percentage of residents satisfied with Wastewater in the NRB Public Opinion Survey.		92%	90%	92%
Economic and Financial Performance				
Cost per m ³ of wastewater		\$0.74	\$0.75	\$0.73
Cost per km of wastewater mains		\$18,634***	\$18,063	\$17,944
Cost per rateable property		\$275	\$263	\$261

* The single incident was due to a wet weather event and was managed by Services staff.

**Complaint was followed with resident.

***Higher cost per km of wastewater mains was impacted by lower revenue and disposal of assets.

Funding Impact Statement

Sewerage

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	-	-	-	-
Targeted rates	6,498	6,542	7,406	7,330
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	415	447	407	432
Internal charges and overhead recoveries	40	83	-	79
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	3	-
Total operating funding (A)	6,953	7,072	7,816	7,841
Applications of operating funding				
Payments to staff and suppliers	2,314	2,244	2,085	2,129
Finance costs	-	-	-	-
Internal charges and overhead applied	959	1,125	948	1,048
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	3,273	3,369	3,033	3,177
Surplus (deficit) of operating funding (A - B)	3,680	3,703	4,783	4,664
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	125	82	124	80
Increase (decrease) in debt	-	673	490	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	125	755	614	80
Application of capital funding				
Capital expenditure				
- to meet additional demand	14	-	631	-
- to improve the level of service	15,047	2,642	1,747	-
- to replace existing assets	672	2,085	1,320	1,684
Increase (decrease) in reserves	(11,928)	(269)	1,699	3,060
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	3,805	4,458	5,397	4,744
Surplus (deficit) of capital funding (C - D)	(3,680)	(3,703)	(4,783)	(4,664)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	3,569	3,610	3,516	3,559

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Capital Expenditure

Sewerage

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Sewerage I.A.R.	473	1,049	598
Milliscreen I.A.R.	46	251	588
Sewerage Pump Station I.A.R.	151	227	133
Sewerage Gifted Vested Assets	362	590	116
Wastewater Outfall I.A.R.	-	505	-
Western Pumping Main	-	-	22
Advanced Sewerage Treatment	15,045	-	1,635
BTF Wastewater Treatment Plant	-	2,576	-
Taradale Road Pump Station and Main	14	-	608
Other Wastewater Projects	5	-	113
	16,096	5,198	3,813

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
- 471km mains
- 95.5% of Napier's population serviced by reticulation system

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

Key Issues

The district once again experienced a hot and extended summer which often results in days with very high water consumption but again this year the public responded well to the media campaign to use water carefully and the system coped well.

A number of minor water main renewals were carried out during the year, the most notable being in Lever Street where a key secondary trunk main was replaced in conjunction with the reconstruction of the road.

Approximately 45% of the water pipes renewal budget was spent during the year, which was mostly as a result of crews being busy with other work particularly the Wastewater Treatment Plant. However there was no significant impact on the performance of the reticulation because of it.

The first stage of the upgrade of the Chaucer Booster pump station was completed with some further work to be carried out in the 2014/15 year.

Performance Results 2013/14

Water Supply

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides this service to transport clean water to protect the health of the city and city safety through fire fighting capability.	Compliance with requirements of Resource Consent conditions	100%	100%	100%
	Water quality adherence to Drinking Water Standards for New Zealand 2005 (Revised 2008).	100%	100%	100%
	Percentage of water mains > 100mm in diameter cleaned	21.3%	20.0%	20.4%
	No fire hydrants reported by NZ Fire Service not meeting code of practice pressure and flow requirements	Zero	Zero	Zero
Community Perception				
	Percentage of residents satisfied with Water Supply in the NRB Public Opinion Survey.	95%	90%	96%
Economic and Financial Performance				
	Cost per m ³ of water	\$0.41	\$0.41	\$0.41
	Cost per km of water mains	\$8,721	\$8,712	\$8,692
	Operating cost per rateable property	\$167	\$167	\$167

Funding Impact Statement

Water Supply

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	-	-	-	-
Targeted rates (other than targeted rates for water supply)	3,683	3,780	3,619	3,605
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	486	506	503	488
Internal charges and overhead recoveries	37	115	-	109
Local authorities fuel tax, fines, infringement fees, and other receipts	7	12	10	11
Total operating funding (A)	4,213	4,413	4,132	4,213
Applications of operating funding				
Payments to staff and suppliers	1,966	2,144	1,911	1,998
Finance costs	-	-	-	-
Internal charges and overhead applied	636	726	638	687
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	2,602	2,870	2,549	2,685
Surplus (deficit) of operating funding (A - B)	1,611	1,543	1,583	1,528
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	160	121	101	119
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	160	121	101	119
Application of capital funding				
Capital expenditure				
- to meet additional demand	2	860	-	-
- to improve the level of service	-	123	-	119
- to replace existing assets	391	725	440	700
Increase (decrease) in reserves	1,378	(44)	1,244	828
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	1,771	1,664	1,684	1,647
Surplus (deficit) of capital funding (C - D)	(1,611)	(1,543)	(1,583)	(1,528)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	1,472	1,428	1,475	1,419

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Capital Expenditure

Water Supply

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Water Pipes I.A.R.	269	596	323
Water Pump Stations I.A.R.	33	89	-
Water Meters I.A.R.	1	22	2
Capital Upgrade Associated with I.A.R.	77	120	115
Water Supply Gifted Vested Assets	161	216	37
Upgrade Water Supply Control System	4	360	-
Severn Street Extension	-	108	-
New Well - Awatoto	2	838	-
Minor Capital	6	-	-
	553	2,349	477

Recreation

Scope

Sportsgrounds

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

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

Napier Aquatic Centre

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

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

Marine Parade Pools

- 4 heated outdoor pools
- 5 spa pools

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

Reserves

- 36 neighbourhood parks, 46 greenbelt reserves, 9 foreshore reserves and 9 public gardens
- 75m² recreational reserves per residential lot (target)

A range of passive recreation facilities providing an open space network 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 recreation network and Napier's outdoor sports facilities. Over the next 20 to 30 years, the Council will work with sports organizations and other stakeholders to turn the master plan into a reality. During the past year, further work has been undertaken to pave the way for work to happen on the ground at Park Island, including:

- Recognition of the Park Island Master Plan in Council's District Plan
- Completion of engineering designs to improve traffic management on Clyde Jeffery Drive
- Completion of engineering design to improve walking access around the base of the cemetery hills. Pathway to be upgraded in the second half of 2014
- Rebranding and design of Park Island signage. Programme to replace existing signage to be initiated in the second half of 2014
- Completion of design guidelines to ensure that future developments at Park Island provide the character intended in the master plan and to remove the risk of ad-hoc development over time
- Planning in collaboration with Hawke's Bay Regional Council and Hawke's Bay Hockey to realign and rehabilitate a section of the Taipo Stream, and consequently to support the establishment of hockey's third artificial turf at Park Island
- Planning for the establishment of natural turf playing fields in the new greenfields development area between the existing Park Island sportsgrounds and the Parklands residential development
- Construction of a new central administration building for Central Football Federation

The budget from this and past years will be carried forward.

Bond Field extension is part of the Park Island master plan improvements early projects include design for Clyde Jeffery Drive, traffic improvements, establishing a central North Island base for Central Football Federation and undertaking detailed design for the new northern hub expansion. Budget was provided in past years.

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 towards redeveloping the region's existing Sport and Active Recreation Strategy into a better plan for Hawke's Bay.

Cricket World Cup

The Council will provide McLean Park as a match venue for the 2015 Cricket World Cup and has been working closely with the event organiser to ensure the success of the event, which includes three matches at McLean Park in March 2015.

Napier Aquatic Centre

The Enclosure Building Upgrade work has been put on hold until detailed seismic assessments have been completed for all the buildings in the complex. Expenditure for Napier Aquatic Centre I.A.R. is below budget due to works yet to be completed primarily on the outdoor area.

Reserves

Whakarire Avenue Breakwater and Westshore Beach Reprofilng

A resource consent for a breakwater at Whakarire Avenue has been lodged and is being considered by the Hawke's Bay Regional Council. 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.

Hardinge Road Erosion

Coastal storm surges over recent years have led to a gradual deterioration of the rock erosion protection structure along the foreshore of Hardinge Road. An upgrade of the erosion protection structure was necessary to protect the adjoining Reserve and Rotary Pathway. This work was divided into three phases and to date stages one and two have been completed. The third and final stage will be completed in mid to late 2014.

Perfume Point Reserve beach upgrade

Following an Annual Plan submission from the Ahuriri Business Association Council allocated \$105,000 to redevelop a portion of the Perfume Point Beach Reserve between Hot Chick and East Pier. The proposal is to convert this section of Foreshore Reserve into a more user-friendly family area with a high visual and recreational appeal. The design concept is planned to be completed by the end of 2014 with construction work commencing early in 2015.

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 repouring of the existing Art Deco concrete pattern is expected to commence late in 2014.

Botanical Gardens restoration

The final stage of an upgrade of existing infrastructural items associated with the Botanical Gardens is programmed to commence after the start of the 2014/15 financial year. This final stage involves an upgrade of the gardens irrigation system in order to be able to efficiently undertake routine watering requirements to the garden.

Marine Parade Development

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

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

Other Projects

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

Inner Harbour

Investigation into whether the Meeanee Quay jetties should be renewed or redeveloped with a view to providing additional berthage for the future is required. An engineering survey will be undertaken during the next 3 years to establish the remaining life and estimated replacement cost of the jetties.

There is no provision for the renewal of the Meeanee Quay jetties within the current renewals programme.

No issues have arisen that would facilitate the need to commence this project.

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

Performance Results 2013/14

Sportsgrounds

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
	Sportsgrounds area per 1,000 residents.	3.7 ha	3.5 ha	3.6 ha
Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community.	Number of sports grounds suitable for hosting national outdoor sports events.	3	Minimum of 3	3 McLean Park, Nelson Park and Park Island hosted national and regional sports tournaments during 2012/13
	Number of sports grounds suitable for hosting international outdoor sports events.	1	Minimum of 1	1 McLean Park hosted an international cricket ODI during 2012/13
	Community Perception			
	Percentage of residents satisfied Sportsfields in the NRB Public Opinion Survey.	87%	90%	87%
Economic and Financial Performance				
	Operating Cost per rateable property	\$165	\$168	\$163 *
	Operating cost per hectare	\$19,559	\$19,931	\$19,176

* Additional operating grant provided to Pettigrew Green Arena - the joint Hastings District Council, EIT and Napier City Council recreational facility - \$138k

Napier Aquatic Centre

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community.	Accredited as meeting Poolsafe standards.	100%*	100%	100%
	Water quality adherence rate to NZ Water Treatment Standards 5826:2000.	100%	100%	100%
	Number of users.	182,623**	204,000	203,883
Community Perception				
	Percentage of residents satisfied with Pools in the NRB Public Opinion Survey.	56%	82%	56%
Economic and Financial Performance				
	Operating cost per rateable property	\$94***	\$89	\$89

*New accreditation met until 2015.

** Number of users down by 11% on 2013 due to complex being closed for maintenance during the season.

***Increased level of service by extension of operating hours during hot summer resulted in higher operating costs.

Reserves

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community.	Recreational land per residential lot.	77.06m ²	75m ²	77.06m ²
	Complaints per annum	5	<60	Zero
	Number of playgrounds	32	32	32
	Playground accidents per annum	1	<10	Zero
Council sustainably manages the development and use of reserves as a natural recreational resource for both local residents and visitors.	Annuals propagated and planted throughout the city.	173,340*	195,000	179,940
Community Perception				
Percentage of residents satisfied with Public Gardens, Street Beds and Trees in the NRB Opinion Survey		96%	95%	95%
Economic and Financial Performance				
Cost per rateable property		\$144	\$142	\$135
Operating cost per hectare of Reserve		\$9,072	\$8,970	\$8,443

*Actual plantings of annuals was less than Target due to construction of stormwater pipeline on Marine Parade and alterations to the road in Emerson Street and at the Puketapu Road roundabout.

Inner Harbour

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
	Berths available for commercial and recreational vessels.	98 berths	98 berths	98 berths
To provide and maintain Inner Harbour facilities to enable the safe berthing of commercial and recreational vessels.	Channel depth sufficient for commercial and recreational vessels. Maintain maximum time between depth soundings of inner harbour.	Soundings taken August 2012. Dredging completed October 2013 along with post dredging depth surveys.	18 months	Last soundings taken August 2012. Dredging to commence August 2013, soundings to be made once dredging completed.

Funding Impact Statement

Recreation

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	7,179	7,846	7,437	7,183
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	39	24	12	24
Fees and charges	1,514	1,466	1,507	1,434
Internal charges and overhead recoveries	70	206	8	196
Local authorities fuel tax, fines, infringement fees, and other receipts	661	632	613	569
Total operating funding (A)	9,463	10,174	9,577	9,406
Applications of operating funding				
Payments to staff and suppliers	7,598	7,180	6,968	6,856
Finance costs	-	-	-	-
Internal charges and overhead applied	1,729	1,752	1,479	1,648
Other operating funding applications	-	2	3	2
Total applications of operating funding (B)	9,327	8,934	8,450	8,506
Surplus (deficit) of operating funding (A - B)	136	1,240	1,127	900
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	192	290	359	276
Increase (decrease) in debt	-	1,571	22	765
Gross proceeds from sale of assets	311	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	503	1,861	381	1,041
Application of capital funding				
Capital expenditure				
- to meet additional demand	449	1,342	146	1,172
- to improve the level of service	1,312	510	1,805	1,872
- to replace existing assets	824	1,968	741	1,464
Increase (decrease) in reserves	(1,946)	(719)	(1,184)	(2,567)
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	639	3,101	1,508	1,941
Surplus (deficit) of capital funding (C - D)	(136)	(1,240)	(1,127)	(900)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	2,101	2,179	1,945	2,029

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Capital Expenditure

Recreation

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Sportsgrounds			
Sportsgrounds Development	-	1,207	-
Park Island Bond Field Extension	341	-	20
RGC Events Centre	41	-	187
Sportsgrounds I.A.R.	95	326	3
McLean Park Scoreboard	-	-	20
Extension of Suburban Sportsgrounds	480	500	-
McLean Park Light Tower Upgrade	170	125	-
Sportsgrounds Minor Capital	98	-	-
Napier Aquatic Centre			
Napier Aquatic Centre I.A.R.	58	157	96
Demolish and Restore Olympic Pool	43	-	167
Napier Aquatic Centre Enclosure Building	-	298	-
Minor Capital Items	-	-	9
Reserves			
Reserves I.A.R.	251	513	159
Marine Parade Landscaping	484	-	460
Marine Parade Playground	7	-	1,028
Marine Parade Development Projects	-	1,200	-
Hardinge Road Erosion	-	-	212
Passive Recreation Reserves	-	101	-
Reserves Gifted Vested Assets	-	101	-
Tree Planting Programme	63	69	66
Playground Equipment	-	-	30
Botanical Gardens Restoration	133	-	-
Whakarire Ave Groyne	24	-	29
Planting and Landscaping	108	-	126
Reserves Minor Capital	52	-	8
Inner Harbour			
Inner Harbour Facilities Renewals	137	157	73
	2,585	4,754	2,693

Social and Cultural

Scope

Libraries

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

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

Napier Municipal Theatre

The Art Deco heritage building in Tennyson Street provides modern theatre facilities for local, national and international live theatre, performing arts, exhibitions, and other community functions and events. The auditorium has a seating capacity of 993. Other features include the Pan Pac Foyer for exhibitions, functions and conferences, bar and catering facilities and a Ticketing Box Office.

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 facilitation, administration of community grants, safer community, youth development and settlement support are the main components of Community Planning. Community facilitation, grants support, encourage voluntary and community based organisations to address social issues in the City through self-help processes. Safer community's purpose is to develop community based crime prevention initiatives, promote safety in the community, and provide coordination and liaison between community groups and organisations. Youth development supports and fosters the role of young people in our community, providing opportunities for young people to participate and engage in decision making. Settlement Support ensures migrants, refugees and their families access appropriate information and responsive services that are available in the wider community.

Halls

- 6 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

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

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

Public Toilets

- 44 toilet facilities

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

A renewal programme for some of the older toilet blocks is being implemented.

Emergency Management

- 1 Emergency Management Operations Centre (EOC)
- 1 Mobile EOC - Satellite based to ensure data communications in a major disaster
- 9 Civil Defence Centres (sites and pre-designated but may not be used)

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

Key Issues

Libraries

It is evident that Library members and other visitors are starting to access 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 a community hub for informal meetings; increased use for study; the burgeoning public internet and email service; 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. In 2013 - 14 Napier Libraries spent a reduced amount on the purchase of multimedia library stock, due to the Collections Team Leader position being vacant for approximately 6 months.

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

Due to additional earthquake strengthening requirements resulting from the Christchurch earthquake, additional work was carried out on the building resulting in a 3 month delay in opening. MTG opened to the public on 21 September 2013. Budget for the MTG building project was provided in past years.

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 and 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 who contribute to making Napier a safer community.

Maraenui Shopping Centre and Reserve

The upgrade of the reserve that was initiated following a Crime Prevention by Environmental Design (CPTED) assessment has been completed with the instalment of a new playground, community stage, toilet facilities, skate park and street furniture.

Community Arts Centre

Following Council approval of a proposal from Creative Napier to use the Old Borough Council Building (now located behind Te Pania Hotel) for a Community Arts Centre, Creative Napier secured the funding required to complete the fit-out work needed to convert the building into an Arts Centre. This work is likely to be completed in November/December 2014.

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 Standard. The building was vacated and remains closed to the public. Further investigation into costs and the scope of work required are underway. Budget for the reconfiguration of the building for a Community Hub has been included in the 2014/15 Annual Plan, this does not include costs for strengthening work.

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

Minor refurbishment of the entrance way, kitchen and toilets in the Greenmeadows East Community Hall was completed through the building maintenance programme. A seismic assessment is yet to be completed.

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

Retirement and Rental

In 2011 Council resolved that the funds in the Pensioner Housing Upgrade Reserve, that had been retained to finance additional flats, would be extended to include improvements to existing Retirement Flats. From a feasibility study carried out in 2008, one of the main areas identified was the improvement of retirement flats insulation and ventilation. The insulation was upgraded during the past three years, and is now to the recommended standard for ceilings R2.9 and under floor R1.3. The Pensioner Housing Upgrade Reserve is being used to improve kitchen and bathroom ventilation and, at the same time, renew bathroom fixtures and fittings. To date 100% of the bathrooms have had ventilation installed and 66% of the bathrooms that require vanities have been upgraded. The total value of this work is expected to be \$658,000. The kitchen ventilation will commence 2014/15 year.

Cemeteries

Cemetery Extension

In order to accommodate the burial and ash interment requirements for the City, work began in 2012/13 to develop the second half of Western Hills Cemetery. Stage one of this extension centres around the design and layout of the existing land, while stage two relates to the actual construction phase. It is anticipated that the design process will be completed by the end of 2014, with the construction process commencing in 2015.

Emergency Management

A review of the HBCDEM Group Plan is complete and is now in force, a little later than the planned January 2014. Napier City Council will work with the HBCDEM Group to implement the plan in its own area of responsibility and will work 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 have been two successful Siren tests with consistent growth in levels of preparedness as indicated by the surveys and increase in the number of people hearing the sirens due to the addition of an extra siren at the Airport. National Get Ready Week in September 2013 was a great success with Napier involving itself in the “get to know your neighbours” campaign designed to bolster resilience communities.

A number of minor changes proposed in the previous annual report have started to be 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 allow the Regional Group and Ministry of Civil Defence Emergency Management (MCDEM) to “view” our situation and co-ordinate a response in aid of the Local Authority.
2. Increase to two Emergency Management Operation Centres (EOC)
 - a. This project continues near completion with the introduction of a contract for the Satellite Trailer purchased some time ago.
 - b. This will be a “Mobile EOC” and will be used in the event the use of the EOC in the council building is untenable.
3. Following the introduction of the new registration system a complete rework of the volunteer structure has resulted in three teams being established to run one Civil Defence Centre with the capacity to increase. The nine Civil Defence Centres already allocated will remain as pre-designated sites and various forms of media will be used to advise people which centre is open, or the location of any other site if dictated by the situation.
 - a. This will provide the capacity for the volunteers to open a centre wherever it is required and not be held to the current 9 centres which may be affected by an event of great magnitude.
 - b. This will be achieved by re-rolling the “Comms Trailer” which will have some of its assets moved into the Mobile EOC, this is now underway.
4. Installation of one more sirens for public alerting, this will be located at Ahuriri.

Performance Results 2013/14

Libraries

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides library and library membership services to meet the community's recreational, social and educational needs. (two year average)	Percentage of Napier City residents who are active borrowers	35%*	36%	36.33%
	New stock items per 1,000 residents - including electronic	243	>350	457
Community Perception				
Percentage of residents satisfied with the Library Service in the NRB Public Opinion Survey		85%	85%	84%
Economic and Financial Performance				
Total cost per door and web entry		\$5	\$6	\$5
Rating cost per rateable property		\$129	\$122	\$126

*Refer to Key Issues

Napier Municipal Theatre

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a quality performing arts venue experience for local and visitor use	Visitor and local entries to facility	87,918*	97,808	76,833
	Number of hire days for theatrical and cultural events.	180	140	158
Economic and Financial Performance				
Operating cost per entry		\$12	\$11	\$15
Rating cost per rateable property		\$25	\$25	\$28

*Visitor and local entries showing good signs of improvement, and will be better utilised with the closure of the HB Opera House

MTG Hawkes Bay (Museum Theatre Gallery Hawkes Bay)

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Provide a facility to display art, culture and heritage.	Visitor and local entries to Museum & Art Gallery	125,155	120,000*	closed
	Number of events per annum	58	12	closed
	Number of collection items lost or damaged	0	0	closed
	Number of exhibitions per annum	15	12	closed
Community Perception				
Percentage of residents satisfied with MTG Hawke's Bay (including Century Theatre) in the NRB Public Opinion Survey		27%	80%	closed
Economic and Financial Performance				
Operating cost per entry		\$35**	\$6	closed
Rating cost per rateable property		\$89**	\$56	closed

*2014 Target and TYP targets of 690,000 was revised down to 120,000 by Council resolution 5 February 2014.

**Costs were higher than target due to additional staffing costs and higher power costs associated with reopening the Museum.

Halls

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a sufficient number and range of cultural and social facilities to satisfy the needs of the community.	Number of Halls	5*	6	5
Community Perception				
Customer satisfaction that the service provided meets acceptable standards.		90%	95%	94%
Economic and Financial Performance				
Average rating cost per Hall		\$48,823**	\$35,883	\$36,297

*Memorial Square currently closed due to earthquake strengthening requirements.

**Average cost of Halls higher due to the lower base.

Community Planning

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council offers financial support for community initiatives and to secure key community services through grants and service contracts. Council promotes community safety with an emphasis on implementing crime prevention measures. Council also supports youth initiatives in Napier.	Number of local community events coordinated	67*	50	31
	Number of youth forums coordinated per annum		0	29
	Minimum number of community based crime reduction strategies supported	4	4	4
Council regularly liaises with community groups, social services and key community organisations and agencies to share community information and advice.	Number of community training and networking meetings facilitated per annum	28**	20	35
	Satisfaction rating of attendees at workshops	96%	95%	100%
	Number of community organisations receiving information via email 4 times per year	186	120	171
Community Perception				
Percentage of residents with Safety Day in the NRB Public Opinion Survey	97% of respondents feel safe in their homes during the day		96%	97% of respondents feel safe in their homes during the day
	95% of respondents feel safe in their neighbourhoods during the day			96% of respondents feel safe in their neighbourhoods during the day
	96% of respondents feel safe in the CBD during the day			97% of respondents feel safe in the CBD during the day
Percentage of residents satisfied with Safety Night in the NRB Public Opinion Survey	94% of respondents feel safe in their homes after dark		61%	93% of respondents feel safe in their homes after dark
	66% of respondents feel safe in their neighbourhoods during after dark			66% of respondents feel safe in their neighbourhoods after dark
	32% of respondents feel safe in the CBD during after dark			38% of respondents feel safe in the CBD after dark
Economic and Financial Performance				
Operating cost per rateable property		\$58	\$48	\$52

*Events in line with Targets however, not reported separately due to the combination of events..

**Number of events is in response to community needs.

The measure (61%) relates to three areas: safety in the home (93%), safety in local neighbourhood (66%) and safety in the CBD (38%). All results have increased since they were last measured in 2010. In addition, we also measure perceptions of safety biannually through the Social Monitor – the latest results (June 2012) showed a 7% increase in feelings of personal safety and slight increase in feelings of safety overall (94.2%).

We continue to support a range of initiatives and programmes to address safety issues. The Safer Napier programme is a collaborative approach involving Council, Government Agencies and community to address specific areas such as crime prevention, injury prevention, road safety and alcohol harm. In addition, Council increased its support (July 2012) for Napier Safety Trust (CCTV), Neighbourhood Support and Napier Community Patrols. The nature of the CBD has changed over the last few years, with the main socializing area now being located in Ahuriri, so there are fewer people out at night in the CBD. The area is well lit and any issues around graffiti, vandalism or reports of 'unsafe' locations are responded to quickly. We have also responded to the CBD Alcohol Accord's request for advice around drug users and people presenting with mental health issues – a seminar was run by DHB in July. We anticipate a continued % increase in this measure over time.

Retirement and Rental Housing

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council promotes community safety by providing a safe environment for its tenants in council housing.	Village Coordinators available during normal working hours and on call for emergencies after hours	100%	100%	100%
	Inspections per unit per year	100%	100%	100%
	• Retirement Flats – fortnightly [welfare]* • Retirement and Rental Flats – annually [maintenance]**	100%	100%	100%
Economic and Financial Performance				
Occupancy Rate	• Retirement Flats	98%	97%	97%
	• Rental Flats	97%	97%	98%

* Welfare inspections are regular visits to ensure tenants are safe and well.

** Maintenance inspections are carried out to review the condition of rental and retirement flats where remedial works are carried out as required or scheduled.

Cemeteries

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides and maintains a tranquil environment for burial, reflection and placing of memorials to deceased family members. Council also maintains both the burial records and the historical features for all cemeteries managed.	Cemeteries records are well maintained and accessible	90%	Online cemetery records system available 90% of the time	90%
	Cemeteries are well maintained and provide a quiet environment for visitors	Zero	< 10 complaints per annum	Zero
	Interment and Burial spaces are available on request	100%	100%	100%
Community Perception				
Percentage of residents satisfied with Cemeteries in the NRB Public Opinion Survey.		77%	80%	77%
Economic and Financial Perception				
Operating cost per rateable property		\$22	\$23	\$21

Public Toilets

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
To ensure the health of the community through the appropriate disposal of human waste in high traffic community areas, Council provides adequate toilets that are accessible, available and appropriately located for use by the public throughout the community	Public toilets cleaned daily.	100%	100%	100%
Community Perception				
Percentage of residents satisfied with Public Toilets in the NRB Public Opinion Survey.		78%	80%	76%
Economic and Financial Performance				
Operating cost per rateable property		\$29	\$31	\$28

Emergency Management

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council protects communities by coordinating and integrating all activities necessary to build, sustain and improve the capability to mitigate against, prepare for, respond to, and recover from threatened or natural disasters or man-made events.	Public Warning Systems are in place	6 April 2014 - 88% heard the sirens	80% of population receive warnings	88.21%
	Population prepared in accordance with national guidelines for an emergency event.	April 2014 - 87% had emergency kits	60% of survey respondents have an emergency kit	88.2%
Community Perception				
Percentage of residents satisfied with Civil Defence Organisation in the NRB Opinion Survey		72%	75%	75%

Funding Impact Statement

Social and Cultural

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	8,855	7,856	7,492	7,425
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	455	353	420	349
Fees and charges	2,210	2,836	1,762	1,926
Internal charges and overhead recoveries	2,328	1,923	1,658	1,687
Local authorities fuel tax, fines, infringement fees, and other receipts	2,298	2,361	2,450	2,254
Total operating funding (A)	16,146	15,329	13,782	13,641
Applications of operating funding				
Payments to staff and suppliers	9,678	9,023	8,491	8,162
Finance costs	-	-	-	-
Internal charges and overhead applied	5,591	5,303	4,457	4,588
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	15,270	14,326	12,948	12,750
Surplus (deficit) of operating funding (A - B)	876	1,003	834	891
Sources of capital funding				
Subsidies and grants for capital expenditure	697	619	3,683	3,388
Development and financial contributions	25	39	20	38
Increase (decrease) in debt	2,571	-	1,990	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	3,293	658	5,693	3,426
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	2,999	39	7,145	-
- to replace existing assets	1,155	1,226	1,067	1,137
Increase (decrease) in reserves	15	396	(1,685)	3,180
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	4,169	1,661	6,527	4,317
Surplus (deficit) of capital funding (C - D)	(876)	(1,003)	(834)	(891)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	1,456	1,939	1,462	1,553

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act 2002. The FIS is intended to disclose the sources and applications of Council funds. The FIS includes only transactions involving monetary funding and therefore excludes vested assets, revaluations and depreciation. This statement is not GAAP compliant.

Capital Expenditure

Social and Cultural

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Libraries			
Library Stock	342	567	605
Minor Capital Items	14	-	5
Napier Municipal Theatre			
NMT Minor Capital	23	29	76
Museum, Theatre, Gallery, Hawke's Bay			
MTG Building	2,708	-	6,974
MTG Minor Capital	262	27	16
Halls			
Memorial Square Building Development	-	300	-
Halls Minor Capital	26	-	48
Community Advice			
Crime Prevention Through Environmental Design	181	-	84
Retirement and Rental Housing			
Retirement Flats Minor Capital	228	274	261
Rental Flats Minor Capital	9	44	43
Cemeteries			
Cemeteries I.A.R.	49	85	43
Western Hills Extension	4	159	-
Other Cemeteries Projects	4	12	-
Public Toilets			
Public Toilets I.A.R.	166	109	33
New Toilet Programme	96	38	23
Emergency Management			
Emergency Management Minor Capital	43	-	1
	4,155	1,644	8,212

City Promotion

Scope

City Business and Promotion

- Business advisory and facilitation services
- Business re-focus, company rebuilding
- Business start up facilitation
- Business Mentoring
- The Enterprise Unit facilitates and assists existing and new businesses in the City to develop, expand and create employment
- Council promotes Napier via a city marketing programme and its support to the Napier and Taradale business associations
- Sister City relations – Tomakomai (Japan), Lianyungang (China), Victoria (Canada)
- Grants to key local tourism organisations

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

War Memorial Conference Centre

A multi-functional facility located on the beach front along Marine Parade, consisting of a ballroom, an exhibition hall, a gallery and three breakout rooms. This venue is highly suitable for conferences, exhibitions, weddings and other functions. The facility also houses an eternal flame as a memorial to Napier citizens who served and died in the conflicts of the 20th century.

National Aquarium of New Zealand

The National Aquarium of New Zealand, on Marine Parade, houses penguins, sharks, stingray, live coral, tuatara, alligators, hundreds of fish species, reptiles and kiwi. There are shows and tours daily, diving facilities, a themed souvenir shop and a café. The National Aquarium regularly hosts school groups, tour groups, birthday parties, sleep overs, and many other functions.

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 and travel, attractions and activities, itinerary planning and advice, gifts, souvenirs, stamps and phone cards, local business events and entertainment information, maps, guides and books.

Par 2 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 and coaching for schools and corporate business house competitions.

Kennedy Park Resort

Kennedy Park Resort Napier is one of the busiest holiday parks in New Zealand set in spacious park like surroundings. Facilities include 91 rooms, 170 powered and non powered sites, as well as a restaurant, bar, conference facility, children's playground, commercial laundry, service buildings, shop and a pool complex.

Key Issues

City Business and Promotion

The Business Mentoring service was transferred to the Hawke's Bay Chamber of Commerce part way through the year.

Deco City Discoverer (City Promotion)

The 'Deco City Discoverer' bus service was discontinued due to high operating costs outweighing the economic benefit.

National Aquarium of New Zealand

Marineland has been closed to the public by decisions of Council dated 2 July 2008 and 9 December 2010. Marineland's penguins were moved to the National Aquarium in November 2012. The future of the remaining animals and birds is a key issue for Napier, along with the future use of the Marineland site.

Kennedy Park Resort

Kennedy Park has resigned from the TOP 10 Group effective 30 June 2013.

Performance Results 2013/14

City Business and Promotion

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council has processes in place to encourage new business enterprises to establish in the City which contribute to the economic wellbeing of the city.	Growth in business numbers	No material change in business numbers noted	To be reported	No material change in business numbers noted
	Number of visitor nights in commercial accommodation	522,772*	600,000	524,657
	Cruise ship visitor numbers	85,437**	108,000	139,000
Community Perception				
Percentage of residents satisfied with Council's Policies to Promote Job Opportunities in the NRB Public Opinion Survey		35%	"80% target based on excluding don't know"	"31% 62% excluding don't know"
Percentage of residents satisfied with Tourism Promotion in the NRB Public Opinion Survey		84%	88%	87%
Economic and Financial Performance				
City GDP per capita		\$36,394	To be reported	\$34,123

*Number of visitor nights and commercial accommodation down compared to target due to continued economic impacts.

**Cruise ship visitors impacted due to weather and ability to get to port (seven ships)

War Memorial Conference Centre (WMC)

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a quality conference and events facility which enables events and services to be hosted that contribute to the economic wellbeing of the city.	Qualmark rating maintained	4 * +	Rating maintained	Rating maintained
	Number of National and International hires	270	260	277
Economic and Financial Performance				
Rates cost per hire		\$1,560	\$1,448	\$1,335

National Aquarium of New Zealand

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a marine zoo and aquaria to attract visitors to Napier, offers a value-for-money visitor experience that contribute to the economic wellbeing of the city	Number of visitors	113,804	99,000	114,573
	Days Open	364	364	364
Economic and Financial Performance				
Rating cost per visitor		\$10	\$12	\$9
Operating cost per rateable property		\$118	\$119	\$113

Napier i-Site Visitor Centre

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides an i-SITE facility for visitors to Napier and Hawke's Bay to deliver tourism information and tour and accommodation services to encourage visitors to stay longer and to revisit.	Visitor number per annum	265,851*	310,000	296,077
	Hours and Days Open	Open a minimum of 8 hours for 364 days	At least 8 hours, for 364 days	Open a minimum of 8 hours for 364 days
Economic and Financial Performance				
I-Site revenue per visitor		\$2	\$2	\$2
Rating cost per visitor		\$1.50	\$1.20	\$1.10

*Impacted by lower than forecast visitor numbers including ship visitors.

Par 2 MiniGolf

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides a Mini Golf facility as a visitor attraction and for local community use.	Visitor Admissions per annum	37,624*	39,300	37,545
Economic and Financial Performance				
Revenue per admission		\$8	\$8	\$8
Rating return per visitor		\$1.96**	1.09	1.45*
Return on Assets		20%	12%	14%

*Due to lower visitor numbers.

**Due to lower marketing costs and deferred recarpeting of the greens.

Kennedy Park Resort

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides this facility to contribute to the promotion of Napier as a visitor destination and to provide, within a single location, a mixture of accommodation types and facilities for visitors.	Room nights per annum	23,104*	25,000	22,426
Economic and Financial Performance				
Return on Assets		4%	6%	7%

*Showing signs of improvement but still being impacted by current economic climate.

Funding Impact Statement

City Promotion

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	1,651	1,524	1,554	1,459
Targeted rates	167	171	165	165
Subsidies and grants for operating purposes	140	117	142	117
Fees and charges	6,678	7,609	6,428	7,341
Internal charges and overhead recoveries	59	73	71	70
Local authorities fuel tax, fines, infringement fees, and other receipts	47	51	47	49
Total operating funding (A)	8,742	9,545	8,407	9,201
Applications of operating funding				
Payments to staff and suppliers	7,268	7,762	6,912	7,523
Finance costs	-	-	-	-
Internal charges and overhead applied	1,336	1,376	1,251	1,346
Other operating funding applications	-	-	1	-
Total applications of operating funding (B)	8,604	9,138	8,164	8,869
Surplus (deficit) of operating funding (A - B)	138	407	243	332
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	-	-	-	-
Total sources of capital funding (C)	-	-	1	-
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	-	899	-
- to improve the level of service	-	-	-	-
- to replace existing assets	183	407	614	332
Increase (decrease) in reserves	(45)	-	(1,269)	-
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	138	407	244	332
Surplus (deficit) of capital funding (C - D)	(138)	(407)	(243)	(332)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	1,065	1,107	969	1,108

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Capital Expenditure

City Promotion

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
City Promotion			
Ahuriri/CBD Transportation Link - Vehicles	-	-	358
War Memorial Conference Centre			
WMC Minor Capital	15	18	21
National Aquarium of NZ			
Move Marineland Penguins to Aquarium	-	-	492
NANZ Minor Capital	82	20	151
NANZ Plant and Equipment	-	34	-
Par 2 MiniGolf			
Par 2 MiniGolf Minor Capital	-	6	27
Napier i-SITE Visitor Centre			
i-SITE Minor Capital	2	12	11
Kennedy Park			
Kennedy Park Renewals	60	187	371
Kennedy Park Minor Capital	24	119	82
	183	396	1,513

Planning and Regulatory

Scope

Planning Policy

Planning Policy manages the development of the natural and built environment of Napier, via the District Plan, under the Resource Management Act 1991 (RMA) in a sustainable manner, ensuring that the quality and quantity of the City's resources are maintained and enhanced.

Regulatory Consents

Council ensures that development of the City is within the RMA and the policies of the District Plan through Regulatory Consents. This includes processing non notified Resource Consents and Land Information Memorandum, preparing resource applications for land subdivisions and an annual environmental programme to gauge the effectiveness of Council's environmental management policies. Also covered is enforcement work to ensure compliance with Resource Consent approvals and the operative District Plan.

Building Consents

The Council ensures that building development within the City is in accordance with the Building Act 2004 through the Building Consents process. Services include a counter advisory service, processing Building Consent applications, providing Code of Compliance Certificates and Compliance Schedules, and investigating complaints.

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. Licences are processed for premises selling alcoholic products and they receive regular inspection. Food premises 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 these must all be registered. Emphasis is placed on responsible dog ownership, education and classification of dogs and owners in line with the provisions of the Dog Control Act 1996.

Parking Services

Public Parking Spaces: CBD – 2,499; Taradale – 339

Parking areas are provided in the Central Business District and Taradale Shopping Centre as well as the smaller commercial areas of the city, with long and short term spaces providing parking to meet reasonable public expectations. In addition to fees from parking meters, car park ticket machines and leased spaces, parking is funded through a levy on rates on commercial and retail properties in Napier and Taradale and other smaller suburban shopping and commercial areas. Monitoring and enforcement of parking bylaws ensures equitable use.

Key Issues

Planning Policy

Draft Plan Change 10 was developed and notified last year with the primary purposes of:

- Integrating the Ahuriri Subdistrict provisions into the Operative Napier District Plan so that all planning rules for Napier are held within one planning document.
- Harmonising wherever practicable the following district wide activities (and in some instances also 'place-based' activities) between the Napier and Hastings District Plans in order to achieve consistency between the two authorities.

District Wide Activities

- ◆ Natural Hazards
- ◆ Network Utilities
- ◆ Activities on the Surface of Water

- ◆ Earthworks
- ◆ Signs
- ◆ Hazardous Substances
- ◆ Noise
- ◆ Transport (primarily car parking ratios)

Place Based Activities

- ◆ Non Rural uses within the Rural Zones (Home occupations, Supplementary Units, Residential Care Facilities, Day Care Centres, Education Facilities, Travellers' Accommodation)
- ◆ To update planning maps to reflect the harmonised zonings and for consistency in style and colour with the Hastings District Plan
- To update existing Napier District Plan provisions where they are affected by recent Napier City Council policy changes and decisions, including;
 - ◆ Temporary signs in rural areas
 - ◆ Realigning the parking exemption boundary with the differential rating boundary in the inner city
 - ◆ Sports Park Rezoning at Park Island
 - ◆ Rezoning Western Hills and Park Island Cemeteries from Sports Park to Reserve Zone
 - ◆ Updating Code of Practice for Subdivision and Land Development to reflect current practice
 - ◆ Tyre storage
 - ◆ Rural Settlement Zone site coverage rules and clarification of serviced/unserviced site requirements
 - ◆ Seismic strengthening of heritage items
 - ◆ Noise standards associated with Temporary Activities

The Council has also initiated a study of the Ahuriri Mixed Use Zone and Draft Plan changes have been prepared that will be formally notified later in 2014, and integrated with the other changes.

Building Consents

The latest IANZ accreditation assessment the Building Consents operation identified issues that needed to be reviewed and as a result the operations are currently being reviewed.

Environmental Health

There is new legislation covering the sale of liquor. A lot of work has already been completed towards institution of the Sale and Supply of Alcohol Act 2012 and associated regulation. Officers have begun work on a joint Local Alcohol Policy with Hastings District Council and a District Licensing Committee has been appointed. The Food Act 2014 has become law and officers are working towards implementation of the Act when it comes into force early 2016.

Animal Control

Council's focus on identification of unregistered dogs has meant that registration numbers have increased and the amount charged for registration has been held steady. The on-going approach of imposing of 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 complaint approach to caring for and registering their dogs.

Work is almost complete on the dog pound facility to ensure it remains compliant with newly instituted animal welfare codes. This project also included a security camera system and staff safety equipment. A refittable pod for the Animal Control vehicle was constructed.

Parking Services

A Cashless payment system has been in trial in the inner City this year and after Council consideration may be deployed to further off street parking facilities.

The pay and display zones within Taradale have bedded in and are producing the requisite income to meet the cost of the Taradale main street upgrade loan over the project 25 years.

The Vautier Street walkway from the Vautier Street car park was constructed with budgets provided in past years and cameras were installed to upgrade security in several parking facilities.

Performance Results 2013/14

Planning Policy

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety (building quality, animal nuisance).	Ensure the integrity of the District Plan is maintained through strategic reviews.	<p>An implementation committee for the joint Heretaunga Plains Urban Growth Study (NCC, HDC and HBRC) has been established with an agreed terms of reference and work is on-going. HBRC has changed the Regional Policy Statement via Plan Change 4 to their Regional Resource Management Plan and in response Napier City Council has introduced a first stage of changes (as part of Plan Change 10) that recognise the importance of HPUDS and strengthen existing provisions to ensure the objectives of HPUDS are given effect to. Phase 1, 2, 3 & 4 of the strategy "Greening Napier: A Framework for Street & Pathway Greening Initiatives", have been completed with the significant transport corridors now largely completed. An additional phase focusing on the CBD is underway. Carlyle Street has been completed with planting undertaken in 1.5 x 1.5 metre containers. Tennyson Street and Hastings Street will follow.</p> <p>A district plan harmonisation project is underway between Napier City Council and Hastings District Council with the aim of harmonising plan provisions where practicable while retaining a place based planning approach within the district plans. Napier's main focus is on incorporating the Ahuriri Subdistrict Plan into the Napier District Plan, Natural hazards, Network Utilities, Activities on the Surface of Water, Planning Maps, Signage, Hazardous Substances, Noise, Transport, and the appropriate permitted baseline for various land use activities applying within the Rural Environments. Both Councils have formally notified their Proposed Plans (Plan Change 10 in terms of Napier) with submissions closing on 14 February 2014 and a summary of those submissions being publicly notified on 26 April 2014 seeking further submissions.</p> <p>A review of the Mixed Use Zone in Ahuriri (Review of the Effectiveness of the Ahuriri Mixed Use Zone – September 2013) is completed and reported to Council. The report is a holistic review investigating how effective the Mixed Use Zone is at managing land uses within the zone and makes recommendations how the zone provisions could be improved to manage those land uses and avoid or reduce conflict between activities. A draft plan change is now being prepared in line with the recommendations from the report and will be reported through to Council shortly.</p>	Report on progress	n/a
	Manage District Plan modifications within legal requirements.	Plan Change 10 whose primary focus is on harmonising plan provisions with Hastings District Council, wherever practicable, was publicly notified on 7 December 2013 with the submission period closing on 14 February 2014. A summary of those submissions has now been prepared and was publicly notified on 26 April 2014 seeking further submissions with the further submission period due to close on 9 May 2014. The statutory process and legal timeframes commenced on notification of the plan change.	Report on progress	n/a
Economic and Financial Performance				
Cost per rateable property		\$24	\$25	new measure

Planning Policy Continued

Regulatory Consents

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety through the resource consent process.	Land Information Memorandums processed within the statutory time frame of 10 working days.	100% (337 out of 337 with 6 day average processing time)	100%	99.7% (323 out of 324 with 6 day average processing time)
Planning complaints are responded to efficiently and effectively in a manner that is fair to all parties.	Response rate to complaints.	100% of complaints investigated within 3 days (14 out of 14)	All urgent complaints are investigated within 3 days.	92.1% of complaints investigated within 3 days (35 out of 38)

Building Consents

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety (building quality, animal nuisance).	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.	20.1%	20%	24%
	Maintain Building Consent Authority (BCA) accreditation.	Accreditation maintained	Accreditation maintained	Accreditation maintained
	Process building consents within 20 working days.	100% processed within 20 working days (1,715 out of 1,715)	100%	100% processed within 20 working days (1,339 out of 1,339)
	Process code of compliance certificates within 20 working days.	100% processed within 20 working days (1,700 out of 1,700)	100%	100% processed within 20 working days (1,251 out of 1,251)
Economic and Financial Performance				
	Rates cost per building consent	\$132*	\$399	\$170

*The decrease in rates per building consent is a result of the increased volume of building consents that resulted from the Hawke's Bay Regional bylaw regarding fireplaces.

Environmental Health

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their health (food handling, water quality) and wellbeing (noise and environmental effects).	Proportion of all food premises inspected twice per year (including re-checking) and non-food premises inspected once per year.	100%	100%	100%
	Number of water samples taken compared to number of the National Standard.	181.3%	165%	191%
	Requests for swimming pool fencing inspections initiated within 10 working days.	100%	100%	100%
Community Perceptions				
Percentage of residents satisfied with Noise Control in the NRB Public Opinion Survey.		86%	80%	86%
Economic and Financial Performance				
Operating cost per rateable property		\$26	\$24	\$25

Animal Control

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety (building quality, animal nuisance).	Number of service requests/ Number of licensed dogs	48.7%	42%	45%
	Number of licensed dog owners.	15.8%*	20%	23%
Community Perceptions				
Percentage of residents satisfied with Animal Control in the NRB Public Opinion Survey.		82%	75%	84%
Economic and Financial Performance				
Rating cost per rateable property		\$4	\$6	\$4

*Increased number of registered dogs has impacted on percentage of licensed dog owners.

Parking Services

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council provides on and off street parking facilities <ul style="list-style-type: none"> ▪ to provide sufficient parking to meet reasonable public expectations ▪ to ensure the equitable sharing of parking resources, and ▪ to ensure safe and effective passenger vehicle flow. 	CBD parking occupancy rate (off street and on street).	61%	Less than 75%	"58% total occupancy 49% off street 62% on street"
	Taradale parking occupancy rate (off street and on street).	50%	Less than 75%	"55% total occupancy 38% off street 50% on street"
Community Perceptions				
Percentage of residents satisfied with Parking in the Inner City in the NRB Public Opinion Survey.		66%	60%	66%
Percentage of residents satisfied with Parking in the Suburbs in the NRB Public Opinion Survey.		60%	60%	64%

Funding Impact Statement

Planning and Regulatory

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	2,236	2,210	2,130	2,170
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	3,831	3,916	3,488	3,860
Internal charges and overhead recoveries	141	142	124	124
Local authorities fuel tax, fines, infringement fees, and other receipts	1,069	983	1,052	981
Total operating funding (A)	7,277	7,251	6,794	7,135
Applications of operating funding				
Payments to staff and suppliers	3,460	3,576	3,324	3,476
Finance costs	-	-	-	-
Internal charges and overhead applied	2,432	2,473	2,174	2,406
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	5,892	6,049	5,498	5,882
Surplus (deficit) of operating funding (A - B)	1,385	1,202	1,296	1,253
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	72	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	(7)	-	-	-
Lump Sum Contributions	-	-	-	-
Total sources of capital funding (C)	(7)	-	72	-
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	555	10	-
- to improve the level of service	482	-	257	-
- to replace existing assets	187	176	44	120
Increase (decrease) in reserves	709	471	1,057	1,133
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	1,378	1,202	1,368	1,253
Surplus (deficit) of capital funding (C - D)	(1,385)	(1,202)	(1,296)	(1,253)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	236	408	254	430

The Funding Impact Statement (FIS) is provided in accordance with Section 98 and Schedule 10 of the Local Government Act 2002. The FIS is intended to disclose the sources and applications of Council funds. The FIS includes only transactions involving monetary funding and therefore excludes vested assets, revaluations and depreciation. This statement is not GAAP compliant.

Capital Expenditure

Planning and Regulatory

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Building Consents			
Property Information Electronic Data Management	70	-	73
Animal Control			
Minor Capital Items	122	51	18
Parking Services			
CBD Parking Building	-	-	10
Develop Senior Citizens Site	-	-	153
Suburban Parking*	-	541	-
Parking Equipment Replacement	162	101	19
Minor Capital Items	315	20	37
	669	713	310

* No spend during 2013/14 due to suitable project site yet to be identified.

Property Assets

Scope

Lagoon Farm

The 350 hectare farm is situated on the south side of the Ahuriri Estuary. It currently runs cattle, sheep, and has some Kiwi Fruit plantings and cropping leases. A quarter acts as a flood ponding area during unusual and extreme weather events.

As residential or business park development occurs, farming operations will reduce. The farming operation has already been impacted upon by construction of the Prebensen Drive extension, which bisects the farm. As these activities progressively impact on the farm operations, it is likely that Council will cease to operate Lagoon Farm as a commercial farm, and move to long term cropping leases.

Parklands Residential

The Council's Parklands Residential Development on 120 hectares of former Lagoon Farm land providing 440 residential sections for sale during 2012-2022. This plan includes land for sportsgrounds. The rate of development will be driven by market demand.

Property Holdings

Leasehold Properties:

- Commercial – 80
- Residential – 30

This business unit is responsible for the management of leases and licences which have been established for parks, reserves, commercial, industrial and residential properties. The majority of leases are perpetually renewable.

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

Key Issues

Lagoon Farm

A steady year with relatively good weather conditions which allowed the farm to return a small profit.

Parklands Residential

The market continues to be relatively quiet with a moderate take up of sections (26 lots). Council has limited its development work to reflect the market.

Property Holdings

Lagoon Farm Business Park

Council has approval for a District Plan change for the Business Park zone. Planning is still in progress regarding staged development of the area.

Earthquake Prone Buildings

In recent years national awareness and involvement in the processes around determining of earthquake prone buildings under the Building Act and the resulting strengthening has grown considerably. The Government has become directly involved and is currently working towards national direction under the determinations made by the Canterbury Earthquake Commission. While we are currently experiencing some uncertainty around the Government policy, owners and developers of buildings in Napier have proactively continued to have their buildings assessed in accordance with the Council's policy and numerous buildings have now been strengthened in accordance with the Building Act. Napier still faces a serious conflict with its Art Deco building heritage. The uniqueness of the City is tied to the 1931 earthquake and the Art Deco redevelopment that occurred in the decade following. The City actively promotes protection of this heritage and in general building owners and developers have a well established record of endorsing and honouring protection and redevelopment of this historic building stock rather than demolition and building new. Because of the age and the building technology of the 1930's, these buildings are becoming difficult if not impossible to insure fully. This in itself will become an issue for future Councils in Napier. There may be future budgetary impacts arising from this conflict for the Council.

Council is continuing with seismic assessments on Council owned buildings. Funding has been set aside for strengthening work

on three minor buildings which have been deemed earthquake prone. The only other building deemed earthquake prone is the Memorial Square building which has been closed pending further reviews on its future.

Lotteries funding has now been approved and the Arts Centre Building upgrade is expected to be completed in the 2014/15 year. Minor Capital items include Civic and Library building improvements which have been funded from discretionary building maintenance budgets.

Council has proposed that the provision for Land Development for Growth will be reallocated to the Marine Parade Development project.

Performance Results 2013/14

Lagoon Farm

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
	Net operating position (loss)	\$69,736*	\$9,500	(\$115,191)

*Net operating position better than Target due to higher than anticipated yield from sale of stock.

Parklands Residential

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
	Number of Lots created.	27	58*	24
	Number of Sections Sold.	26	n/a*	27

*The Ten Year Plan Measure was for sections sold, however the target of 58 was for lots created. Both results are reported above.

Property Holdings

Level of Service	Measures	Actual 2014	Target 2014	Actual 2013
Council maintains and manages both its commercial and leasehold land portfolio in accordance with legislation where applicable and in accordance with individual lease agreements.	All freeholding requests handled in accordance with Council policy.	100%	100%	100%
	Buildings comply with Building Act and Health & Safety Act and hold current warrant of fitness certificates	100%	100%	100%
Economic and Financial Performance				
	Return on Assets	6%	6%	-3%

Funding Impact Statement

Property Assets

	Actual 2014 \$000	TYP 2014 \$000	Actual 2013 \$000	TYP/AP 2013 \$000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	-	-	-	-
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	538	464	681	448
Internal charges and overhead recoveries	1,610	1,636	1,581	1,580
Local authorities fuel tax, fines, infringement fees, and other receipts	6,889	13,482	7,135	12,796
Total operating funding (A)	9,037	15,582	9,397	14,824
Applications of operating funding				
Payments to staff and suppliers	3,710	7,078	4,673	6,769
Finance costs	-	-	-	-
Internal charges and overhead applied	1,436	2,269	823	2,170
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	5,146	9,347	5,496	8,939
Surplus (deficit) of operating funding (A - B)	3,891	6,235	3,901	5,885
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	821	6,784	1,290	186
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	821	6,784	1,290	186
Application of capital funding				
Capital expenditure				
- to meet additional demand	-	444	213	429
- to improve the level of service	187	-	-	-
- to replace existing assets	103	-	354	-
Increase (decrease) in reserves	4,422	12,575	4,624	5,642
Increase (decrease) of investments	-	-	-	-
Total application of capital funding (D)	4,712	13,019	5,191	6,071
Surplus (deficit) of capital funding (C - D)	(3,891)	(6,235)	(3,901)	(5,885)
Funding balance ((A-B) + (C-D))	-	-	-	-
Group depreciation and amortisation	370	406	368	351

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Capital Expenditure

Property

	Actual 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Property Holdings			
Lagoon Farm Business Park	-	433	213
Property Purchses	-	-	246
Art Centre Building	25	350	-
Council Chambers and Weatherproofing	78	-	105
Land Development for Growth	-	3,500	-
Minor Capital Items	187	-	3
	290	4,283	567

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 units which provide 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 2014 \$000	AP 2014 \$000	Actual 2013 \$000
Capital Expenditure			
Replacement of Mobile Plant and Vehicles	765	892	637
Telephone System Replacement	-	-	297
Software Replacement and Upgrades	18	40	115
PC and Printer Replacements	56	70	78
Corporate IT Network	138	13	7
Technology Equipment Renewals	139	572	260
General Provision Minor Capital	352	69	227
	1,468	1,656	1,621

Part Four

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.

Performance Targets

Performance targets for Hawke's Bay Airport Limited for the year ended 30 June 2014. The key objectives, performance targets and performance results (as reflected in the Company's Annual Report for 2013/14) are:

Objective 1 – Deliver sustainable growth in revenue and earnings.

Financial Performance Targets	Target 2013/14	Actual 2013/14
Landing Charges	2,116,099	2,096,963
Other Revenue	1,807,124	1,913,514
Total Revenue	3,923,223	4,010,477
Other Revenue % of Total	46.1%	47.7%
Profit Before Income Tax	1,205,282	554,210
Profit After Tax	865,003	394,031
Dividend	350,000	447,580

Objective 2 – Complete Stage 1 of the Business Park

Target: Stage 1 roading completed and first tenants in place.

Result: Target met

Objective 3 - Provide appropriate infrastructure to meet future needs.

Target: Plans in place for redevelopment of the terminal and car parks when passenger numbers exceed 500,000. Master plan completed, consultation comments and appropriate action is underway.

Result: Development of plan completed.

Objective 4 - Deliver a high level of customer service to all airport users.

Target: Continuing improvement as measured by a customer satisfaction survey undertaken every two years

Result: Customer survey undertaken.

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

The Trust is a Council Controlled Organisation as three of the five member Board are Council nominees.

Hawke's Bay Museums Trust (HBMT) is classified as an associate entity for financial reporting purposes.

The objectives of the Trust are:

- To hold and protect the regional collection for the people of Hawke's Bay
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay
- To advance and promote cultural heritage and arts through the use of the collection
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council
- To oversee collection development through the regulation of the acquisition and disposal of collection items
- To manage the bequests vested in the Trust in a way which maximizes benefit to the collection

Nature and Scope of Activities

Protection

- a. Storage - appropriate storage to accepted Museum Industry Standards (MIS).
 - i. Pest Control
 - ii. Storage Media
 - iii. Shelving
 - iv. Air Quality
- b. Security - appropriate security to accepted MIS.
 - i. Alarm Systems (Burglary, fire)
 - ii. Alarm Monitoring
 - iii. Access Systems
 - iv. Insurance (loan Items, owed Items)
- c. Records Management - appropriate records management to accepted MIS.
 - i. Vernon Database
 - ii. Other Records

Quality

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

Access

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

Development

- a. Fundraising - to work with the HB Museums Trust Foundation to provide funding.
- b. Reserves - to appropriately manage accession reserves.
- c. Relationships - to appropriately manage relationships to allow the collection to develop appropriately.
 - i. Funding Councils
 - ii. Te Ropu Kaiawhina Taonga
 - iii. Friends of MTG Hawke's Bay

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

Performance Targets

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2013/14) are:

Key Result Area	Performance Indicator	Target 2013/14	Actual 2013/14
Protection	Insurance cover as percentage of total collection value	100%	100%
	Air quality meeting predefined standards for each area	98%	BAT 27% MTG 70%
	Number of reported incidents of damage to collection items	0	6
Quality	HBMT Collection Strategy and Policies have been reviewed and agreed by the HBMT Board	Yes	Yes
	New items accepted into the collection	150	333
	Items that have been removed from the Collection	5	0
Access	Number of HBMT collection enquiries per annum	1,500	240
	Number of Regional Archive research visits per annum	1,500	252 physical 12,487 online
	Number of days staff available for collection enquiries	249	245
Development	Percentage of bequest funds income used for acquisition	100%	100%
	Percentage of conservation funds income used for collection care	100%	100%
	Te Ropu Kaiawhina Taonga hui held	3 per annum	3 per annum

Air Quality

The air quality has been below the 98% target at both sites. At BAT the temperature and humidity have been very stable while slightly out of range. The statistics for MTG Hawke's Bay are below the target because in the first months after air conditioning was installed there was a settling in period.

New Items accepted

Exceeded the target, as was suggested may happen with increased gifts and purchases for the opening of MTG Hawke's Bay.

The Museum underwent redevelopment (and rebranded as MTG Hawke's Bay – Museum, Theatre, Gallery), reopening in September 2013. As a result of the closure, some Key Performance Indicators were impacted.

Quality

During 2013/14 new items were accepted into the collection (333) higher than the target of 150, as a result of the newer higher profile facility. The number was also impacted by a significant number of photographs which were counted individually.

Access

The number of Regional Archive research visits per annum was 12,487 (online) and 252 (physical). This compared favourably to the target of 2,000 and can be attributed to the digitization of the collection.

The number of days staff were available for collection enquiries were down on the target of 249 (actual was 245). This was due to the later than anticipated opening of the museum due to earthquake strengthening.

Development

All development performance indicators were in line with targets.

Hawke's Bay Local Authority Shared Services Limited

Policies and Objectives Regarding Ownership and Control

HB LASS 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 HB LASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent Councils.
- Facilitate Shared Services that benefit Councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, Council contributions, or Government funding where available.
- Allow other Councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Represent the collective views of its shareholders in matters with which it is associated.

Performance Targets

HB LASS has only 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 2013/14	Actual 2013/14
Initiate at least three shared services in the first full year of operation and at least one shared service each year and no less than two shared services successfully implemented within the following three years.	Four shared services investigations have been initiated as at 30 June 2013 with an addition two investigations in 2014 (Information Technology Services, Liquor Licensing/ Environmental Health)
Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders.	The Company has recommended to the shareholding Councils implementation of a Regional GIS Shared Service project and further evaluation of a Building Control Shared Service. A Shared Service for Fleet Management has been implemented by the Hawkes Bay Regional Council and Hastings District Council.
Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and or continuity of supply.	The Company explored an initiative related to Regional Fleet management that included elements of joint procurement. Implementation of this has resulted in savings to Napier City Council and Central Hawkes Bay District Council. As a consequence of the Information Technology initiative a shared procurement arrangement has been arranged for virtual server software. This has provided significant savings above that which could have been attained under a general local government arrangement. Arrangements extending some internet connection services across those Councils on the FX network were also secured.
Ensure sufficient income is available from activities to sustain a viable company.	Sufficient income was received from membership fees to sustain the company's overhead costs.
Operate in a manner that conforms with any applicable regulatory requirements.	All regulatory requirements have been met.

Glossary of Terms

Activities and Activity Groups

The main elements of the Council's services offered to the Napier community are divided into Activities. These Activities are described in detail in the Activity Statements section of the Report, including the financial and non-financial performance measures and results for 2013/14.

Allocation of Overheads

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

Carrying Amount

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

Community Outcomes

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

Council Controlled Organisations

Organisations in which one or more local authorities control 50 per cent or more of the voting rights or have the right to appoint 50 per cent or more of the directors.

Derecognition

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

Derivative

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

Financial and Development Contributions

The share of the cost of new developments and subdivisions met by developers. Detail on this policy can be found on the Council website.

Impairment

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

Infrastructural Asset Renewal

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

Infrastructural Assets

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

Levels of Service

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

MTG

Museum, Theatre, Gallery Hawke's Bay, formerly known as Hawke's Bay Museum and Art Gallery.

Non-targeted Rates

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

NRB Customer Satisfaction Survey (Communitrak™)

A wide ranging customer satisfaction survey prepared for the Napier City Council by the National Research Bureau Ltd. The survey is of public perceptions and interpretations of Council services and representation with comparisons to National and Peer Group averages. Interviews were carried out in June 2014 with 450 residents of Napier, throughout the City. Weightings were applied to the sample data to reflect the actual male/female/age/ethnic proportions in the area as determined by the Department of Statistics Census data. The Communitrak Survey is a scientifically prepared service based on a random probability sample. For the sample size of 450 the margin of error is plus or minus 6.5%.

Restricted Assets

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

Targeted Rate

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