



Napier City Council

2016/17

Annual Report

for the period 1 July 2016 to 30 June 2017

Adopted 26 October 2017

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NAPIER
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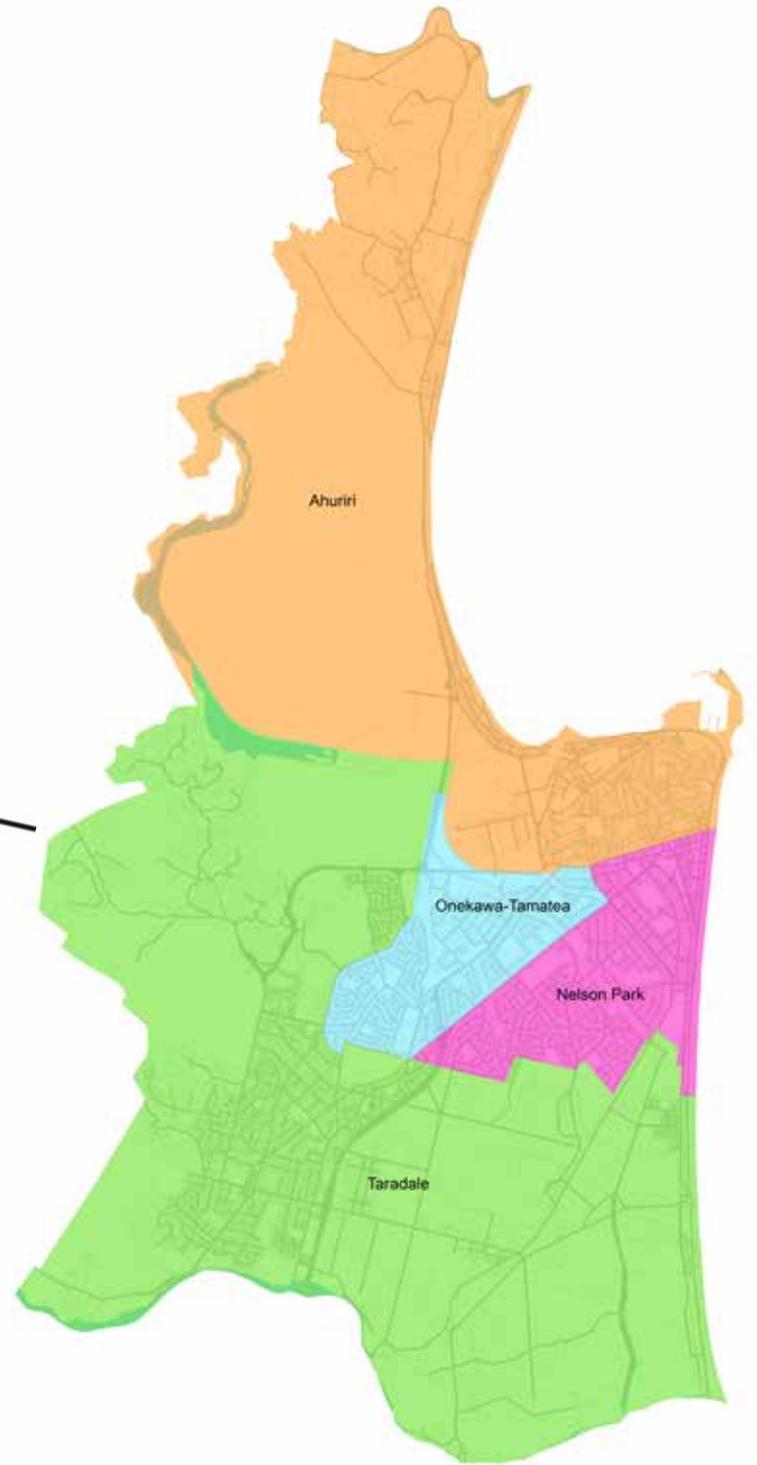
Cover Image

Bay Skate, Marine Parade, Napier evening in May 2017.

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Map of Napier City



Napier City Wards

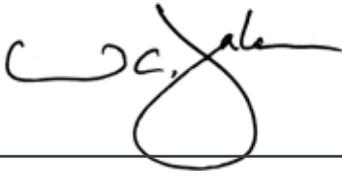
- Ahuriri Ward
- Nelson Park Ward
- Onekawa-Tamatea Ward
- Taradale Ward

Statement of Compliance and Responsibility

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

Responsibility

1. The Napier City Council and its management accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
2. The Napier City Council and its management accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Napier City Council and its management, the annual Financial Statements for the year ended 30 June 2017 fairly reflect the financial position and operations of Napier City Council.



Bill Dalton

Mayor

26 October 2017



Wayne Jack

Chief Executive

26 October 2017

Overview from the Mayor and the Chief Executive



We are a third of the way through this term of Council and already it has been one of contrasts: testing times and great opportunities, awards and major announcements. Staff have continued to work hard, throughout the realignment process, which has now concluded, and the challenges keep coming. We are very proud of what they have achieved and know they strive to do the very best they can for this city of ours.

In the past year, NCC signed up as a foundation Council in the Local Government New Zealand (LGNZ) Excellence Programme, in which independent assessors examined our strategic plans and values, and awarded an A rating of which we are very proud to have achieved this.

The City Vision – Small City, Big Ideas project was also recognised, winning the Creative New Zealand EXCELLENCE Award for Best Creative Place.

We also had positive results come through in the service delivery survey earlier this year, which concluded our sports fields, public libraries, parks, reserves and pathways were most popular with the public.

Our new central skate park, Bay Skate was opened, Napier Conference Centre was reopened, and we hosted some wonderful events, such as Toasted!, our quarterly Business Breakfasts, and the Summer Cycling Carnival. We have also been a supporter of other successful events such as the Hawke's Bay Arts Festival, Horse of the Year, and Seawalls: Murals for Oceans Festival, and we have been one of the drivers of Matariki REDS, the Hawke's Bay Regional Economic Development Strategy, launched last July.

We have a significant capital works programme, focused on the three waters (drinking water, stormwater and wastewater). We were just starting to look at how we could develop our wonderful Napier Library further, when we received news we didn't expect to hear – that the new assessment standards under the Building Act's Earthquake Prone Building legislation, our Civic and Library buildings were deemed structurally deficient.

At the same time, the Havelock North Water Inquiry has forced many Councils – not just ours – to reassess the way their drinking water infrastructure networks operate. Things will continue to change, and challenge us as a Council over the next few years as we have major decisions to make, and major projects to complete.

We will be based in several different buildings for some time, there will be changes to the libraries, and we have exciting changes coming to the Napier Aquatic Centre. What has happened in the past year, and what we expect will happen in the short to medium-term future, will help feed into the formation of the Long Term Plan 2018-28 next year. We hope this is something you, the community, will help us with.

Bill Dalton
Mayor

Wayne Jack
Chief Executive

Mayor and Councillors



Back Row from left to right: Councillors Richard McGrath, Annette Brosnan (Onekawa-Tamatea Ward), Keith Price, Tania Wright (Taradale Ward), Api Tapine (Nelson Park Ward), Kirsten Wise, Tony Jeffery

Front Row from left to right: Councillors Maxine Boag (Nelson Park Ward), Larry Dallimore (Ahuriri Ward), Deputy Mayor Faye White, Mayor Bill Dalton, Councillors Claire Hague, Graeme Taylor (Taradale Ward)

Strategic Direction

Our Mission

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

Our Vision

During this next year we will continue to grow while Napier remains a vibrant and desirable city that surpasses expectations and embraces new opportunities for all its residents and visitors.

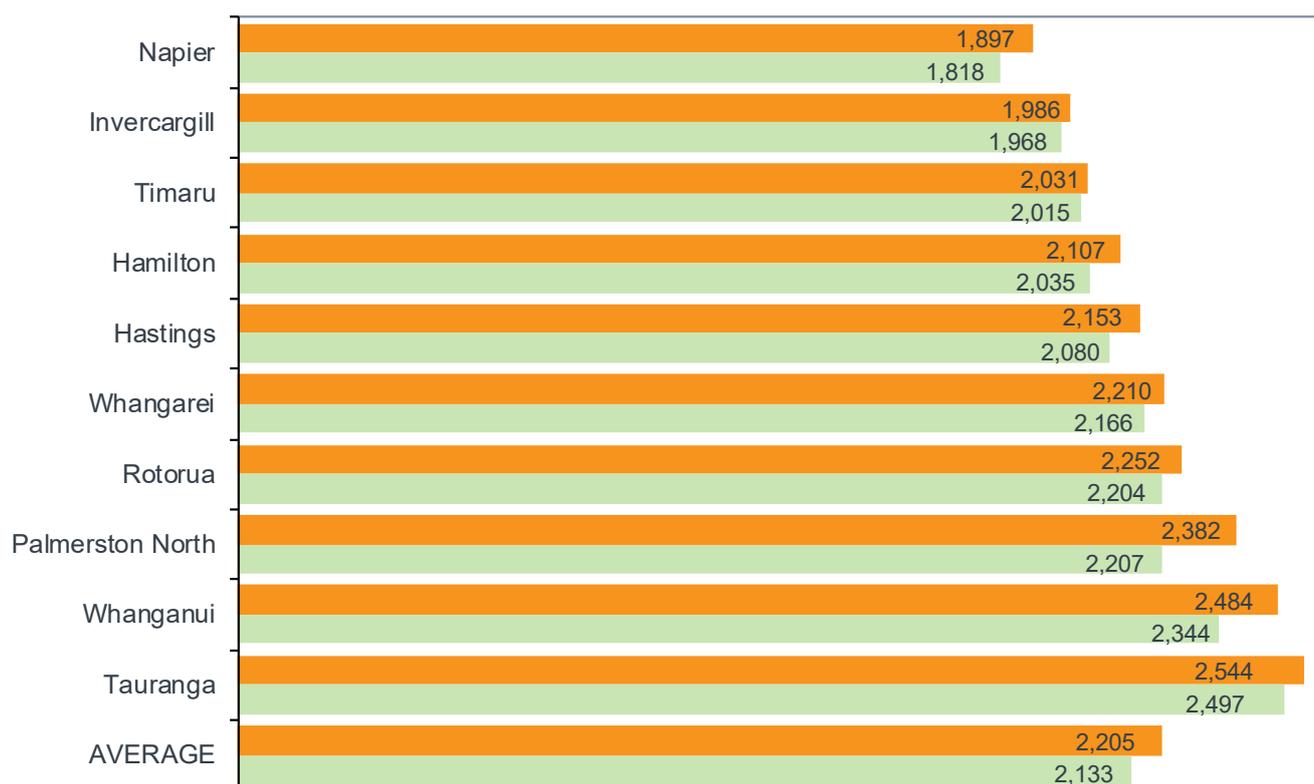
Key Statistics

	30 June 2017	30 June 2016
Area and Population		
Area (ha)	10,560	10,560
Population (forecast based from Statistics NZ)	61,040	60,400
Valuation		
Rateable properties (number of)	25,429	25,224
Non-rateable properties (number of)	380	378
Gross capital value	10,728,690,850	10,585,736,600
Net capital value (i.e. capital value of rateable property)	10,241,223,800	10,103,370,800
Gross land value	4,850,332,800	4,816,812,550
Net land value (i.e. land value of rateable property)	4,663,292,200	4,631,041,250
Date of last revision of values	2014	2014
Rates and Rating		
Total rates set (incl. GST)	58,023,673	55,899,784
System of rating	Land Value	Land Value
Public Debt		
Public Debt (external)	0	0
Internal Debt	43,664,000	36,647,000
Loan redemption reserves	0	0
Unexercised loan authorities	84,175,000	78,736,000
Building Consents		
Value of consents for year	114,863,552	144,650,552
Value of consents for residential properties	76,041,534	62,066,405

Insurance of Assets

- The total value of above ground buildings and plant and equipment covered by insurance contracts is \$439.4m. These are insured under a group policy held in the name of the five Hawke's Bay Councils. Motor vehicles and mobile plant are insured for market value. The total value of underground facilities and services for the provision of Water, Stormwater and Wastewater services covered by insurance contracts is \$554.07m. In general upon a major disaster, the government will provide a 60% subsidy for infrastructure recovery costs. Council must demonstrate that it is able to meet the remaining 40% through insurance and other financial means. Councils insurance cover for underground infrastructure is based on a Probably Maximum Loss (PML) of \$120m. The PML was reviewed in 2015 through a natural catastrophe modelling exercise carried out for Council by Jardine Lloyd Thompson Ltd. Australia. Councils insurance cover is based on 40% of this exposure with insurance cover limited to 40% of \$120m. A deductible of 40% of \$10m exists under the policy, meaning that Council would be liable for a maximum of \$4m in the event of a major claim.
- The total value of all assets that are covered by financial risk sharing arrangements is nil.
- Council does not operate a formal self-insurance scheme or maintain a specific fund for that purpose. Various assets are however not covered by insurance. Roads and associated assets are not covered by Council's insurance as in the event of a major disaster, support is anticipated to come from Central Government to reinstate the roading network. Other assets including land, playgrounds and sports fields are also not covered by insurance. Funding of uninsured risks and amounts over and above any insurance recovery and Government support would be provided from a combination of, debt and the reprioritisation of Council's planned capital and operating expenditure.

Average Residential Rates



■ 2016/17 ■ 2015/16

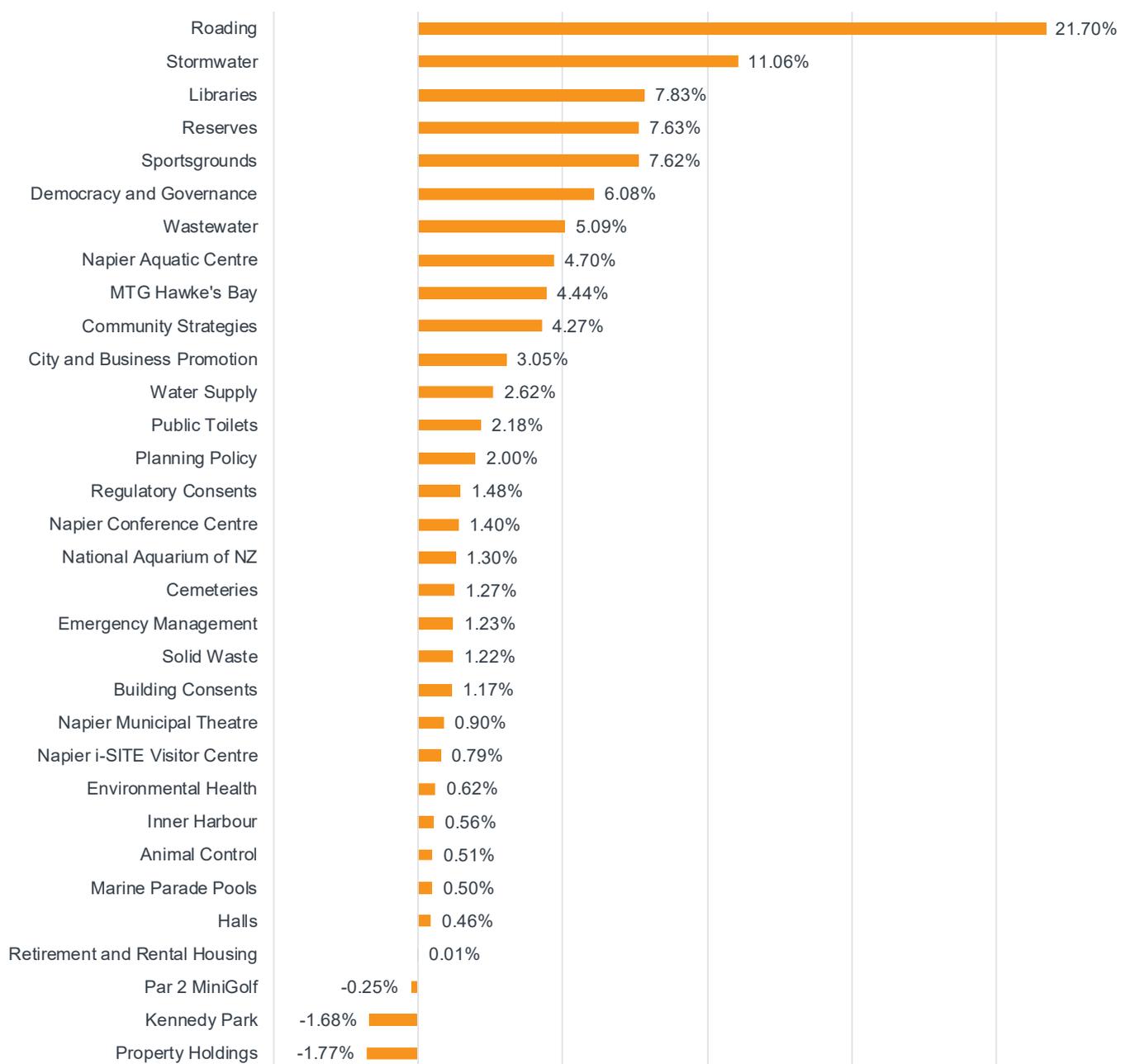
Financial Condition Indicators

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Rates revenue	50,840	50,733	49,391
Net surplus	13,969	9,880	11,843
Working capital	66,820	60,989	73,039
Net public debt (external)	-	-	-
Total assets	1,591,609	1,582,469	1,474,397
Proportion of rates revenue to total revenue (%)	49.3 %	52.2 %	50.02 %
Net public debt as a percentage of total assets	- %	- %	- %
Proportion of rates revenue applied to service total debt (%) *	6.8 %	7.0 %	6.8 %

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

How Rates Were Spent

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



Shared Services

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

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

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

Shared Services Initiatives	HBRC	WDC	NCC	HDC	CHBDC
Community Services					
Sport Hawke's Bay	✓	✓	✓	✓	✓
Shared Library Service			✓	✓	
Pathway Development	✓		✓	✓	
Hawke's Bay Museums Trust			✓	✓	
Youth Transition Service			✓	✓	
Regional Cultural Archives	✓		✓	✓	
Crematorium Services			✓	✓	✓
Road Safety Initiatives	✓	✓	✓	✓	✓
Collaborative Efforts					
Pettigrew Green Arena			✓	✓	
Joint Property Valuation Contract	✓	✓	✓	✓	✓
Joint Insurance	✓	✓	✓	✓	✓
Energy Procurement	✓	✓	✓	✓	✓
Joint Building Consents		✓	✓		
Joint Human Resources		✓	✓		
Hawke's Bay Airport Ltd			✓	✓	
Business Hawke's Bay	✓	✓	✓	✓	✓
Hawke's Bay Tourism	✓	✓	✓	✓	✓
Regional Economic Development Strategy (REDS)		✓	✓	✓	✓
LIFT HB-Kia Tapatahi - Development and implementation of a Social Inclusion Strategy	✓	✓	✓	✓	✓
Environmental Services	✓	✓	✓	✓	✓
Fuel Purchasing	✓	✓	✓	✓	✓
Essential Infrastructure					
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
Joint Recycling and Refuse Collection Contracts			✓	✓	
Omarunui Landfill			✓	✓	
Waste Futures			✓	✓	
Stormwater Drainage	✓		✓	✓	
Regional Transportation Strategy	✓	✓	✓	✓	✓
Heretaunga Plains Urban Development Strategy (HPUDS)	✓		✓	✓	
Napier / Hastings Joint District Plan	✓		✓	✓	
Solid Waste Management Plan			✓	✓	
Regional Community Outcomes	✓	✓	✓	✓	✓
Community Outcome Monitoring	✓	✓	✓	✓	✓
Regional Strategic Coordination Group	✓	✓	✓	✓	✓
Hawke's Bay Civil Defence Emergency Management Group	✓	✓	✓	✓	✓
Policy Sharing	✓	✓	✓	✓	✓
Joint Alcohol Strategy			✓	✓	
Joint Regulatory Training		✓	✓	✓	✓
Joint Regulatory Purchasing			✓	✓	
Hastings District and Napier City Council Smokefree Policy			✓	✓	
HBLASS					
- Geographical Information Services	✓	✓	✓	✓	✓
- Internal Audit Services	✓	✓	✓	✓	✓
- IT Purchasing	✓	✓	✓	✓	✓

HBRC = Hawke's Bay Regional Council, WDC = Wairoa District Council, NCC = Napier City Council, HDC = Hastings District Council, and CHBDC = Central Hawke's Bay District Council

Financial Overview

Rates increases

Napier City Council is a democratic institution and is the primary provider of infrastructure and public services to the community for the community. The costs of these 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 City Council.

Since 2000/01 this Council has surveyed councils of similar size for a comparison of average residential rates. The table of comparison for the last two years is shown on page 5 of this report and is compiled from returns direct from each of the councils listed. While Napier has been below the average of this group since 2006/07, Napier's average residential rates are the lowest within the survey group for the last two years and are \$647 per annum lower than the highest Council.

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

- strong management of City debt and investments
- high quality outcomes
- best total cost and
- affordability for this community

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

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

Other examples of why Napier rates are lower than others:

Funding:

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

Cost Control:

- Lean overhead structure with minimal corporate overheads
- In-house workforce
- Peak and seasonal workloads are managed through employment of temporary or seasonal staff or by contracting out well defined work to external organisations
- Shared Services between the Hawke's Bay local authorities
- Size of Territory advantages - Napier City is a compact land area and is the fourth most densely populated Territorial Local Authority in New Zealand

Statement of Comprehensive Revenue and Expenses

This section provides an overview of the Council's financial results for the year ended 30 June 2017. For detailed information please refer to the following sections in this Annual Report: Financial Statements and Activity Statements.

The financial statements contained in pages 13 to 16 of this report comply with PBE IPSAS standards as appropriate for public entities. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000). Full details of Council's accounting policies are contained in Note 1 of the Notes to the Financial Statements of this report (pages 17 to 29).

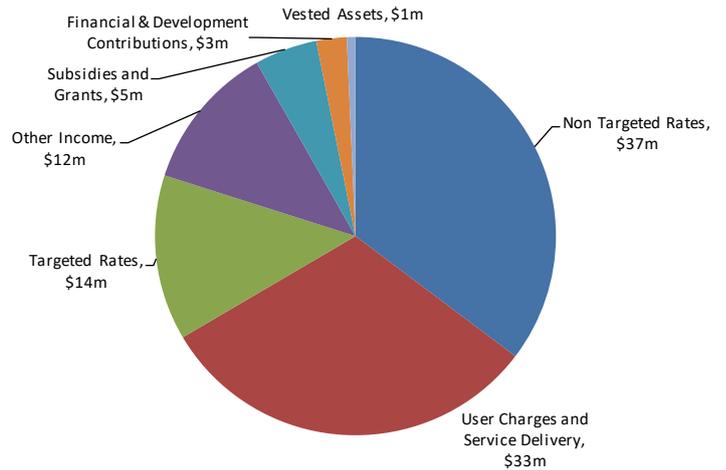
Council Income 2016/17

The main sources of Council's income are shown in the graph below. The full detail of Councils' income, other than rates, is contained in Note 5 of the Notes to the Financial Statements (page 32) of this report.

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

Financial Overview - Council Income 2016/17 continues

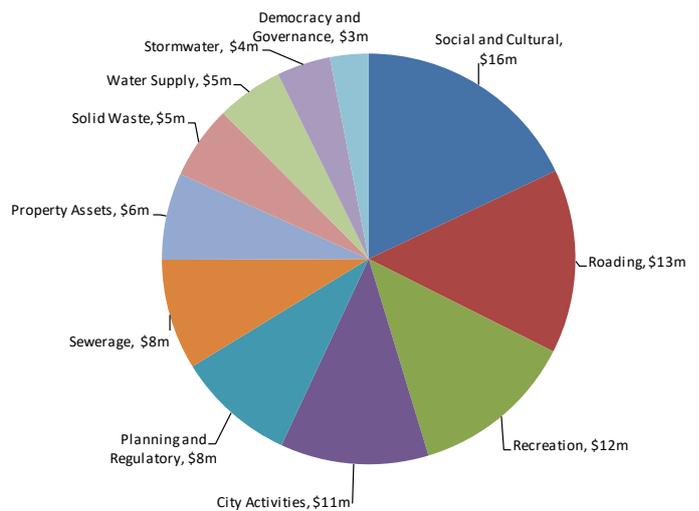
The diagram to the right depicts the breakdown of the \$103m income received by the Council in 2016/17. Of this funding for Council activities 49% is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils, rates levied are a low proportion of the Council revenue and reflect Napier City funding policies.



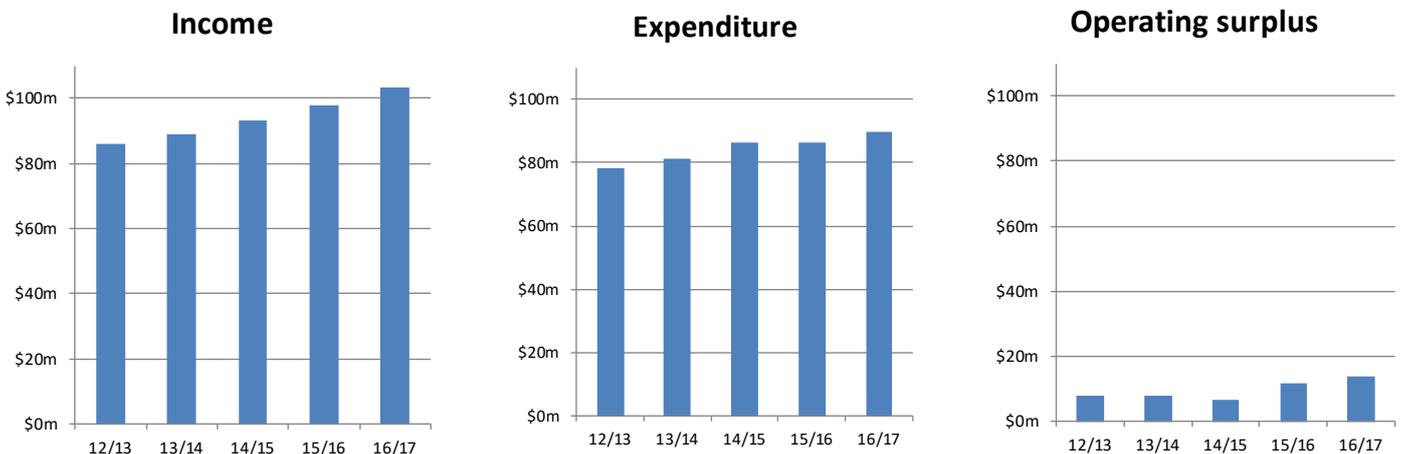
CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, the goods and services that Councils need to purchase to deliver services are a different mix than for households. This rate of inflation is referred to as the Local Government Cost Index or LGCI. Due to the different components of these measures, variances arise between CPI and LGCI. LGCI has, on average, been above CPI over recent years. This has meant that pressures on Council expenditure from price increases have been above that measured CPI. Council is very aware of this issue and has addressed cost increases with a multi-pronged approach to ensure rates increases are kept to a level that the community can afford. Council's approach has focused on tight control of all costs, competitive purchasing processes, and a focus on core infrastructure within the capital plan. For variances between the 2016/17 Budget and the 2016/17 Annual Report, refer to pages 29 to 31.

Council Operating Expenditure 2016/17

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



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



For variances between the 2016/17 Budget and the 2016/17 Annual Report, refer pages 29 to 31.

Māori Contribution to Decision Making Process

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

In recognition of the special place Māori hold in this city we have a Māori Consultative Committee, and a Council Kaumātua.

Māori Consultative Committee

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

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

The Committee comprises of one independent member, the Mayor or Deputy Mayor, Council Kaumātua, a chairperson and the following external representatives:

- Piri Prentice representing Mana Ahuriri
- Mr Tiwana Aranui, and Liz Ratima, representing Pukemokimoki Marae
- Mr Hori Reti, representing the MaungaharuruTangitu Trust, the Taiwhenua O Te Whanganui A Orotu and wider Māori Interests

Council Kaumātua

This position is important to Council as it empowers all relationships between Tangata Whenua and Council through guidance and assistance to Council's decision making process. Piri Prentice was appointed Council Kaumātua in 2014.

Relationships

There are strong relationships between Council's executive level (Chief Executive and Mayor) and Treaty settlement groups, including Mana Ahuriri and Maungaharuru-Tangitū Trust. The purpose of these relationships is to explore opportunities for partnership.

Ngāti Kahungunu Incorporated is a partner member of the LIFT Hawke's Bay Kia Tapatahi Leadership Group and Executive Group, a cross-sector forum which meets quarterly, involving leaders, executives and staff from each organisation. The purpose of this forum is to work collaboratively to progress a vision for Hawke's Bay, and to facilitate and undertake collective actions that support sustainable growth and development of the region.

Strong relationships have been built with Te Taiwhenua O Te Whanganui a Orotū, the local iwi authority for Napier, through Council's community development work.

Napier City Council is undertaking a review of its existing opportunities for local iwi to be involved in decision making, to ensure that engagement and relationship building is taking place in ways that are meaningful and long-term.

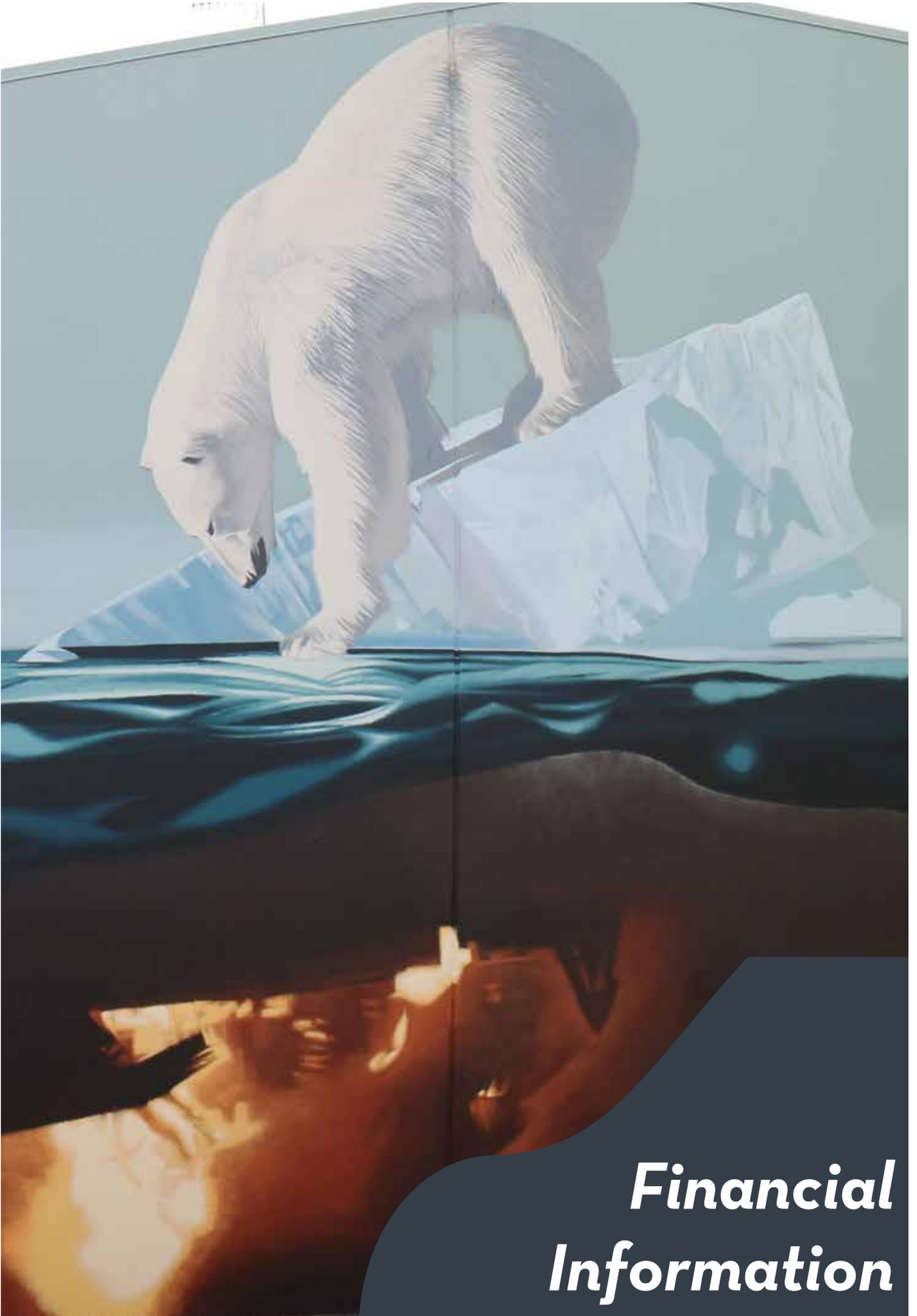
Consultation

Napier City Council is currently formalising its engagement with Māori as part of the development of a Community Engagement Strategy.

Specific input from Māori has contributed to the development and implementation of Council initiatives and projects, including:

- The establishment of Te Rōpū Kaiāwhina Taonga, which oversees the holdings of Māori taonga in the Museum Theatre Gallery (MTG), and
- The establishment of a Kaitiaki Liaison Group as part of Council's Biological Trickling Filter project. The Group advised the Council on culturally appropriate treatment of waste for the project, which went on to win a Local Government New Zealand Excellence Award.

Council was also involved in the building of Napier's urban marae, Pukemokimoki Marae, which sits on Council-owned reserve land. The Marae is run by a Trust on which a councillor is always one of the Trustees and the Manager Community Strategies acts as an advisor to the Trust Board. Council also provides funding support to the Marae.



Financial Information

Summer-Autumn 2017 Sea Walls Mural (previous page)

Artist: Onur Location: Vautier Street, back of Kitchen Things

“Summer and winter are inching closer, the four seasons melting together. Due to climate warming, polar icecaps and glaciers are shrinking. My mural depicts the post-apocalyptic scenario of the last iceberg.”

Photographer: Miyuki McGuffie

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2017

	Note	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Revenue				
Rates revenue	3	50,840	50,733	49,391
Finance revenue	9	2,132	964	2,886
Development and financial contributions		2,565	2,764	2,778
Subsidies and grants	4	5,298	5,597	5,790
Other revenue	5	41,759	36,811	37,829
Other gains/(losses)	6	514	325	(739)
Total revenue		103,108	97,194	97,935
Expenditure				
Employee benefit expenses	7	31,315	30,513	29,110
Depreciation and amortisation	17,18	21,247	20,828	20,939
Other expenses	8	37,113	36,333	36,433
Finance costs	9	-	-	-
Total expenditure		89,675	87,674	86,482
Operating surplus/(deficit) before tax		13,433	9,520	11,453
Share of associate surplus/(deficit)	20	536	360	390
Surplus/(deficit) before tax		13,969	9,880	11,843
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		13,969	9,880	11,843
Other comprehensive revenue				
Valuation gains/(losses) taken to equity	25	104,432	51,234	(1,697)
Fair value gains/(losses) through comprehensive income on investments		-	-	66
Total comprehensive revenue and expenses		118,401	61,114	10,212

Note: Budget revenue has been adjusted to include water by meter and rates remissions in rates revenue

The Notes to the Financial Statements on pages 17 to 64 form part of and should be read in conjunction with these financial statements.

Statement of Financial Performance for the Year Ended 30 June 2017

	Note	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Total operating revenue (Activity Cost of Service Statements)				
Roading		7,560	8,155	6,936
Solid Waste		5,911	5,621	5,481
Stormwater		1,236	1,046	1,181
Sewerage		8,358	8,258	7,908
Water Supply		4,988	4,928	4,566
Recreation		2,177	2,687	2,834
Social and Cultural		5,016	5,047	4,759
City Activities		7,787	6,831	7,840
Planning and Regulatory		4,995	5,066	5,102
Property Assets		14,658	10,579	11,813
Total operating revenue		62,686	58,218	58,420
Other revenue (as per Statement of Comprehensive Revenue and Expenses)				
Non-targeted rates		37,015	36,957	35,735
Rates remissions		(248)	(219)	(255)
Interest income		2,132	964	2,886
Rendering of services		826	581	476
Other income		697	693	673
Total revenue		103,108	97,194	97,935
Total operating expenditure (Activity Cost of Service Statements)				
Democracy and Governance		2,739	2,874	2,335
Roading		13,167	13,592	13,897
Solid Waste		5,264	5,715	5,333
Stormwater		3,819	4,043	3,878
Sewerage		7,915	7,635	7,748
Water Supply		4,737	4,433	4,094
Recreation		11,716	11,382	11,274
Social and Cultural		16,307	16,189	14,651
City Activities		10,546	9,617	10,101
Planning and Regulatory		8,449	7,141	7,888
Property Assets		6,215	5,844	6,710
Total operating expenditure *		90,874	88,465	87,909
Other expenditure (as per Statement of Comprehensive Revenue and Expenses)				
Internal expenditure		(1,407)	(1,924)	(1,463)
Other expenses		208	1,133	36
Total expenditure		89,675	87,674	86,482
Operating surplus/(deficit) before tax (as per Statement of Comprehensive Revenue and Expenses)				
		13,433	9,520	11,453
Share of associate surplus/(deficit)	20	536	360	390
Surplus/(deficit) before tax (as per Statement of Comprehensive Revenue and Expenses)		13,969	9,880	11,843
Income tax expense	10	-	-	-
Surplus/(deficit) after tax		13,969	9,880	11,843

* 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.

The Notes to the Financial Statements on pages 17 to 64 form part of and should be read in conjunction with these financial statements.

Statement of Financial Position as at 30 June 2017

	Note	Actual 2016/17 \$'000	AP 2016/17 \$'000	Actual 2015/16 \$'000
Assets				
Current assets				
Cash and cash equivalents	11	10,812	19,469	7,367
Debtors and other receivables	12	10,574	11,263	8,655
Inventories	13	5,407	3,032	964
Biological assets	14	284	300	191
Other financial assets	15	55,000	45,000	72,000
Total current assets		82,077	79,064	89,177
Non-current assets				
Property, plant and equipment	17	1,461,015	1,454,923	1,342,510
Intangible assets	18	544	465	493
Inventories	13	5,081	7,403	1,638
Investment property	19	34,828	32,969	32,814
Investment in associates	20	7,616	7,297	7,290
Other financial assets	15	448	348	475
Total non-current assets		1,509,532	1,503,405	1,385,220
Total assets		1,591,609	1,582,469	1,474,397
Liabilities				
Current liabilities				
Trade payables and other accruals	21	11,433	14,087	12,603
Employee benefit liabilities	22	3,824	3,988	3,535
Borrowings	23	-	-	-
Total current liabilities		15,257	18,075	16,138
Non-current liabilities				
Provisions	24	5,160	1,074	4,842
Revenue received in advance	5	269	18	537
Employee benefit liabilities	22	1,046	1,347	1,404
Borrowings	23	-	-	-
Total non-current liabilities		6,475	2,439	6,783
Total Liabilities		21,732	20,514	22,921
Total Net Assets		1,569,877	1,561,955	1,451,476
Net Assets / Equity				
Accumulated revenue & expenses	25	777,745	811,200	763,015
Other reserves	25	792,132	750,755	688,461
Total net assets / equity		1,569,877	1,561,955	1,451,476

The Notes to the Financial Statements on pages 17 to 64 form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2017

	Note	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Cash flows from operating activities				
Receipts from rates revenue		51,069	50,776	48,941
Interest received		2,132	964	3,418
Dividends received		6	2	5
Receipts from other revenue		46,634	51,824	45,672
Goods and services tax (net)		(12)	-	31
Payments to suppliers and employees		(72,633)	(57,412)	(62,125)
Interest paid		-	-	-
Net cash from operating activities	29	27,196	46,154	35,942
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		477	116	684
Proceeds from withdrawal of investments		114,293	20,147	105,138
Purchase of property, plant & equipment		(41,255)	(64,135)	(39,337)
Purchase of intangible assets		(266)	(465)	(310)
Acquisition of investments		(97,000)	-	(102,000)
Net cash from investing activities		(23,751)	(44,337)	(35,825)
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayment of borrowings		-	-	(5)
Payment of finance lease liabilities		-	-	-
Net cash from financing activities		-	-	(5)
Net (decrease)/increase in cash, cash equivalents & bank overdrafts		3,445	1,817	112
Cash, cash equivalents & bank overdrafts at 1 July		7,367	17,652	7,255
Cash, cash equivalents & bank overdrafts at 30 June		10,812	19,469	7,367

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

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

Statement of Changes in Net Assets / Equity for the Year Ended 30 June 2017

	Note	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Total Net Equity balance at 1 July		1,451,476	1,500,841	1,441,264
Total comprehensive revenue for the period		118,401	61,114	10,212
Total Net Equity balance at 30 June	25	1,569,877	1,561,955	1,451,476
Total comprehensive revenue and expenses attributable to:				
Napier City Council		118,401	61,114	10,212
Total comprehensive revenue and expenses		118,401	61,114	10,212

The Notes to the Financial Statements on pages 17 to 64 form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 Reporting Entity

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

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

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

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

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

The financial statements of the Council are for the year ended 30 June 2017. The financial statements were authorised by the Council for issue on 18 October 2017.

1.2 Basis of Preparation

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

Statement of Compliance

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

Functional and Presentation Currency

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

Adjustments

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

1.3 Changes in Accounting Standards

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

1.4 Joint Ventures

Jointly Controlled Assets

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

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

1.5 Foreign Currency Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

1.5 Foreign Currency Translation Transactions and Balances continues

translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

1.6 Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

Non-exchange Revenue

Rates Revenue

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

Grants and Subsidies

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

Donated, Subsidised or Vested Assets

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

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

Parking and Traffic Infringement

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

Exchange Revenue

Licences and Permits

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

Residential Developments

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

Development and Financial Contributions

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

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

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

Interest Revenue

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

Dividend Revenue

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

Building and Resource Consent Revenue

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

1.7 Income Tax

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

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

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

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

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

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

1.8 Goods and Services Tax (GST)

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

1.9 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.

1.9 Leases *The Council is the Lessee continues*

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

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

The Council is the Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental revenue (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

1.10 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.

1.11 Trade Receivables

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

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

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

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

1.12 Inventories

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

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

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

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

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

Land held for development and future resale

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

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

1.13 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.

1.13 Non-current Assets Held For Sale continues

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

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

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

1.14 Investments

Investment in Associates

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

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

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

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

1.15 Other Financial Assets excluding derivatives

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

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

Financial assets are classified into the categories below:

Loans and Receivables

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

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

Held to Maturity Investments

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

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

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

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category at initial recognition, or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the surplus or deficit as gains and losses from investment securities.

Fair Value Changes

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

Impairment of Financial Assets

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

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

1.16 Derivatives

Derivatives are classified as Held for Trading financial instruments and are initially recognised at fair value with transaction costs recognised in surplus or deficit on the date a derivative contract is entered into and subsequently re-measured to their fair value at each balance date.

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

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

1.17 Property, Plant and Equipment

Property, Plant and Equipment consist of:

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

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

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

Additions

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

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

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

Disposals

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

Revaluations

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount

1.17 Property, Plant and Equipment - Revaluations continues

of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads) are revalued on a three yearly valuation cycle.

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

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

Depreciation

Depreciation of property, plant and equipment other than land is calculated on a straight line basis at rates that will write off the cost or valuation, less estimated residual value, over their expected useful economic lives. The following rates have been applied:

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

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

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

	Years
Roading	
Base Course	60-130
Surfacings	20-25
Concrete Pavers	80
Footpaths & Pathways/Walkways	15-80
Drainage	25-100
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
Water	
Reticulation	56-200
Reservoirs	100
Pump Stations	15-80
Stormwater	
Reticulation	80-100
Pump Stations	15-80
Sewerage	
Reticulation	80-100
Pump Stations	15-80
Milliscreen	10-80
Outfall	60

1.17 Property, Plant and Equipment - Depreciation continues

	Years
Others	
Grandstands, Community & Sports Halls	50
Sportsgrounds, Parks & Reserves Improvements	10-50
Buildings on Reserves	10-50
Pools	10-50
Inner Harbour	20-50

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

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

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

1.17.1 Valuation of Property, Plant and Equipment

As at 30 June 2017 Council's Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Library Collections	Carried at fair value less depreciation. Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by Hamish Coney, Director, Art + Object and performed on an annual basis. The last valuation was performed in June 2017.
Land under Roads	Carried at cost. Land under roads was valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. The Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued.
Land and Buildings	Carried at fair value less depreciation for buildings only. Land and Buildings are valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2017 using fair value based on market valuations. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value.
Infrastructural Road Assets	Carried at fair value less depreciation. Infrastructural road assets are valued annually by Opus International Consultants Ltd at depreciated replacement cost using the RAMM valuation system. Road assets were revalued at 30 June 2017. Prepared and reviewed by Opus staff.
Water, Wastewater and Stormwater Above and Below Ground Assets	Carried at fair value less depreciation. Most Water, Wastewater and Stormwater above and below ground assets, excluding land, are valued at depreciated replacement cost by Council's engineers and independently reviewed by registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd at 30 June 2017. Some above ground assets e.g. Pumps are independently reviewed by registered valuer M Wyatt, of AECOM Ltd at 30 June 2017. Water, Wastewater and Stormwater above and below ground assets are revalued on a three yearly valuation cycle.
Restricted Assets	Carried at fair value less depreciation. Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2017 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different from fair value. If there is a material difference, then the off-cycle asset classes are revalued. All restricted asset classes carried at valuation were valued.
Plant and Equipment	Carried at cost less depreciation and impairment. Valued in 1994 using market value. Additions are at cost.
Omarunui Landfill	Carried at cost less depreciation and impairment. Landfill assets are comprised of land, plant and equipment, and motor vehicles.

1.18 Investment Property

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

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

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

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

1.19 Intangible Assets

Trademarks and Licences

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

Computer Software

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

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

1.20 Impairment of Non-Financial Assets

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

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

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

1.21 Trade and Other Payables

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

1.22 Borrowings

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

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

1.23 Borrowing Costs

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

1.24 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.

1.25 Financial Guarantee

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

Financial guarantees are subsequently measured at the higher of:

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

1.26 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 current employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave and Gratuities

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

Retirement Benefit Obligations

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

Defined Contribution Schemes

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

Bonus Plans

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

1.28 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. Changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

1.29 Net Assets / Equity

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

These are:

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

Restricted and Council Created Reserves

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

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

During 2016 the Council went through a realignment process in respect to developing an organisation management structure that is aligned to the future. This has resulted in some changes to the locations of labour budgets and, where significant, these have been explained.

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 in estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expenses. To minimise this risk, the Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections and deterioration and condition modelling are also carried out regularly as part of the Council asset management planning activities, which gives the Council further assurance over its useful life estimates.

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

Critical Judgements in applying Napier City Council's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2017.

Classification of Property

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

1.33 Standards issued and not yet effective, and not early adopted

2016 Omnibus Amendments – Service concession assets

In January 2017, the External Reporting Board (XRB) issued the 2016 Omnibus Amendments to PBE Standards, which incorporates a range of amendments to the PBE Standards. A relevant amendment for the Council is to PBE IPSAS 32 Service Concession Arrangements: Grantor. This amendment requires that service concession assets be grouped with similar property, plant, and equipment assets for the purpose of subsequent measurement and disclosure under PBE IPSAS 17 Property, Plant and Equipment.

The Council plans to apply the new standards in preparing the 30 June 2018 financial statements. The Council has not yet assessed the effects of these new standards.

Impairment of Revalued Assets

In April 2017, the XRB issued Impairment of Revalued Assets, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into the impairment accounting standards.

From the 30 June 2017 year onwards, the Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Council is required to assess at the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

The Council plans to apply the new standards in preparing the 30 June 2018 financial statements. The Council has not yet assessed the effects of these new standards.

1.33 Standards issued and not yet effective, and not early adopted continues

Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 – 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 – 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council has not yet assessed the effects of these new standards.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements.

The Council has not yet assessed the effects of the new standard.

2. Major Budget Variances

Explanations for major variations from Council's 2016/17 Annual Plan are as follows:

2.1. Statement of Financial Performance

2.1.1 Revenue

Total revenue was \$5.9m over budget for the 2016/17 year, and \$5.2m higher than the 2015/16 year. Significant items of variance are as follows.

- (a) **Finance Revenue** – Interest income was \$1.2m over budget due to capital projects not being completed in the current year, resulting in more funds invested in term deposits and call accounts than planned.
- (b) **Subsidies and Grants** – Subsidies and grants were \$0.3m below budget. Some grants that were received in 2015/16 were not repeated in 2016/17.
- (c) **Other Revenue** – Other revenue was \$4.9m higher than budgeted.
 - i. Rendering of Services revenue was \$0.4m above budget due to higher than planned external sales from increased activity in roading, planning and City Services.
 - ii. Parklands Residential Development section sales were \$3.6m over budget due to more sales than anticipated. The sections remain in high demand.
 - iii. Other income was \$0.5m higher than budget due to unplanned funding received for events and activities like the Elite Cycling and Matariki events.
- (d) **Other Gains/(Losses)** – Other gains/(losses) were \$0.2m above budget. The increase in investment property values of \$2.0m has been mostly offset by a loss on disposal of assets. The amount of the loss is the difference between the book value of the asset and the disposal value. The losses related to disposal of assets which were renewed or upgraded during the year, or became surplus to requirements due to new capital works throughout the year.

2. Major Budget Variances continue

2.1.2 Expenditure

Total expenditure in 2016/17 was \$2m over budget, and \$3.2m higher than 2015/16. The most significant variances are as follows.

- (a) **Other Expenses** – Other expenses were \$0.8m over budget.
 - i. The cost of sales of the Parklands Residential Development is also included in other expenses. Due to the higher sales there were also higher expenses, with \$0.8m more in cost of sections sold than budgeted.
- (b) **Depreciation** – Depreciation was \$0.4m higher than budgeted. This was due to the recalculation of depreciation for Council's internally leased assets. Other budget variances within the depreciation expenses were immaterial.
- (c) **Employee benefit expenses** – employee benefit expenses were \$0.8m higher than budget. This was due to retirement and grants paid to staff that left during the year, along with high accumulated annual leave and long service leave payments as a result of long standing staff leaving or retiring during the year.

2.2. Statement of Financial Position

2.2.1 Current Assets

Overall, current assets are \$3m higher than budget and \$7.1m lower than last year. The significant variances are:

- (a) Other financial assets are \$10m higher than budget due to planned capital projects being carried forward into future years. The current portion of other financial assets consisted of cash on deposit, where the deposit is held for greater than 3 months but less than 12 months. The cash and cash equivalents remained unutilised, so have been reinvested in term deposits. This reflects known cash requirements at 30 June 2017. Other financial assets in this section needs to be read in conjunction with Note 2.4.
- (b) The current portion of inventories is \$2.4m higher than budget due the increased number of sections planned to be sold in 2017/18 resulting in higher inventory than planned.
- (c) Cash and cash equivalents are \$8.7m lower than budget. This variance is due to higher reserves being held in term deposits for greater than 3 months, and lower demand for cash due to planned capital projects being carried forward into future years.
- (d) Debtors and other receivables are \$0.7m lower than budget due to a large number of Parklands Residential Development section sales being completed before year end. As shown in Note 12, Parklands debtors are \$2m higher than the prior year, reflecting the high demand for sections.

2.2.2 Non-Current Assets

Total non-current assets for 2016/17 are \$6.1m higher than budget.

- (a) Property, plant and equipment is \$6.1m higher than budget. The increase in value resulting from the 2016/17 revaluation was higher than forecast.
- (b) Non-current inventories is \$2.3m below budget which relates to Parklands Residential Development. More sections are planned to be sold next year resulting in a lower than planned non-current inventory.
- (c) Investments in associates is \$0.3m above budget. This refers to our investment in Hawke's Bay Airport Limited. Further information can be found in the Council Controlled Organisations section of the Appendices.

2.2.3 Current Liabilities

Current liabilities are \$2.8m lower than budget. The main variance is in trade payables and other accruals which is \$2.6m lower than budget due to the timing of capital project expenditure. Timing differences have arisen due to budgets being set before detailed timelines were prepared.

2.2.4 Non-current Liabilities

Non-current liabilities are \$4m higher than budget. The variance relates to additional Provisions made during the year for weather tightness. This should be read in conjunction with Note 24.

2.2.5 Equity

Other reserves are \$41.4m above budget for the 2016/17 year. This is mainly due to an increase in asset values resulting from the 2016/17 revaluation of Council assets.

2. Major Budget Variances continue

2.3. Statement of Changes in Net Assets / Equity

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

2.4. Cashflow

Cash, cash equivalents and bank overdrafts increased by \$3.4m during the year, compared to a planned increase of \$1.8m. This is due to lower than planned purchases of property, plant and equipment, which is because of timing differences in capital project expenditure.

3. Rates Revenue

	Actual 2016/17 \$000	Actual 2015/16 \$000
General rates	36,708	35,411
Rates Penalties	307	322
Targeted rates attributable to activities		
Water	4,530	4,481
Sewerage	7,319	7,299
Refuse and sanitation	1,884	1,786
Rooding	149	160
Marketing	191	187
Total revenue from rates	51,088	49,646
Rates remissions	(248)	(255)
Rates revenue net of remissions	50,840	49,391

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

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

4. Subsidies and Grants

	Actual 2016/17 \$000	Actual 2015/16 \$000
Land Transport and other Government grants	4,988	4,960
Other Grants and Donations	310	830
Total grants and donations	5,298	5,790

In 2016/17 grants were received from Pub Charity (\$15,000), Southern Trust (\$5,255), Eastern & Central Community Trust (\$4,000), Napier Returned Service Association Inc (\$2,000), First Sovereign Trust (\$1,715), and Taradale & District RSA (\$500).

5. Other Revenue

	Actual 2016/17 \$000	Actual 2015/16 \$000
User charges	5,030	4,935
Regulatory revenue	3,115	3,110
Rental income from investment properties	1,408	1,466
Other rental income	4,579	4,467
Infringements and fines	560	684
Rendering of services	2,174	1,941
Retail and product sales	8,566	8,314
Omarunui Landfill Joint-Venture	2,330	2,033
Sales residential development*	11,511	8,523
Other income	1,364	1,229
Petrol tax	389	381
Vested assets	727	741
Dividend income	6	5
Total other revenue	41,759	37,829

* Of this amount Council invested \$2,031,345 (2016: \$796,808) in infrastructural assets.

5.1 Revenue Received in Advance

In the 2009/10 year Council received funds from the sale of both 10 year licences to occupy corporate boxes in the Graeme Lowe Stand at McLean Park and naming rights for the same. Further licences to occupy other McLean Park boxes, with varying lengths of terms, have been added during the current year. Recognition of naming rights and licences to occupy as revenue to Council is spread over the life of each agreement. Consequently the equivalent of 1 year of the funds received are recognised each year as income in user charges. The remainder is included in the Statement of Financial Position within either current liabilities or non-current liabilities. The value recognised in current liabilities, \$268,500 (2016: \$268,500), is the amount that will be recognised in the following financial year as revenue and any amounts that will be recognised in years later is classified and included in non-current liabilities. This amount, \$268,500 (2016: \$537,000), is separately disclosed in non-current liabilities as revenue received in advance.

6. Gains/(Losses)

	Actual 2016/17 \$000	Actual 2015/16 \$000
Non-financial instruments		
Gain/(loss) on revaluation of Library book stock	(134)	(115)
Gain/(loss) on revaluation of investment properties	2,014	495
Gain/(loss) on sale of assets	227	110
Gain/(loss) on disposal of assets	(1,682)	(1,284)
Fair value gain/(loss) on livestock	89	55
Total gains/(losses)	514	(739)

7. Employee Benefit Expenses

	Actual 2016/17 \$000	Actual 2015/16 \$000
Salaries and wages	30,897	28,574
Employer contributions to multi-employer defined benefit plans	700	642
Increase/(decrease) in employee benefit liabilities	(282)	(106)
Total employee benefit expenses	31,315	29,110

8. Other Expenses

	Actual 2016/17 \$000	Actual 2015/16 \$000
Audit fees - financial statement audit	138	127
Donations	14	13
Bad debts written off	9	49
Rental expense on operating leases	665	661
Other operating expenses	36,287	35,583
Total other expenses	37,113	36,433

9. Finance Income and Finance Costs

	Actual 2016/17 \$000	Actual 2015/16 \$000
Finance income		
Interest income		
Term deposits and call accounts	2,132	2,886
Local authority stock	-	-
Total finance income	2,132	2,886
Finance costs		
Interest expense		
Interest on external borrowings	-	-
Interest on internal borrowings	1,295	1,351
Total interest expense	1,295	1,351
Internal interest expense	(1,295)	(1,351)
Total finance costs	-	-
Net finance income	2,132	2,886

10. Tax

	Actual 2016/17 \$000	Actual 2015/16 \$000
Relationship between tax expense and accounting profit		
Surplus/(deficit) before tax	13,969	11,843
Tax at 28%	3,911	3,316
Non-taxable income	(3,911)	(3,316)
Tax Expense	-	-

Additional disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$1,732,566 (2016: \$1,674,094).

11. Cash and Cash Equivalents

	Actual 2016/17 \$000	Actual 2015/16 \$000
Cash at bank and in hand	4,844	4,969
Short-term deposits maturing 3 months or less from date of acquisition	3,000	-
Omarunui Landfill	2,968	2,398
Total cash and cash equivalents	10,812	7,367

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. There are no restrictions on the use of part or all of the cash.

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Cash at bank and in hand	4,844	4,969
Short-term deposits maturing within 3 months	3,000	-
Omarunui Landfill	2,968	2,398
Total cash and cash equivalents	10,812	7,367

Omarunui Landfill represents the Napier City Council share of the Omarunui Landfill investments at 30 June 2017.

12. Debtors and Other Receivables

	Actual 2016/17 \$000	Actual 2015/16 \$000
Rates receivables	613	725
Other receivables	4,223	3,962
Parklands - unconditional contracts subdivision sales	4,405	2,865
NZTA subsidy claims	1,162	1,052
Prepayments	171	51
Total debtors and other receivables	10,574	8,655
Debtors and other receivables comprise of:		
Receivables from non-exchange transactions - rates and grants	1,775	1,777
Receivables from exchange transactions - commercial sales	8,799	6,878
Total debtors and other receivables	10,574	8,655

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

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

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

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

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

The status of receivables as at 30 June 2017 and 2016 are detailed below:

	Actual 2016/17 \$000	Actual 2015/16 \$000
Current	8,310	7,393
Past due 30 days	504	439
Past due 60 days	60	85
Past due 90 days	1,700	738
Total receivables	10,574	8,655

13. Inventories

	Actual 2016/17 \$000	Actual 2015/16 \$000
Current portion		
Inventory held for distribution	187	207
Inventory held for resale	165	173
Parklands - land under development	2,297	-
Parklands - work in progress	2,758	584
Total current portion	5,407	964
Non-current portion		
Parklands - land under development	2,325	-
Parklands - work in progress	2,756	1,638
Total non-current portion	5,081	1,638

Inventory held for distribution and resale decreased in 2017: \$22,748 (2016: \$17,362 increase) as a result of stocktake adjustments.

The carrying amount of inventories pledged as security for liabilities is \$nil (2016: \$nil).

The Council is currently developing land for future sale and of the costs to date (including the value of land transferred to inventory) \$5,080,538 are not expected to be recovered until after 30 June 2018.

14. Biological Assets

	Actual 2016/17 \$000	Actual 2015/16 \$000
Biological assets changes in value		
Opening value 1 July	191	315
Change in value arising from changes in fair value	89	55
Increase in value due to natural increase/(decrease)	100	167
Increase in value due to purchases	273	220
Change in value due to sales	(369)	(566)
Closing value 30 June	284	191

Biological Assets comprise 2,107 sheep (2016: 1,495) largely held for trading.

15. Other Financial Assets

	Actual 2016/17 \$000	Actual 2015/16 \$000
Current portion		
Short-term deposits with maturities of 4-12 months	55,000	72,000
Corporate bonds	-	-
Total current portion	55,000	72,000
Non-current portion		
Term deposits with maturities of over 12 months	-	-
Unlisted shares	448	475
Corporate bonds	-	-
Total non-current portion	448	475

There were no impairment provisions for other financial assets.

The carrying amount of term deposits approximates their fair value.

Unlisted Shares - Valuation

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

If an active market is present for unlisted shares, the fair value of such shares is determined by their market value.

If an active market is absent for unlisted shares, the fair value of such shares is determined by their redemption value.

Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

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

30 June 2017	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
Financial assets				
Derivatives	-	-	-	-
Shares	448	448	-	-
Term deposits	55,000	55,000	-	-
Corporate bonds	-	-	-	-
Financial liabilities				
Derivatives	-	-	-	-

30 June 2016	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non-Observable Inputs \$000
Financial assets				
Derivatives	-	-	-	-
Shares	475	475	-	-
Term deposits	72,000	72,000	-	-
Corporate bonds	-	-	-	-
Financial liabilities				
Derivatives	-	-	-	-

16. Non-current Assets Held for Sale

There are currently no non-current assets held for sale as at 30 June 2017 \$0 (2016: \$0).

17. Property plant and equipment

2016/17

	Cost / Valuation 1 July 2016 \$'000	Accumulated Depreciation & Impairment 1 July 2016 \$'000	Carrying Amount 1 July 2016 \$'000	Vested Asset Additions \$'000	Other Additions \$'000	Disposals \$'000	Reversal of Accumulated Depreciation \$'000	Transfers and Corrections \$'000	Transfers and Corrections Depreciation \$'000	Revaluation Surplus \$'000	Cost / Valuation 30 June 2017 \$'000	Accumulated Depreciation & Impairment 30 June 2017 \$'000	Carrying Amount 30 June 2017 \$'000
Council operation assets													
Land	76,641	-	76,641	-	1,277	(10)	-	(5,782)	-	12,074	84,200	-	84,200
Leasehold land	4,194	-	4,194	-	-	(325)	-	-	-	1,333	5,202	-	5,202
Buildings	68,469	(3,773)	64,696	-	478	(263)	5,693	(266)	8	16,886	85,304	-	85,304
Library books	2,285	-	2,285	-	377	(29)	238	-	-	(388)	2,245	-	2,245
Plant and equipment	35,860	(24,296)	11,564	-	2,330	(875)	783	1,838	(181)	-	39,153	(26,042)	13,111
Motor vehicles	5,330	(2,839)	2,491	-	550	(652)	485	(202)	46	-	5,026	(2,856)	2,170
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	225	(225)	-
Total operational assets	193,004	(31,133)	161,871	-	5,012	(2,154)	7,199	(4,412)	(127)	29,905	221,355	(29,123)	192,232
Council infrastructural assets													
Sewerage system treatment plant	34,086	(1,569)	32,517	-	299	-	2,371	(362)	-	1,317	35,340	-	35,340
Sewerage system other assets	120,842	(3,904)	116,938	186	1,044	(134)	7,083	362	-	2,935	125,235	-	125,234
Water system	86,951	(2,529)	84,422	175	1,922	(26)	4,236	-	-	6,803	95,825	-	95,825
Drainage network	117,212	(3,501)	113,711	156	2,305	(38)	5,469	-	-	11,122	130,757	-	130,757
Roading network	197,418	(4)	197,414	210	10,361	-	5,293	-	-	4,311	212,300	-	212,300
Land under roads	421,111	-	421,111	-	-	-	-	-	-	-	421,111	-	421,111
Total infrastructural assets	977,620	(11,507)	966,113	727	15,931	(198)	24,452	-	-	26,488	1,020,568	-	1,020,567
Council restricted assets													
Sportsgrounds	151,855	(2,445)	149,410	-	11,164	(245)	3,589	(1,054)	114	8,718	170,438	-	170,437
Grandstands and halls	8,972	(265)	8,707	-	6	-	402	-	-	(19)	8,959	-	8,959
Buildings on reserves	35,746	(1,926)	33,820	-	9,005	(95)	2,911	(316)	13	(1,697)	42,643	-	42,643
Swimming pools	11,145	(757)	10,388	-	399	-	1,142	-	-	(577)	10,967	-	10,967
Inner harbour	12,677	(475)	12,202	-	81	-	720	-	-	2,452	15,210	-	15,210
Total restricted assets	220,395	(5,868)	214,527	-	20,655	(340)	8,764	(1,370)	127	8,877	248,217	-	248,216
Total property plant & equipment	1,391,019	(48,508)	1,342,511	727	41,598	(2,692)	40,415	(5,782)	-	65,270	1,490,140	(29,125)	1,461,015

Items added to work in progress \$12,687,506 (2015/16: \$27,666,879). Completed assets transferred from work in progress \$20,396,990 (2015/16: \$13,802,032). The net carrying amount of plant and equipment held under finance leases is \$0 (2015/16: \$0). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

Reversal of accumulated depreciation includes reversal of accumulated depreciation and writeback of accumulated depreciation on revaluation.

A more vigorous deselection process of the library book assets will be carried out in 2017/18 due to the potential move of the library. This may result in higher disposals than normal next financial year.

17. Property plant and equipment

2015/16

	Cost / Valuation 1 July 2015 \$000	Accumulated Depreciation & Impairment 1 July 2015 \$000	Carrying Amount 1 July 2015 \$000	Vested Asset Additions \$000	Other Additions \$000	Disposals \$000	Reversal of Accumulated Depreciation \$000	Transfers and Corrections \$000	Transfers and Corrections Depreciation \$000	Depreciation \$000	Revaluation Surplus \$000	Cost / Valuation 30 June 2016 \$000	Accumulated Depreciation & Impairment 30 June 2016 \$000	Carrying Amount 30 June 2016 \$000
Council operation assets														
Land	76,631	-	76,631	-	-	-	-	10	-	-	-	76,641	-	76,641
Leasehold land	4,476	-	4,476	-	5	(287)	-	-	-	-	-	4,194	-	4,194
Buildings	66,538	(1,910)	64,628	-	2,188	(235)	82	(22)	1	(1,946)	-	68,469	(3,773)	64,696
Library books	2,294	-	2,294	-	418	(75)	228	-	-	(228)	(352)	2,285	-	2,285
Plant and equipment	34,217	(22,376)	11,841	-	1,926	(605)	577	322	(117)	(2,380)	-	35,860	(24,296)	11,564
Motor vehicles	4,436	(2,109)	2,327	-	909	(569)	551	554	(746)	(535)	-	5,330	(2,839)	2,491
Landfill post closure	225	(225)	-	-	-	-	-	-	-	-	-	225	(225)	-
Total operational assets	188,817	(26,620)	162,197	-	5,446	(1,771)	1,438	864	(862)	(5,089)	(352)	193,004	(31,133)	161,871
Council infrastructural assets														
Sewerage system treatment plant	35,350	(805)	34,545	-	150	-	-	(1,414)	28	(792)	-	34,086	(1,569)	32,517
Sewerage system other assets	119,347	(3,039)	116,308	339	2,503	(2,779)	2,446	1,432	(46)	(3,265)	-	120,842	(3,904)	116,938
Water system	81,955	(1,368)	80,587	227	5,454	(685)	345	-	-	(1,506)	-	86,951	(2,529)	84,422
Drainage network	110,578	(1,902)	108,676	668	6,846	(880)	339	-	-	(1,938)	-	117,212	(3,501)	113,711
Roading network	190,098	(2)	190,096	304	14,130	-	5,200	-	-	(5,202)	(7,114)	197,418	(4)	197,414
Land under roads	420,665	-	420,665	-	468	(22)	-	-	-	-	-	421,111	-	421,111
Total infrastructural assets	957,993	(7,116)	950,877	1,538	29,551	(4,366)	8,330	18	(18)	(12,703)	(7,114)	977,620	(11,507)	966,113
Council restricted assets														
Sportsgrounds	148,492	(1,198)	147,294	-	3,418	(72)	2	17	(17)	(1,232)	-	151,855	(2,445)	149,410
Grandstands and halls	8,734	(132)	8,602	-	237	-	-	-	-	(132)	-	8,971	(265)	8,706
Buildings on reserves	34,457	(953)	33,504	-	1,310	(21)	1	-	-	(974)	-	35,746	(1,926)	33,820
Swimming pools	11,060	(376)	10,684	-	85	-	-	-	-	(381)	-	11,145	(757)	10,388
Inner harbour	12,592	(233)	12,359	-	85	-	-	-	-	(242)	-	12,677	(475)	12,202
Total restricted assets	215,335	(2,892)	212,443	-	5,135	(93)	3	17	(17)	(2,962)	-	220,394	(5,868)	214,526
Total property plant & equipment	1,362,145	(36,628)	1,325,517	1,538	40,132	(6,230)	9,771	899	(897)	(20,754)	(7,466)	1,391,018	(48,508)	1,342,510

Items added to work in progress \$27,666,878 (2014/15: \$14,421,275). Completed assets transferred from work in progress \$13,802,032 (2014/15: \$33,376,704). The net carrying amount of plant and equipment held under finance leases is \$0 (2014/15: \$0). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

Reversal of accumulated depreciation includes reversal of accumulated depreciation on disposal of assets and writeback of accumulated depreciation on revaluation.

17. Property, plant and equipment continues

The following amounts of works under construction valued at cost are included in Property Plant and Equipment as at 30 June

	2016/17 \$000	2015/16 \$000
Land	-	264
Buildings	535	1,916
Plant and equipment	467	355
Sewerage system other assets	580	651
Water system	2,774	4,898
Drainage network	2,477	5,903
Roading network	2,801	7,678
Sportsgrounds	7,476	3,334
Buildings on reserves	7	-
Inner Harbour	-	74
Software	287	40
Total works under construction	17,404	25,113

17.a Replacement Cost of Core Infrastructural Assets

	2016/17 \$000	2015/16 \$000
Council infrastructural assets		
Sewerage system treatment plant	42,419	40,747
Sewerage system other assets	268,672	210,637
Water system	161,269	132,801
Drainage network	192,531	167,563
Roading network	354,110	329,890
Total infrastructural assets	1,019,001	881,638

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

17. b Depreciation and Amortisation Expense by Group of Activity

	Actual 2016/17 \$000	Actual 2015/16 \$000
Roading	5,317	5,266
Solid Waste	623	745
Stormwater	1,980	1,951
Sewerage	3,993	4,067
Water Supply	1,710	1,508
Recreation	2,096	2,051
Social and Cultural	2,278	2,320
City Activities	914	892
Planning and Regulatory	316	315
Property Assets	425	416
Support Services	1,595	1,408
Total directly attributable depreciation and amortisation by group of activity	21,247	20,939

18. Intangible Assets

2016/17	Cost / Valuation 1 July 2016 \$000	Accumulated Depreciation & Impairment 1 July 2016 \$000	Carrying Amount 1 July 2016 \$000	Additions \$000	Disposals \$000	Reversal of Accumulated Depreciation \$000	Impairments \$000	Amortisation \$000	Revaluation Surplus \$000	Cost / Valuation 30 June 2017 \$000	Accumulated Depreciation & Impairment 30 June 2017 \$000	Carrying Amount 30 June 2017 \$000
Computer software	2,154	(1,661)	493	266	(9)	9	-	(215)	-	2,411	(1,867)	544

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 licences. No intangible assets have been pledged as security for liabilities.

2015/16	Cost / Valuation 1 July 2015 \$000	Accumulated Depreciation & Impairment 1 July 2015 \$000	Carrying Amount 1 July 2015 \$000	Additions \$000	Disposals \$000	Reversal of Accumulated Depreciation \$000	Impairments \$000	Amortisation \$000	Revaluation Surplus \$000	Cost / Valuation 30 June 2016 \$000	Accumulated Depreciation & Impairment 30 June 2016 \$000	Carrying Amount 30 June 2016 \$000
Computer software	2,025	(1,660)	365	314	(185)	185	-	(186)	-	2,154	(1,661)	493

19. Investment Property

	Actual 2016/17 \$000	Actual 2015/16 \$000
Balance at 1 July	32,814	32,319
Additions from acquisitions	-	-
Reclassification	-	-
Fair value gains/(losses) on valuation	2,014	495
Balance at 30 June	34,828	32,814

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.

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Rental income from investment property	1,408	1,466
Expenses from investment property generating income	-	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

20. Investments in Council Controlled Organisations

20.1 Investment in Associates

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

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

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

Movements in the carrying amount of investments in associates

	Actual 2016/17 \$000	Actual 2015/16 \$000
Balance at 1 July	7,290	6,804
Prior Year equity adjustment	-	113
Revaluation Gains/(Losses)	64	120
Share of total recognised revenues and expenses	536	390
Share of dividend	(274)	(137)
Balance at 30 June	7,616	7,290

Summarised Financial Information of Associate Entities

	Actual 2016/17 \$000	Actual 2015/16 \$000
Assets	36,549	35,312
Liabilities	7,264	7,274
Revenues	6,113	5,269
Surplus/(deficit)	1,718	1,404
Group's interest	26%	26%

Associated Contingencies

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

20.2 Reporting

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

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

The Council has interests in two further Council Controlled Organisations (refer to pages 135 to 139).

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

21. Trade payables and other accruals

	Actual 2016/17 \$000	Actual 2015/16 \$000
Trade payables and accrued expenses	9,356	10,555
Deposits and bonds	638	610
Accrued interest	-	-
Rates in advance	918	801
Revenue received in advance	521	637
Total Trade payables and other accruals	11,433	12,603
Payables and other accruals comprise of:		
Payables from non-exchange transactions - rates	918	801
Payables from exchange transactions - commercial payables	10,515	11,802
Total Trade payables and other accruals	11,433	12,603

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 2016/17 \$000	Actual 2015/16 \$000
Current portion		
Accrued pay	686	473
Annual leave	2,838	3,000
Retirement and long service leave	300	62
Total current portion	3,824	3,535
Non-current portion		
Retirement and long service leave	1,046	1,404
Total non-current portion	1,046	1,404
Total employee entitlement	4,870	4,939

23. Borrowings

	Actual 2016/17 \$000	Actual 2015/16 \$000
Current portion		
Secured loans	-	-
Total current portion	-	-
Non-current portion		
Secured loans	-	-
Total non-current portion	-	-

Fixed Rate Debt

The Council's debt is \$0 (2016: \$0).

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

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

Refinancing

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

Maturity Analysis and Effective Interest Rates

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Secured Loans		
Less than one year	-	-
Weighted average effective interest rate	- %	- %
Later than one year but not more than five years	-	-
Weighted average effective interest rate	- %	- %
Later than five years	-	-
Weighted average effective interest rate	- %	- %
Total	-	-

24. Provisions

	Actual 2016/17 \$000	Actual 2015/16 \$000
Financial guarantees		
Balance at 1 July	488	532
Unused amounts reversed	(48)	(44)
Balance at 30 June	440	488
Weathertightness provision		
Balance at 1 July	2,800	2,890
Additional provisions made	800	-
Unused amounts reversed	-	(90)
Balance at 30 June	3,600	2,800
Landfill aftercare provision		
Balance at 1 July	485	502
Unused amounts reversed	(65)	(17)
Balance at 30 June	420	485
Realignment costs		
Balance at 1 July	319	-
Additional provisions made	-	319
Amounts used	(319)	-
Balance at 30 June	-	319
Tertiary education grant		
Balance at 1 July	750	-
Additional provisions made	50	750
Amounts used	(100)	-
Balance at 30 June	700	750
Total	5,160	4,842

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.

24. Provisions continue

Provision for Weathertightness

Two claims have been lodged as at 30 June 2017 (2016: Two). These claims relate to building defects/ weather tightness issues of flats in the Napier district and name the Council as well as other parties. A provision for claims lodged at balance date has been established based on legal advice and the council's estimate of the likely financial settlement, including likely costs and disbursements. Riskpool, a mutual liability trust fund created by New Zealand local authorities to provide long-term professional indemnity and public liability protection, which the Council is a party of, has declined cover on the basis of a weathertight exclusion. Mediation of both claims is expected to take place in the 30 June 2018 financial year. The significant assumptions used in the estimation of the liability to the Council are explained below.

Settlement amount:

As one of the claimants is still undertaking work to investigate the defects and the extent and scope of repairs, if the estimated repair costs increase, the council's exposure to the claims will increase. The provision made by the Council is the Council's expected contribution to the settlement, and assumes the other parties subject to the claims have the ability to meet their portion of the claims. If they prove unable, the Council's exposure, and therefore estimate, will increase.

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:

	Total Capacity (million)	Useful Life of Valley	Remaining Useful Life
The landfill is divided into four valleys as below:			
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	7.4 years
Valleys B & C - not yet in operation			

Estimates of the life have been made by Hastings District Council's engineers based on historical volume information.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.5%.

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

- Aftercare will be required for 30 years after the closure of each stage.
- The annual cost of aftercare for Valley A and D is \$76,800
- The provision reported is for the Napier City Council's share only (36.32%).

Provision for Tertiary Education Grant

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

24. Provisions continue

FINANCIAL GUARANTEES

		Authorised 2016/17 (\$000)	Outstanding Amount 2016/17 (\$000)	Authorised 2015/16 (\$000)	Outstanding Amount 2015/16 (\$000)
Napier Sailing Club	Westpac	550	280	550	314
Omni Gymnastics Centre	Westpac	275	159	275	174
Total		825	439	825	488

25. Equity

	Actual 2016/17 \$000	Actual 2015/16 \$000
Retained earnings		
As at 1 July	763,015	750,305
Transfers to:		
Restricted reserves	(2,039)	(2,225)
Transfers from:		
Asset revaluation reserve	915	1,270
Restricted reserves	1,885	1,822
Surplus/(deficit) for the year	13,969	11,843
As at 30 June	777,745	763,015
	-	-
Restricted reserves		
As at 1 July	2,453	2,050
Transfers to:		
Retained earnings	(1,885)	(1,822)
Transfers from:		
Retained earnings	2,039	2,225
As at 30 June	2,607	2,453
	-	-
Restricted reserves consist of:		
Loan redemption reserve	-	-
Loan funds reserves	(120)	(136)
Trusts and bequests	307	292
Advanced wastewater treatment fund (HBRC)	-	-
Other restricted reserves	2,420	2,297
Total restricted reserves *	2,607	2,453
	-	-
Asset revaluation reserves		
As at 1 July	686,015	688,982
Revaluation gains/(losses) Property, Plant & Equipment	104,368	(1,929)
Revaluation gains/(losses) Hawke's Bay Airport Limited	64	232
Transfer of prior year revaluation adjustment for Hawke's Bay Airport Limited	-	(112)
Transfer of revaluation reserve to retained earnings	-	-
Transfer of revaluation reserve to retained earnings on disposal of property plant & equipment	(915)	(1,158)
As at 30 June	789,532	686,015

* For full details on the restricted reserves refer to page 70

25. Equity

	Actual 2016/17 \$000	Actual 2015/16 \$000
Asset revaluation reserves consist of:		
Operational assets		
Land	66,840	54,695
Leasehold land	4,477	3,421
Buildings	54,400	32,034
Plant & equipment	268	269
Infrastructural assets		
Sewerage Treatment Plant	9,902	6,213
Sewerage system	119,480	109,592
Water system	76,838	65,820
Drainage network	85,177	68,614
Roading network	219,038	209,434
Restricted reserves		
Sportsgrounds	114,463	102,432
Grandstands and halls	3,155	2,773
Buildings on reserves	15,092	13,989
Swimming pools	5,624	5,059
Inner Harbour	12,445	9,273
Hawke's Bay Airport Authority	2,333	2,397
Total asset revaluation reserves	789,532	686,015
	-	-
Fair value through equity reserve		
As at 1 July	(7)	(73)
Valuation gains/(losses) on unlisted shares taken to equity	-	66
As at 30 June	(7)	(7)
Total other reserves	792,132	688,461
Total Equity	1,569,877	1,451,476

26. Capital Management

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has Asset Management Plans in place for major classes of assets, detailing renewal and maintenance programmes to ensure that future generations of ratepayers are not required to meet the costs of deferred renewals and maintenance.

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

Napier City Council has the following Council created reserves:

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

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

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

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

27. Capital Commitments and Operating Leases

	Actual 2016/17 \$000	Actual 2015/16 \$000
Capital commitments		
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	6,293	16,290

Operating leases as lessee

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

Napier Community House

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

Non-cancellable operating leases as lessee

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Not later than one year	617	617
Later than one year and not later than five years	2,432	2,432
Later than five years	1,216	1,824
Total non-cancellable operating leases	4,265	4,873

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance sheet date is \$4,624,820 (2016: \$4,872,820).

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

Non-cancellable operating leases as lessor

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Not later than one year	1,015	906
Later than one year and not later than five years	3,096	2,950
Later than five years	3,636	4,308
Total non-cancellable operating leases	7,747	8,164

28. Contingencies

	Actual 2016/17 \$000	Actual 2015/16 \$000
Contingent liabilities	15,400	14,000
Financial guarantees	386	337
Total contingent liabilities	15,786	14,337

Financial Guarantees

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

Weathertightness

Council has recognised a provision for weathertightness claims (see Note 24). The Councils' maximum exposure to weathertightness claims is currently estimated at an additional \$15.4m. It is not considered likely that this liability will materialise; hence this is recognised as a contingent liability.

In April 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Napier City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 8 of which are located within the Napier City Council area. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

Other contingencies

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

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

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

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Surplus/(deficit) after tax	13,969	11,843
Add/(less) non-cash items		
Share of associate surplus/(deficit)	(536)	(390)
Depreciation and amortisation expense	21,247	20,939
Vested assets	(727)	(1,538)
(Gain)/loss on revaluation of Library bookstock	134	115
(Gain)/loss on revaluation of investment properties	(2,014)	(495)
Fair value (gain)/loss on livestock	(89)	(55)
Other non-cash Items	-	-
Add/(less) items classified as investing or financing activities:		
(Gain)/loss on sale or disposal of assets	1,455	1,174
Add/(less) movements in working capital items:		
Accounts receivable	(1,919)	1,150
Inventories	(2,104)	1,709
Biological assets	(4)	180
Accounts payable	(2,081)	638
Provisions	318	918
Revenue received in advance	(384)	(269)
Employee benefits	(69)	23
Net cash inflow/(outflow) from operating activities	27,196	35,942

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 \$307,377 (2016: \$290,219).

For the Year Ended 30 June 2017, the total annual cost including Fringe Benefit Tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$337,592 (2016: \$318,730)

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Cost During the Financial Year		
Subscriptions	1	1

Elected Representatives

	Actual 2016/17 \$000	Actual 2015/16 \$000
Total remuneration		
Mayor		
Bill Dalton	121	120
Councillors		
Faye White *	48	48
Tony Jeffery *	45	45
Kirsten Wise *	45	45
Keith Price	45	44
Maxine Boag	42	44
Graeme Taylor *	41	39
Annette Brosnan *	41	38
Richard McGrath	39	38
Tania Wright	29	-
Claire Hague	29	-
Apiata Tapine	27	-
Larry Dallimore	27	-
Mark Herbert *	13	45
Michelle Pyke *	13	44
Mark Hamilton	11	38
Roy Sye	2	38
Total elected representatives remuneration	618	626

* Receive payment for time spent on the hearings committee

31. Employee Staffing Levels and Remuneration

As at 30 June 2017 the number of employees employed by Napier City Council was 535 (2016: 512)*.

2016/17 Staffing Levels by Salary Band

Annual Remuneration Band	Full Time Staff 2016/17	Other Staff Full Time Equivalent 2016/17	Total FTE's	Total Number of Employees
Less than \$60,000	235	63	298	366
\$60,000 to \$79,999	101	1	102	104
\$80,000 to \$99,999	35	2	37	37
\$100,000 to \$119,999	15	1	16	16
\$120,000 to \$179,999	6	-	6	6
\$180,000 to \$339,999	6	-	6	6
Total	398	67	465	535

2015/16 Staffing Levels by Salary Band

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

For the purposes of this disclosure, full time staff are based on 40 hours per week. Full time equivalent staff include those personnel receiving salaries, wages and casual staff, and have been calculated on a full time equivalent basis, as at 30 June 2017. The budget 2016/17 full time equivalent staff was 428 (2016: 436). The variance is due to fluctuating seasonal staff requirements those that were not employees at 30 June 2017. The variance between the 2016 and 2017 can be attributed to general replacements only recruited to enable the organisation to deliver services during the realignment process in 2016, whereas staff were back up to the expected levels in 2017 after the realignment was complete.

Napier City Council currently employ a number of regional shared services roles, and costs are recovered on a shared services arrangement.

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

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

32. Severance Payments

For the Year Ended 30 June 2017, the Council made 2 (2016: 4) severance payments to employees at the values of \$1,000 & \$3,500 (2016: \$2,000, \$5,000, \$5,000 & \$6,000).

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

33. Events After the Balance Sheet Date

Council has received a detailed Seismic Assessment on the Civic and Library buildings. The assessment rated the buildings as follows:

- Library Building, with Importance level 3 was identified at 15% New Building Standard (based on 1 in 1000 year event)
- Civic Building, with Importance level 3 was identified at 10% New Building Standard (based on 1 in 1000 year event)

Until strengthening work is undertaken Council have approved that staff be decanted to alternative accommodation. The relocation costs will be funded from the building upgrade budget approved by Council in the 2017/18 Annual Plan. Council is also undertaking an assessment of the cost appropriateness of a building upgrade.

34. Financial Instrument Risks

Financial instrument categories

	Actual 2016/17 \$000	Actual 2015/16 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	10,812	7,367
Debtors and other receivables	10,574	8,655
Other financial assets		
Term deposits	55,000	72,000
Total loans and receivables	76,386	88,022
Held to maturity		
Other financial assets		
Local authority stock	-	-
Corporate bonds	-	-
Total held to maturity	-	-
Fair value through equity		
Unlisted shares	448	475
Total fair value through equity	448	475
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	11,433	12,603
Secured loans	-	-
Total financial liabilities at amortised cost	11,433	12,603

Financial Instrument Risks

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

Market Risk

Price risk

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

Currency risk

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

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

Fair value interest rate risk

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

Cash flow interest rate risk

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

Credit risk

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

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

Maximum exposure to credit risk

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Cash at bank and term deposits	65,812	79,367
Receivables	10,574	8,655
Community and related party loans	-	-
Local authority stock and government bonds	-	-
Derivative financial instrument assets	-	-
Financial guarantees	440	488
Total credit risk	76,826	88,510

Financial Instrument Risks continues

Credit quality of financial assets

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Counterparties with credit ratings		
Cash at Bank		
AA- (Others)	10,812	7,367
A (Kiwibank)	-	-
Total cash at bank	10,812	7,367
Term deposits		
AA- (Others)	45,000	64,000
A (Kiwibank)	10,000	8,000
Total term deposits	55,000	72,000
Counterparties without credit ratings		
Local authority stock	-	-
Total	-	-

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

Name of registered bank	Name of credit rating agency and rating		
	Standard & Poor's	Fitch	Moody's
ANZ Bank New Zealand Limited	AA-	AA-	Aa3
ASB Bank Limited	AA-	AA-	Aa3
Australia and New Zealand Banking Group Limited (B)	AA-	AA-	Aa2
Bank of New Zealand	AA-	AA-	Aa3
Kiwibank Limited	A+	AA+	Aa3
Westpac Banking Corporation (B)	AA-	AA-	Aa2
Westpac New Zealand Limited	AA-	AA-	Aa3

34. Financial Instrument Risks continue

Liquidity Risk

Management of Liquidity Risk

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

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

The Council has an overdraft facility of \$300,000 (2016: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2017 was \$0 (2016: \$0). The Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$4,828,000 in funds as at 30 June 2017 (2016: \$5,113,000).

Contractual Maturity Analysis of Financial Liabilities

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More Than 5 Years \$000
2016/17						
Creditors & Other Payables	11,433	11,433	11,433	-	-	-
Secured Loans	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	440	440	440	-	-	-
Total	11,873	11,873	11,873	-	-	-
2015/16						
Creditors & Other Payables	12,603	12,603	12,603	-	-	-
Secured Loans	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-
Financial Guarantees	488	488	488	-	-	-
Total	13,091	13,091	13,091	-	-	-

34. Financial Instrument Risks continue

Contractual Maturity Analysis of Financial Assets

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 year \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
2016/17						
Cash & cash equivalents	10,812	10,812	10,812	-	-	-
Debtors & other receivables	10,574	10,574	10,574	-	-	-
Other financial assets						
Term deposits	55,000	56,220	56,220	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Total	76,386	77,606	77,606	-	-	-
2015/16						
Cash & cash equivalents	7,367	7,367	7,367	-	-	-
Debtors & other receivables	8,655	8,655	8,655	-	-	-
Other financial assets						
Term deposits	72,000	73,754	73,754	-	-	-
Local authority stock	-	-	-	-	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Total	88,022	89,776	89,776	-	-	-

34. Financial Instrument Risks continue

Sensitivity analysis

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

Interest rate risk

	2016/17 \$000				2015/16 \$000			
	-50 Profit	bps Equity	100 Profit	bps Equity	-50 Profit	bps Equity	100 Profit	bps Equity
Financial assets								
Cash and cash equivalents	(54)	-	108	-	(37)	-	74	-
Other financial assets								
Term deposits	(275)	-	550	-	(360)	-	720	-
Local authority stock	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
	(329)	-	658	-	(397)	-	794	-

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 (2016: -50bps/+100bps).

Term loans

At 30 June 2017 the Council had \$nil of floating rate debt (2016: \$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 2017, the Council's current and non current investments and borrowings have all been negotiated at fixed interest rates for fixed terms (2016: \$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 2017 Council's forward foreign exchange contracts totalled EUR€nil or NZ\$nil (2016: EUR€nil or NZ\$nil).

36. Related Party Transactions

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

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

Related party transactions with subsidiaries, associates, or joint ventures

The Council has significant influence over Hawke's Bay Museums Trust. The Council also has a 36.32% share in the Omarunui Landfill joint venture and has significant influence over Hawke's Bay Airport Limited due to its 26.00% ownership.

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

	Actual 2016/17 \$000	Actual 2015/16 \$000
Hawke's Bay Museums Trust (HBMT)		
Grants paid to HBMT	443	441
Services provided to HBMT	873	873
Hawke's Bay Local Authority Shared Services Ltd (HBLASS)		
Initial Shareholding	1	1
Share of Expenses paid to HBLASS	13	27

Transactions with key management personnel

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

The Council purchased goods and services of \$14,447 (2016: \$83,425) from Volom Marketing Business, in which the Director of Corporate Services is related to the operator of the business. This expenditure relates to consulting services received for event management and was on normal commercial terms and financial approval.

The Council did not have any transactions with Ramblers Cycling Club in the 2016/17 financial year (2016: \$2,000). The Chief Executive is a member of this club and sponsorship in 2016 was provided on normal terms and financial approval.

The Council purchased goods and services of \$208,111 (2016: \$0) from Alexander Construction Management Limited, \$66,616 (2016: \$0) from Alexander Construction Company Limited, \$0 (2016: \$15,206) from Alexander Building Solutions Limited, and \$0 (2016: \$5,074) from Alexander Construction Central Limited, in which Previous Councillor Mark Hamilton has an interest. Mark Hamilton was not re-elected to Council in the October 2016 election. This expenditure was on normal commercial terms and financial approval.

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

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2016: \$nil).

Key management personnel compensation

	FTE 2016/17	FTE 2015/16	Actual 2016/17 \$000	Actual 2015/16 \$000
Elected members remuneration	13	12	618	626
Senior management remuneration (includes Chief Executive and direct reports)	8	11	1,533	1,826

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

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

37. Joint Venture

The Council's interest in the Omarunui Landfill is accounted for as a joint venture with jointly controlled assets. The Council's 36.32% interest in the joint venture are as follows:

	Actual 2016/17 \$000	Actual 2015/16 \$000
Current assets	2,968	2,398
Non-current assets	3,622	3,973
Non-current liabilities	420	485
Income	2,730	2,433
Income (NCC sales eliminated)	(400)	(400)
Expenses	1,128	1,004
Depreciation	538	523

Joint venture commitments and contingencies

There are no capital commitments and contingent liabilities arising from involvement in the joint venture (2016: \$nil).

Funding Impact Statement (Whole of Council)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000	AP 2015/16 \$000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	37,015	36,957	35,735	35,327
Targeted rates	13,825	13,775	13,655	13,556
Subsidies and grants for operating purposes	4,371	2,618	4,262	2,601
Fees and charges	18,885	17,545	18,300	18,411
Interest and dividends from investments	2,138	966	2,891	1,778
Local authorities fuel tax, fines, infringement fees, and other receipts	20,110	16,918	17,986	14,496
Total operating funding (A)	96,344	88,779	92,829	86,169
Applications of operating funding				
Payments to staff and suppliers	68,418	66,045	65,493	63,896
Finance costs	-	-	-	-
Other operating funding applications	9	-	49	2
Total applications of operating funding (B)	68,427	66,045	65,542	63,898
Surplus/(deficit) of operating funding (A - B)	27,917	22,734	27,287	22,271
Sources of capital funding				
Subsidies and grants for capital expenditure	926	17,979	1,528	2,670
Development and financial contributions	2,565	2,764	2,778	3,495
Increase/(decrease) in debt	-	-	-	(3)
Gross proceeds from sale of assets	700	120	688	125
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	4,191	20,863	4,994	6,287
Application of capital funding				
Capital expenditure**				
- to meet additional demand	3,470	8,702	7,876	19,026
- to improve the level of service	24,673	27,747	16,685	28,705
- to replace existing assets	12,535	22,910	15,872	20,516
Increase (decrease) in reserves	(8,570)	(15,762)	(8,641)	(39,689)
Increase (decrease) of investments	-	-	489	-
Total application of capital funding (D)	32,108	43,597	32,281	28,558
Surplus/(deficit) of capital funding (C - D)	(27,917)	(22,734)	(27,287)	(22,271)
Funding balance ((A-B) + (C-D))	-	-	-	-

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

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

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

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

* Water by meter rates are included under targeted rates.

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

Special Funds

Reserve Funds

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

Council's Reserve Funds are classified into three categories:

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

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

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
COUNCIL CREATED RESERVES						
Ahuriri Beautification Fund	Derived from the Beautification rate for properties located at the Ahuriri Shopping Centre.	Roading	-	-	-	-
Bay View Targeted Rate Fund	Established to recover the cost of connection to the Bay View Sewerage Scheme for properties connecting where the lump sum payment option was not elected. Income is derived from the Bay View Connection rate, and is used to recover loan servicing costs.	Wastewater	(157)	29	(12)	(140)
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	12,247	2,805	(5,841)	9,211
CBD and Taradale Promotional Levy Funds	Funds from the targeted rates for CBD and Taradale Promotion. The funds collected are paid in full to Napier Inner City Marketing and Taradale Marketing Association.	City and Business Promotion	1	191	(191)	1
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	71	926	(952)	45
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice.	Libraries	16	-	-	16

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control.	Animal Control	296	599	(781)	114
General Reserve No.1	Derived from rates from the NZ Railway land in Munroe and Station Streets. The reserve is used to fund the provision of infrastructure (including debt servicing) for any development on this site.	Roading, Stormwater, Parking	37	362	(100)	299
Development Contributions	Collected from development contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	(287)	16	-	(272)
Financial Contributions	Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. Note: Council is itself a developer (Parklands) and contributions are transferred as internal charges.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	4,034	2,946	(1,193)	5,787
Infrastructural Asset Renewal and Upgrade Funds	Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades.	Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre	24,206	10,101	(8,772)	25,535
Plant & Equipment Renewals	This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles.	All Activities	3,801	38	(129)	3,710
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

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
Marine Parade Disability Hoist	Derived from fundraising carried out by Mr N Bains for the purchase a disability hoist for the Marine Parade Pool.	Marine Parade Pools	3	-	-	3
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	2	-	-	2
MTG Hawke's Bay	Funds collected from donations and government grants for the Museum Redevelopment Project.	MTG Hawke's Bay	496	-	(131)	365
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	353	-	-	353
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	2,778	242		3,019
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	8,007	2,106	(2,502)	7,611
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	784	104	-	888
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(95)	179	(207)	(123)
Parklands Residential Development Fund	Derived from proceeds of section sales of the Parklands Residential Development project less development expenditure.	Parklands Residential Development, Property Holdings, Sportsgrounds, Reserves, Napier Skate Park	20,656	8,351	(9,438)	19,569
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roading property purchases and improvements.	Roading	(536)	285	(58)	(309)

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	1,697	55	-	1,752
McLean Park Property Reserve Account	Derived from rental income from the McVay Street and Vigor Brown Street houses less current loan servicing costs. As per Council resolution dated 15 May 2002, the fund may be used to fund future McLean Park property purchases or loan servicing costs on future purchases.	Sportsgrounds	99	135	(85)	149
Hawke's Bay Harbour Board Endowment Land Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	11,135	1,160	(1,623)	10,672
Solid Waste Disposal Income Account	Amount is derived from returns from the Joint Regional Landfill Committee for the operation of the Omarunui Regional Landfill and is used to fund capital development of the landfill and the net operating costs including loan servicing, of the Transfer Station.	Solid Waste	2,388	2,330	(1,027)	3,691
Reserve Subdivision of Land	Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process.	Reserves	1,680	144	-	1,824

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
Subdivision and Urban Growth Fund	To service all borrowing in relation to Council's share of subdivision and urban growth projects, and to meet any servicing costs on financing the developer's share of projects where expenditure requirements precede the receipt of financial contributions. A part of the surplus is also used to reduce the general rate requirement.	All Activities	2,595	2,370	(2,280)	2,685
Total Council Created Reserves			96,308	35,474	(35,324)	96,458

RESTRICTED RESERVES

Advanced Wastewater Treatment Establishment Fund (HB Regional Council Distribution)	Established in 1999/2000 by a special distribution from HBRC for advanced treatment of wastewater. The funds are held in separate investments.	Wastewater	-	-	-	-
Endowment Land Account	Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land.	Property Holdings	1,142	38	-	1,180
Hawke's Bay Harbour Board Endowment Land Income Account	Derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. To be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act.	Inner Harbour, Reserves, Lagoon Farm, Property Holdings	1,155	2,001	(1,916)	1,240
Loan Reserve	Established to manage internal loan requirements.	Corporate	(136)	16	-	(120)
Total Restricted Reserves			2,161	2,055	(1,916)	2,300

Name of Special Fund	Purpose of Fund	Activity to which fund relates	Opening 1 July 2016 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2017 \$000
BEQUESTS AND TRUST FUNDS						
Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)	Community Planning	30	-	-	30
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	152	5	-	157
Eskdale Cemetery Trust	This Trust fund, comprising a number of bequests totalling \$1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery.	Cemeteries	23	-	-	23
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	5	-	-	5
John Close Bequest	Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy. ii) Coal Trust - provided wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.	Community Planning	47	1	-	48
Morecroft Bequest	To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect.	Sportsgrounds	13	1	-	14
Napier Christmas Cheer	For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District.	Community Planning	22	21	(13)	30
Total Bequests Trust Funds			292	28	(13)	307

Borrowing Programme

	Actual 2016/17 \$000	LTP 2016/17 \$000	Actual 2015/16 \$000
New loans			
- Rate funded	8,174	4,836	4,510
- Growth funded	764	3,259	1,170
- Non rate funded	1,062	-	60
	10,000	8,095	5,740
Less repayments (net)	(2,983)	(2,591)	(2,539)
	7,017	5,504	3,201
Opening public debt	36,647	41,715	33,446
Gross Public Debt	43,664	47,219	36,647
Internal funding	(43,664)	(47,219)	(36,647)
Net Public Debt	-	-	-

Internal Borrowing	Actual 2016/17 \$000	Borrowed 2016/17	Repaid 2016/17	Actual 2015/16 \$000	Interest Paid
City Activities	8,807	5,386	(270)	3,691	129
Planning and Regulatory	2,732	-	(112)	2,844	100
Property	818	45	(44)	817	29
Recreation	4,713	2,372	(135)	2,476	87
Roading	7,088	435	(289)	6,942	243
Sewerage	3,111	-	(143)	3,254	126
Social and Cultural	2,559	300	(208)	2,467	86
Solid Waste	47	-	(131)	178	6
Stormwater	7,251	1,062	(356)	6,545	229
Water Supply	156	-	(8)	164	6
Loan Redemptions	6,382	400	(1,287)	7,269	254
Total Internal Borrowing	43,664	10,000	(2,983)	36,647	1,295

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

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

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

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

Annual Report Disclosure Statement for year ending 30 June 2017

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

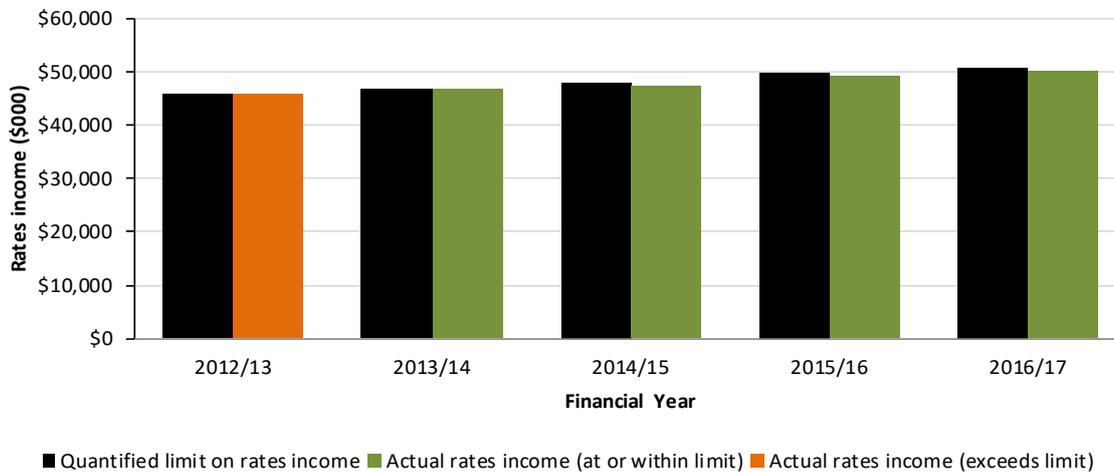
Rates Affordability Benchmarks

The Council meets the rates affordability benchmark if-

- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long term plan. The quantified limit is the rates as forecast in the 2015-25 Long Term Plan. Prior to this, the quantified limit from 2012/13 was Consumer Price Index (CPI) plus 1.1%.

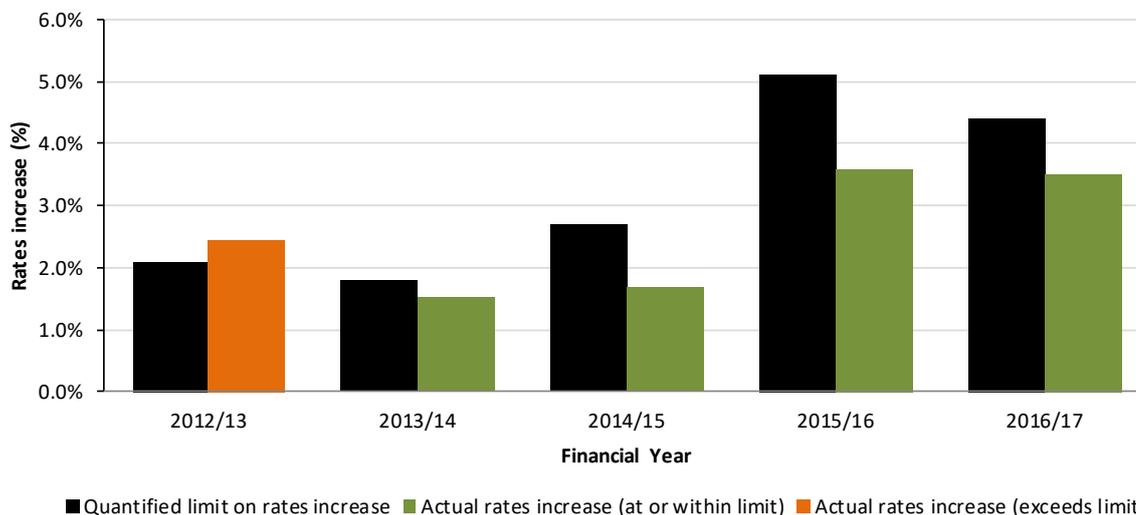
Graph 1: Rates (Income) Affordability - Rates Income to Planned Rates Income, 2012/13 to 2016/17



Note: Quantified limits and actual rates income exclude water by meter rates and rates penalties.

The following graph compares the Council's actual rates increase with a quantifiable limit on rates increases contained in the financial strategy included in the Council's Long Term Plan. The quantified limit from 2015/16 is that rates increases will be limited to inflation based on the Local Government Cost Index (LGCI) plus 3.0%. Prior to this, the quantified limit from 2012/13 was Consumer Price Index (CPI) plus 1.1%.

Graph 2: Rates (Increases) Affordability - Actual Percentage Rates Increase to Planned Percentage Increase, 2012/13 to 2016/17

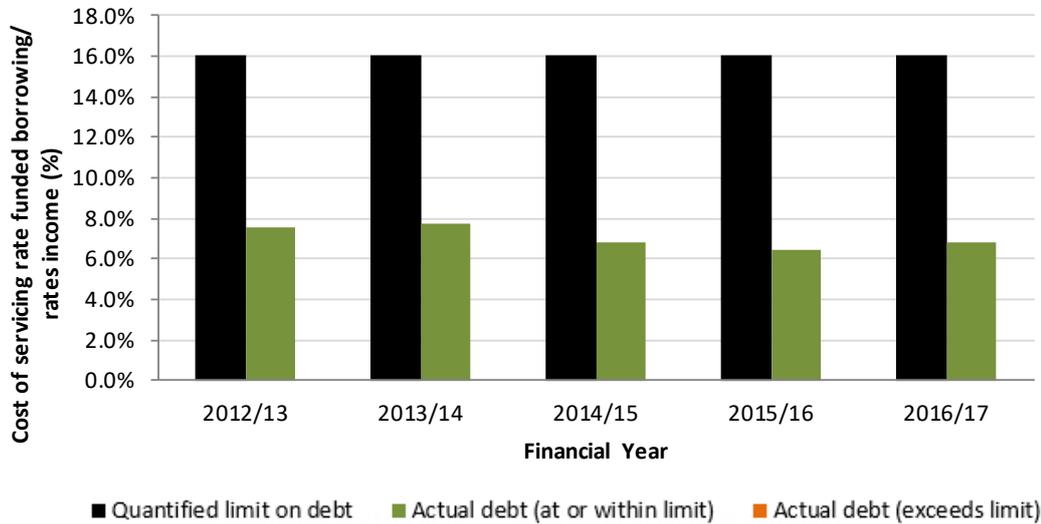


Debt Affordability Benchmarks

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graphs compare the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Long Term Plan.

- The following graph compares the Council's actual cost of servicing rate funded borrowing as a percentage of annual rating income with the quantified limit stated in the financial strategy included in the Long Term Plan. A value of less than the quantified limit of 16% indicates compliance with the prudential limit.

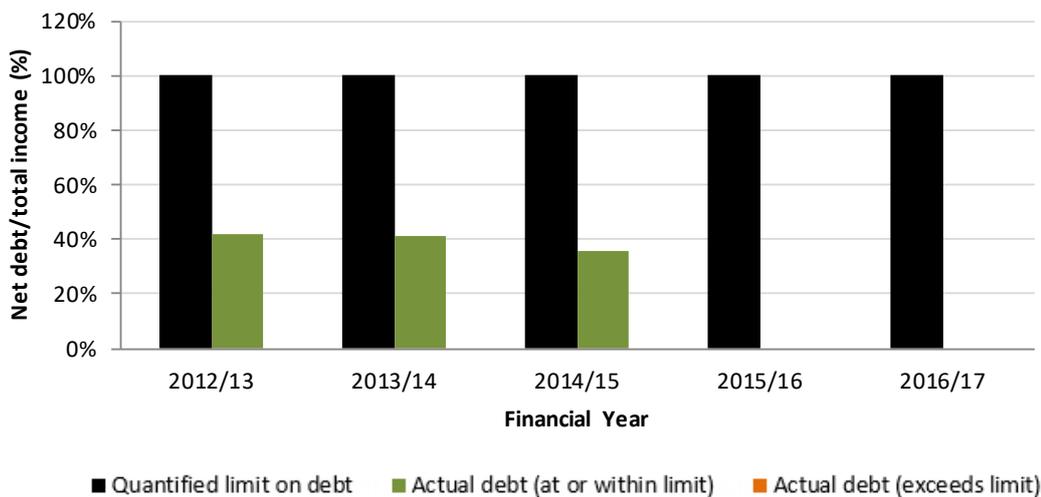
Graph 3: Debt Affordability - Cost of Servicing Rate Funded Debt, 2012/13 to 2016/17



Note: Cost of servicing is based on external and internal debt. Council had no external debt in 2015/16 and 2016/17.

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Long Term Plan. The quantified limit is net external debt (net external and internal debt prior to 2015/16) as a percentage of total income will not exceed 100%.

Graph 4: Debt Affordability - Net External Debt as a percentage of total income (external and internal debt prior to 2015/16), 2012/13 to 2015/16

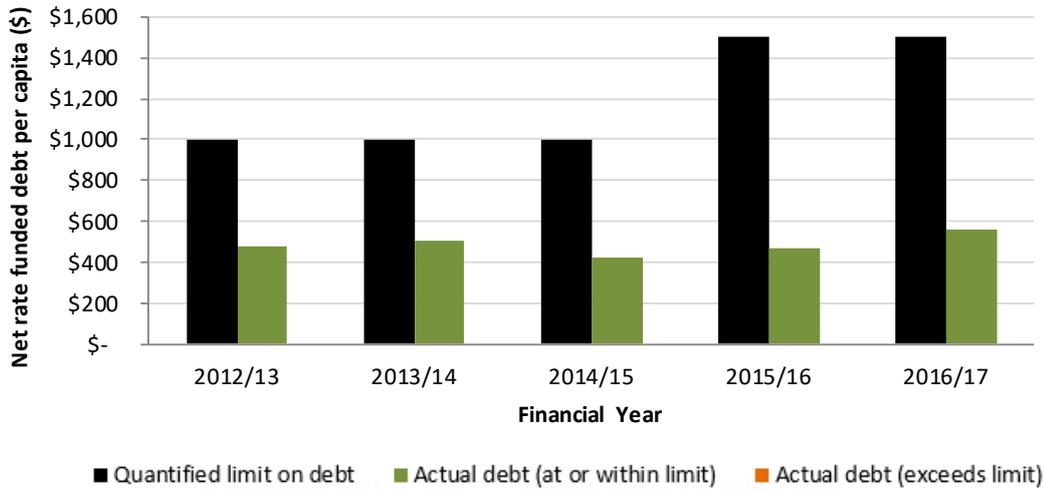


Note: Council had no external debt in 2015/16 and 2016/17.

Debt Affordability Benchmarks continue

The following graph compares the Council's net rate funded debt per capita with a quantified limit of \$1,500 (\$1,000 prior to 2015/16) as stated in the financial strategy included in the Long Term Plan.

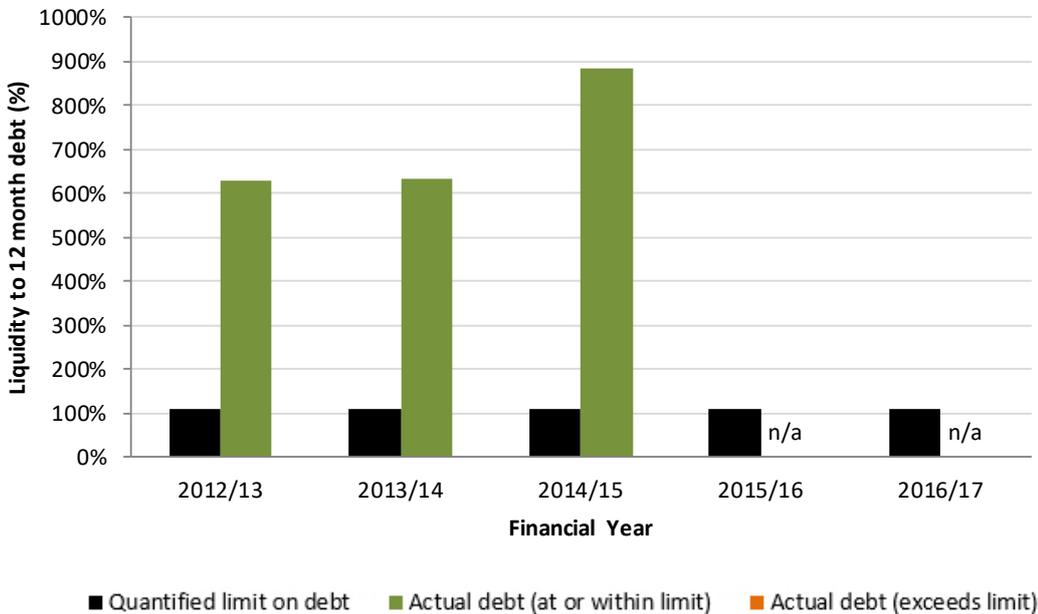
Graph 5: Debt Affordability - Net Debt \$ per Capital, 2012/13 to 2016/17



Note: Debt Affordability is based on external and internal debt. Council had no external debt in 2015/16 and 2016/17.

The following graph compares the actual liquidity to the quantified limit as stated in the financial strategy included in the Long Term Plan. A percentage greater than 110% indicates compliance with the prudential limit.

Graph 6: Debt Affordability - Liquidity to external debt (peak 12 month net debt prior to 2016/17), 2012/13 to 2016/17

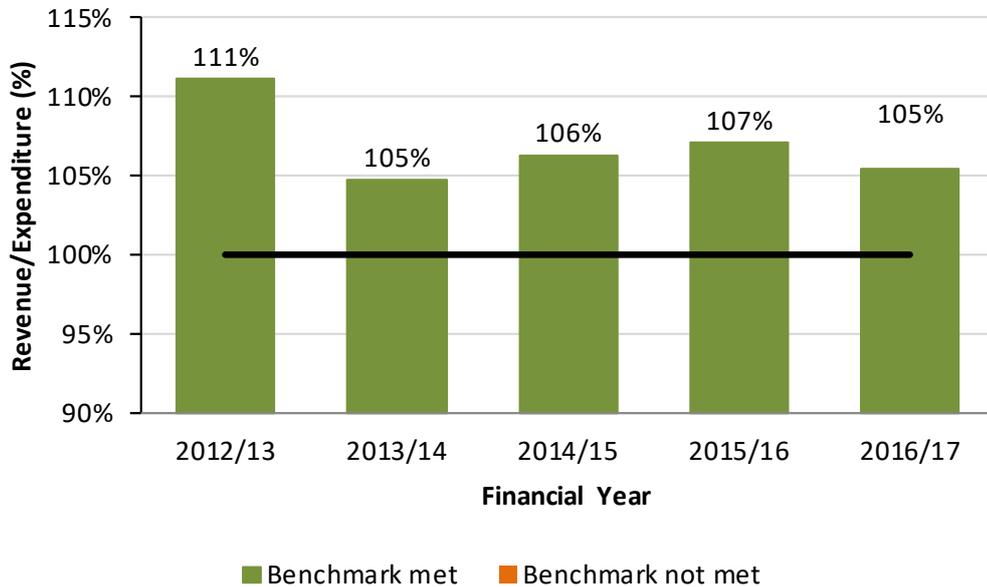


Note: Council had no external debt in 2015/16 and 2016/17.

Balanced Budget Benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments, and revaluations of property, plant, or equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

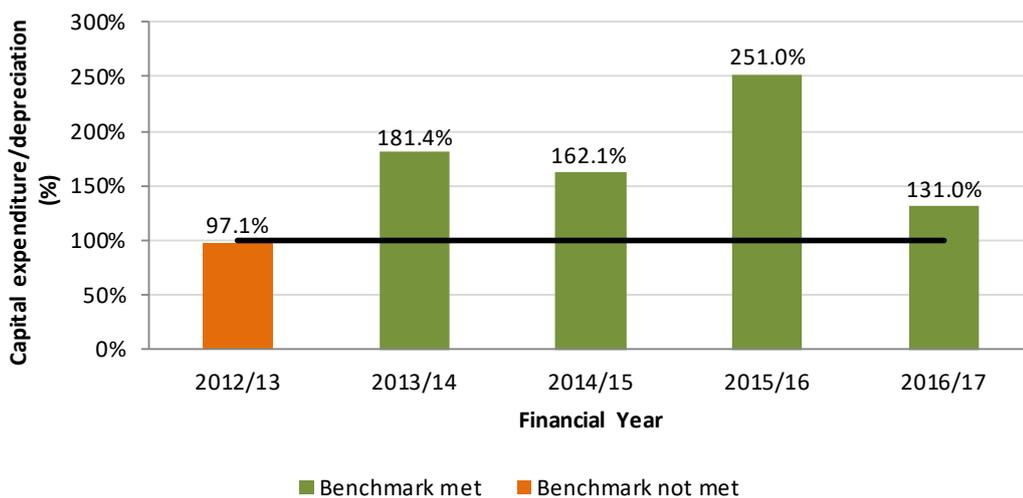
Graph 7: Balanced Budget Benchmark - Operating revenue to operating expenses, 2012/13 to 2016/17



Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

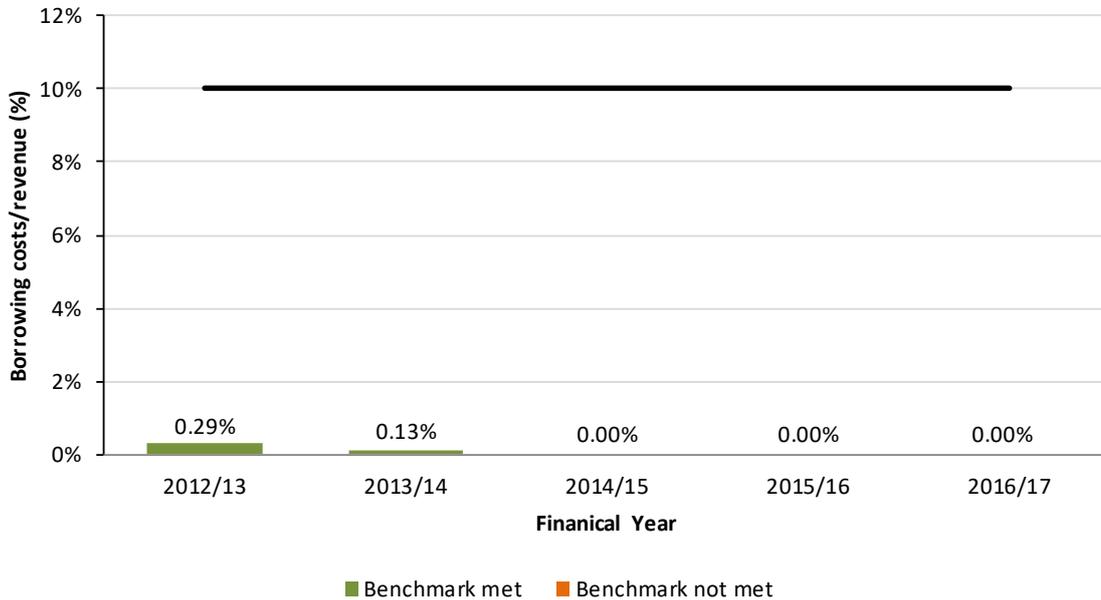
Graph 8: Essential Services Benchmark - Capital expenditure to depreciation, 2012/13 to 2016/17



Debt Servicing Benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.

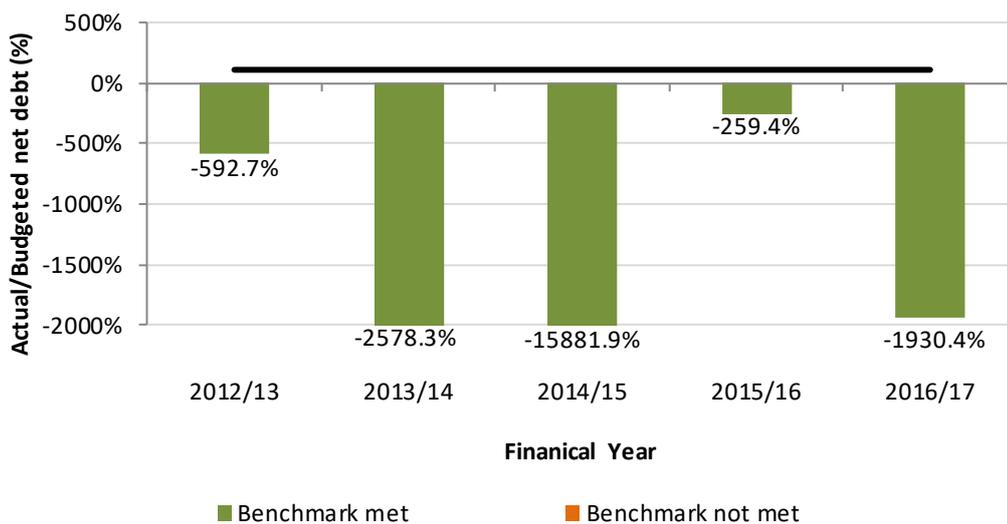
Graph 9: Debt Servicing Benchmark - Borrowing costs to operating revenue, 2012/13 to 2016/17



Debt Control Benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

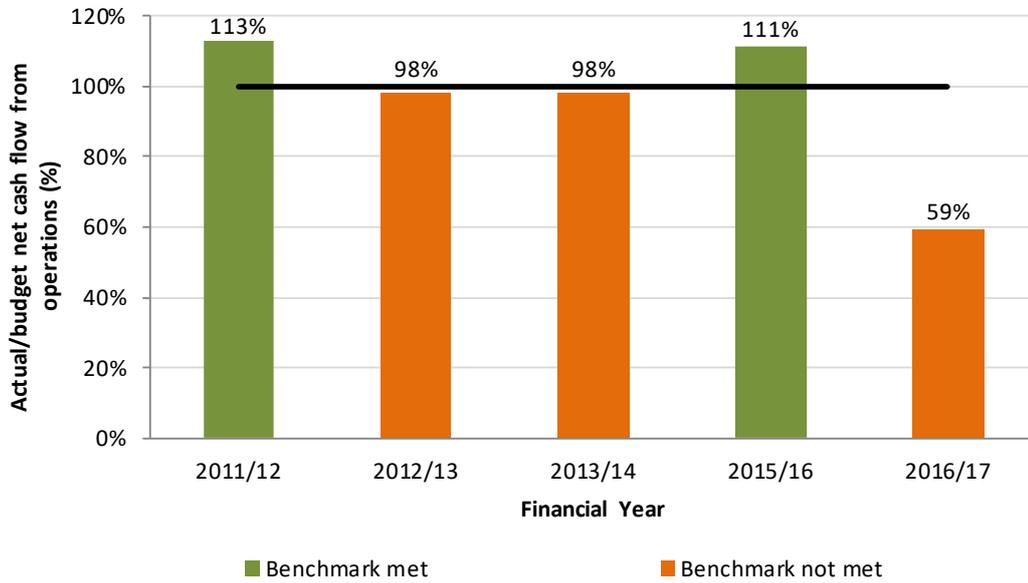
Graph 10: Debt Control Benchmark - Actual Net Debt to Planned Net Debt, 2012/13 to 2016/17



Operations Control Benchmark

The following graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Graph 11: Operations Control Benchmark - Actual Net Operating Cash Flow to Planned Net Operating Cash Flow, 2012/13 to 2016/17



Additional information or comment

Council did not meet the Operations Control Benchmark in 2016/17 due to higher than planned payments to suppliers and employees.



Activity Groups

Image previous page: 2017 Winter F.A.W.C! Toasted event, with Jazz legend Margot Wuts, along with other musicians Ian Munro and Jarna Alexander Shed 1, 2 Riddell Street, Napier

Contribution of Activity Groups to Community Outcomes

Community outcomes provide a longer-term perspective on the development of Napier City and provide the Napier City Council with a framework for contributing to these community aspirations through Council activities.

The eight Community Outcomes for Napier City are as follows:

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

Council considers that meeting its service level targets constitutes its major role as a contributor to the progress of Community Outcomes for the 2016/17 year. The following table details the main contributions of the Activity Groups to the Community Outcomes.

Outcome	Outcome definition	Activity and details of services provided
To provide infrastructure and services to support good health and well-being	All people who live in Napier will have access to those services and facilities that support them in achieving and maintaining good health and a sense of well-being.	Solid Waste: Council provides a kerbside refuse collection service weekly and a kerbside recycling collection service fortnightly to city. In addition this activity provides a user pays refuse disposal facility at the Transfer Station.
		Stormwater: Council provides this service which collects, transports and disposes of stormwater, with the least environmental impact to protect the health and provide safety from flooding of the city population.
		Wastewater: Council provides this service which collects, transports and disposes of household waste water, with the least environmental impact to protect the health of the city population.
		Water Supply: Council provides this service to transport clean water to protect the health of the city population.
		Community Strategies: Council offers financial support through grants and service contracts for community initiatives and services to support good health and well-being.
		Public Toilets: Council provides adequate toilets that are accessible, available and appropriately located for use by the public throughout the community.
		Environmental Health: Council works to protect community health through the monitoring of compliance with legislation.
Transport infrastructure and services that are safe, efficient and integrated	Napier's transport system is accessible, safe and affordable and meets the needs of the citizens.	<p>Roading: Council provides a transport system that is safe and efficient and enables users to move around effectively.</p> <p>Parking: Council provides on and off street parking facilities to ease the safe movement of passenger vehicles within the transport network.</p>
Safe and accessible recreational facilities	All people who live in Napier have access to services and facilities that support recreation opportunities in a safe environment and that encourages positive social interaction.	Sportsgrounds, Napier Aquatic Centre, Marine Parade Pools, Reserves, Inner Harbour: Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community.
		Libraries, MTG Hawke's Bay, Halls: Council provides a sufficient number and range of cultural and social facilities to satisfy the needs of the community.

Outcome	Outcome definition	Activity and details of services provided
An environment that is appreciated, protected, and sustained for future generations	The Napier community recognises and respects the importance of the natural environment and undertakes to enhance and care for it and ensure that its resources are sustained for the well-being of both the current and future generations.	<p>Solid Waste: Council actively promotes waste minimisation activities and responsible solid waste management decisions to divert waste from the landfill.</p> <p>Stormwater: Council provides this service which collects, transports and disposes of stormwater, with the least environmental impact to protect the health and provide safety from flooding of the city population.</p> <p>Wastewater: Council provides this service which collects, transports and disposes of household waste water, with the least environmental impact to protect the health of the city population.</p> <p>Water Supply: Council provides this service to transport clean water with the least environmental impact to protect the health of the city population.</p> <p>Cemeteries: Council maintains a quiet, aesthetically pleasing environment for visitors to the cemeteries.</p> <p>Reserves: Council sustainably manages the development and use of reserves as a natural resource for both locals and visitors.</p> <p>Planning Policy, Regulatory Consents: Council administers and monitors the District Plan through the resource consent process in an efficient and effective manner that is fair to all parties.</p>
A strong prosperous and thriving economy	Support for Napier as a leading commercial and tourist centre with business and employment opportunities that encourage a robust and resilient economy.	<p>Inner Harbour: Council provides 98 berths for commercial and recreational vessel owners.</p> <p>Bay Skate: Council provides a range of facilities that offer a value-for-money visitor experience and enables events and services to be hosted that contribute to the economic well-being of the City.</p> <p>MTG Hawke's Bay: Council provides a sustainable cultural destination in the City with MTG as the centre piece of the cultural precinct as a visitor attraction.</p> <p>City and Business Promotion, Napier Conference Centre, National Aquarium of NZ, Napier i-SITE Visitor Centre, Par2 MiniGolf, Kennedy Park Resort: Council has processes in place to encourage new business enterprises to establish in the City. Council provides a range of facilities that offer a value-for-money visitor experience and enables events and services to be hosted that contribute to the economic well-being of the City.</p> <p>Lagoon Farm, Parklands Residential Development, Property Holdings: Council provides its property portfolio, land for residential development to meet public demand, and farming land at Lagoon Farm.</p>
Communities that value and promote their unique culture and heritage	The Napier community recognises and respects the importance of its diverse cultural values, customs and treasures, and preserves and promotes them as an expression of community identity and pride.	<p>Libraries: Council maintains a good level of library stock which is kept up to date to meet the expectations of the public.</p> <p>Napier Municipal Theatre: Council provides a high quality performing arts venue for local and visitor use.</p> <p>MTG Hawke's Bay: Council provides a high quality museum and art gallery experience for locals and visitors to the City.</p> <p>Planning Policy: All statutory requirements are complied with in preparing and maintaining the District Plan.</p> <p>Regulatory Consents: Council administers and monitors the District Plan through the resource consent processing an efficient and effective manner that is fair to all parties.</p>

Outcome	Outcome definition	Activity and details of services provided
Safe and secure communities	The people of Napier work together to build an environment where everyone can live confidently in the knowledge they are safe.	<p>Community Strategies: Council promotes community safety with an emphasis on implementing crime prevention measures.</p> <p>Retirement and Rental Housing: Providing a safe environment for tenants in council housing. Council staff are available to support/assist tenants when required.</p> <p>Planning Policy, Building Consents, Regulatory Consents, Environmental Health, Animal Control: Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their health (food handling, water quality), safety (building changes, animal nuisance) and well-being (noise and environmental effects).</p>
Strong leadership that is connected to its community	The Napier community is guided by strong leadership focused on achieving and maintaining economic, environmental, cultural and social well-being for its citizens. All people have the opportunity to participate in a democratic environment and achieve a sense of belonging.	<p>Democracy and Governance: Democratic principles are the key structure of New Zealand society. These are effected through representatives community knowledge and the application of this knowledge in decision making processes. This is reflective of strong leadership.</p> <p>Community Strategies: Council regularly liaises with community groups, social services and key community organisations and agencies to share community information and advice.</p>

Democracy and Governance

Scope

Council provides a democratic and consultative system for decision making. The Council, consisting of a Mayor and 12 Councillors, is elected three yearly. Through its structure of committees, subcommittees, working parties and forums, Council carries out the requirements of the Local Government Act 2002 and other related legislation. Councillors are elected as follows:

- 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

Early in 2015 Council established an Audit and Risk Committee to effectively monitor its risk and financial performance. The committee includes two independent members (including the Chair).

Key Issues

In October 2016, the election was held for Napier City. The voter turnout was 43.85%, compared with 47.24% in 2013, being 18,803 voting papers, excluding specials.

- Ahuriri ward - voter turnout 3,882 (50.94%)
- Onekawa-Tamatea ward - voter turnout 2,843 (40.99%)
- Nelson Park ward - voter turnout 3,917 (34.07%)
- Taradale ward - voter turnout 8,158 (48.49%)

As part of the realignment of Council's management structure, a Governance Team was formed in September 2016. The role of the Governance team is to provide more rigour around governance processes within the Council. Included is recording and reporting of responses to queries under the Local Government Official Information and Meetings Act 1987 (LGOIMA). These statistics will be used as baseline data to inform future service performance measures in transparency and accessibility of information.

Performance Results 2016/17 (Democracy and Governance)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Democracy and Governance	Council holds regular Council and Council Committee meetings that are accessible and publicly notifies	Percentage of residents satisfied with the Sufficiency of Public Information in the NRB Public Opinion Survey.	69%	80%	70%
		Percentage of Council meetings for which meeting agenda is made publicly available two working days before the meeting date	100%	100%	100%
	Council's planning and accountability frameworks are legally compliant, robust and provide a sound basis for decision making	Annual Reports and Long Term Plans receive 'unmodified' audit opinion	100%	100%	100%

Funding Impact Statement (Democracy and Governance)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,739	2,457	2,409
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)	2,739	2,457	2,409
Applications of operating funding			
Payments to staff and suppliers	-	-	-
Finance costs	-	-	-
Internal charges and overheads applied	2,739	2,457	2,409
Other operating funding applications	-	-	-
Total applications of operating funding (B)	2,739	2,457	2,409
Surplus/(deficit) of operating funding (A - B)	-	-	-
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	-	-	-
Surplus/(deficit) of capital funding (C - D)	-	-	-
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	-	-	-

Scope

Council owns, maintains and develops the local transportation network. The City's road network provides accessibility to Napier residents and visitors within a safe, clean and aesthetic environment. The activities within this group include 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.

- 363km of sealed Roads
- 306km Urban Standard Roads
- 57km Rural Roads
- 46.4km State Highways
- 5,441 sumps and manholes
- 480km of kerb and channel

Key Issues

West Quay Car Park

Budget was included in the 2016/17 financial year for land purchase and initial investigation, however the land continues to be subject to Treaty Settlement processes.

CBD Development

Improvements to Hastings Street between Tennyson Street and Browning Street, including an upgrade of the Browning Street/Hastings Street intersection have been deferred to enable the Shakespeare Stormwater upgrade to be completed and to ensure that construction work did not conflict with the cruise ship season.

Te Awa Structure Plan

Development of the Te Awa area did not reach any milestones which would trigger investment in the wider network.

Transportation Proposals & Bulk Funded Non-Subsidised programmes

Works completed in the 2016/17 financial year included the upgrade of Fryer Road, and the design, land purchase and accommodation works for a number of improvements to be delivered in 2017/18.

Cycleways

Significant progress was made in delivering the Urban Cycleway Programme with 14kms of new cycle routes developed.

Performance Results 2016/17 (Roading)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Roading	Provide roads well maintained with adequate lighting and cleaning programmes to meet resident expectations	The percentage of residents satisfied (very satisfied and fairly satisfied with "roads" in the NRB Public Opinion Survey)	92%	90%	91%
	Provide well maintained footpaths and cycleways to meet resident expectations	The percentage of residents being satisfied (very satisfied or fairly satisfied) with "footpaths" in the NRB public opinion survey	85%	85%	84%
	Design and construct safety improvements to minimize the number of injury crashes	Mandatory: The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number *	5	-1	zero
	Provide roads well maintained	Mandatory: The average quality of ride on a sealed local road network, measured by smooth travel exposure	93%	81%	90%
	Provide adequate renewal of road surfacing	Mandatory: The percentage of the sealed local road network that is resurfaced	6.8%	7.1%	4.4%
	Provide well maintained footpaths and cycleways	Mandatory: The number of justifiable footpath complaints	128	80	63
	The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the Ten Year Plan	Mandatory: The percentage responded to within 5 working days	86%	90%	86%

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

Note: A comprehensive condition survey has been undertaken of the full footpath network and all paths with a highest rating of 5 were repaired/replaced during 2016/17.

Capital Expenditure (Roothing)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Roothing I.A.R.	5,056	4,251	3,571
Embankment Road Bridge	109	450	-
Cycle Strategy	1,398	1,500	1,421
CBD Development	336	833	621
Te Awa Structure Plan - Roothing	-	319	-
Roothing Capital Projects (Bulk Funded)	1,830	4,556	3,081
Dickens St Service Lane	-	-	306
Gloucester Street Widening	-	-	16
Transportation Proposals	311	3,265	1,063
Prebensen Drive 4 Laning	596	1,749	4,011
Roothing Vested Assets	210	1,175	304
Roothing Infrastructure from Parklands Residential Development	684	-	-
Taradale Traffic Projects	-	-	103
Cycleway Projects	54	-	216
Jervois Road Footpath	-	-	26
West Quay Car Park	-	100	-
Roothing Property Purchases	42	-	116
Minor Capital Items	34	-	17
	10,660	18,198	14,872

Note: Parklands Residential Development Infrastructure was included in vested assets in the 2016/17 Annual Plan and 2015/16 Actuals.

Funding Impact Statement (Roading)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	9,372	11,189	10,613
Targeted rates	149	149	159
Subsidies and grants for operating purposes	3,652	2,011	1,968
Fees and charges	129	11	10
Internal charges and overhead recoveries	637	491	371
Local authorities fuel tax, fines, infringement fees, and other receipts	429	404	404
Total operating funding (A)	14,368	14,255	13,525
Applications of operating funding			
Payments to staff and suppliers	7,347	7,294	7,436
Finance costs	-	-	-
Internal charges and overheads applied	1,140	1,586	1,279
Other operating funding applications	-	-	-
Total applications of operating funding (B)	8,487	8,880	8,715
Surplus/(deficit) of operating funding (A - B)	5,881	5,375	4,810
Sources of capital funding			
Subsidies and grants for capital expenditure	926	2,447	2,370
Development and financial contributions	1,471	1,456	1,880
Increase (decrease) in debt	467	989	1,200
Gross proceeds from sale of assets	(2)	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	2,862	4,892	5,450
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	959	2,901	8,839
- to improve the level of service	3,699	4,149	3,236
- to replace existing assets	5,107	7,036	7,405
Increase (decrease) in reserves	(1,022)	(3,819)	(9,220)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	8,743	10,267	10,260
Surplus/(deficit) of capital funding (C - D)	(5,881)	(5,375)	(4,810)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	5,317	6,074	5,752

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 Napier as follows:

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

A kerbside recycling service for residential properties is provided fortnightly. Litter bins and drums are located throughout the City and serviced as required. Council's Refuse Transfer Station at Redclyffe accepts most domestic, garden and building waste. Separated recyclables excluding plastics can be dropped off free of charge. The Omarunui Landfill is the final disposal point for waste generated by the combined populations of Hastings District and Napier City. It is jointly owned by the Hastings District (63.68%) and Napier City (36.32%) Councils and is managed on a day-to-day basis by the Hastings District Council.

Key Issues

Napier disposed of 16,778 tonnes of refuse during the 2016/17 financial year at the landfill from the domestic collection, the Transfer Station and litter bin collections. This is a 4.4% increase and equates to around 12 Kg per capita more than the previous year. The Hawke's Bay region is experiencing economic growth particularly in the construction industry, and consequently, the total waste to landfill has increased by almost 11% to 84,045 tonnes.

The kerbside recycling collection diverted 2,945 tonnes of waste from landfill and a further 2,565 tonnes were diverted through recycling initiatives at the Redclyffe Transfer Station.

Markets for recycling commodities are still tough. Napier's kerbside recycling collection has continued to divert plastics from landfill as the contamination levels are manageable. The Refuse Transfer Station at Redclyffe however does not accept plastics due to high level contamination. Options to re-introduce this service are being investigated.

More than 750 litter bins and drums help the community to keep Napier litter free, but come at a high service cost. We have continued to search for ways to gain efficiencies in servicing aspects of this activity.

Napier has continued to be active in the waste minimization and education space. The annual Recycling Day and Hazmobile hazardous waste collection day are examples of this. Acceptance and diversion of paint and waste oil at the transfer station and household battery collection in the libraries have continued to be successful. The Waste-Aware education programme delivered through the National Aquarium of New Zealand helped 1848 students understand the generation/origin of waste, the environmental issues it creates and what we can do to minimize the environmental impact.

In 2014 the Napier City Council and Hastings District Council formed a joint steering committee to lead the "Waste Futures" project. This project reviewed long-term alternative solutions to landfilling, including mechanical and biological treatment and energy from waste technologies. Given the regional context, the preferred option or outcome of this study is to further develop the Omarunui landfill in combination with optimised diversion at the kerb and transfer stations. A new committee was formed in 2016 to govern the Waste Management and Minimisation Plan Review process. This review is a statutory requirement and done every 6 years. The "Waste Futures" name was kept and the learnings from this project taken as the starting point for the plan review. The three yearly SWAP survey complementing the existing waste composition data and the Waste Assessment have been completed the final plan will be consulted upon in the next financial year.

Performance Results 2016/17 (Solid Waste)

	Council provides a kerbside refuse collection service weekly to City residents to ensure City household waste is removed from the kerbside. This activity also provides a user pays facility at the Transfer Station for disposal of non-household refuse	A weekly kerbside refuse collection service is provided 52 weeks per year to City residents	100%	100%	100%
		Transfer Station open for 362 days	100%	100%	100%
Solid Waste	A fortnightly kerbside recycling collection service to reduce the quantity of waste to landfill. Promotion of waste minimization activities and responsible solid waste management 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	278 kg/capita	Decreasing trend	266 kg/capita
		Compliance with Resource Consent conditions	Unable to be assessed	100%	100%
		Education and waste reduction promotion programmes in place	1,848 students	750 students per annum	1,963 students
		Percentage of residents satisfied with Refuse Collection in the NRB Public Opinion Survey	95%	92%	94%
		Percentage of residents satisfied with Control of Litter, Graffiti and Vandalism in the NRB Public Opinion Survey	91%	92%	91%

Capital Expenditure (Solid Waste)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Omarunui Development - Valley D	182	617	356
Omarunui Development - Plant	-	46	233
Omarunui Development - Forestry	-	-	-
Omarunui Development - Valleys B and C	6	106	7
Solid Waste I.A.R.	100	235	77
Minor Capital Items	1	-	-
	289	1,004	673

Funding Impact Statement (Solid Waste)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	464	661	647
Targeted rates	1,884	1,800	1,758
Subsidies and grants for operating purposes	173	173	173
Fees and charges	1,540	1,456	1,425
Internal charges and overhead recoveries	-	20	20
Local authorities fuel tax, fines, infringement fees, and other receipts	2,330	2,184	1,849
Total operating funding (A)	6,391	6,294	5,872
Applications of operating funding			
Payments to staff and suppliers	4,366	4,719	4,679
Finance costs	-	-	-
Internal charges and overheads applied	274	240	239
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,640	4,959	4,918
Surplus/(deficit) of operating funding (A - B)	1,751	1,335	954
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	289	941	788
Increase (decrease) in reserves	1,462	394	166
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,751	1,335	954
Surplus/(deficit) of capital funding (C - D)	(1,751)	(1,335)	(954)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	623	745	743

Scope

Council provides and maintains a stormwater disposal system for Napier with the aim 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.

- 226km Stormwater Mains
- 58km Open Drains
- 13 Pump Stations

Key Issues

- All major stormwater upgrades were suspended in 2016/17 pending the completion of a network wide stormwater model to assist in new Infrastructure Planning for stormwater. This will ensure the full network performance can be understood and upgrades clearly prioritised.
- The Te Awa Stormwater pond will be completed in 2017 with extensive tree plantings and pathways.
- The value of vested assets was higher than budget due to high growth in reaction to subdivision developments in Napier

Performance Results 2016/17 (Stormwater)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Stormwater	The Stormwater Network adequately protects the health and safety of Napier residents and protects property by providing protection against flooding	Mandatory: Number of flooding events per year resulting in stormwater entering a habitable floor in an urban area	none	≤1	none
		Mandatory: For each flooding event, the number of habitable floors affected per 1,000 properties	none	≤1	none
		Mandatory: Median response time to attending a flood event (notification to personnel being on site)	no event	≤2 Hrs	no event
	Stormwater is collected and disposed of in a manner that protects public and environmental health	Mandatory: Compliance with resource consents for discharge from its stormwater system as measured by the number of Abatement and Infringement Notices, Enforcement Orders and successful convictions received in relation to those resource consents made against Council in regard to the Stormwater Activity	1 enforcement notice and no abatement notices, enforcement order or convictions	nil	nil
	Residents are satisfied with Council's Stormwater service	Mandatory: Number of complaints received about performance of stormwater system (per 1,000 properties connected)	3.2	≤5	3.4
		Percentage of residents satisfied with Stormwater in the NRB Public Opinion Survey	87%	92%	88%

Capital Expenditure (Stormwater)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
CBD Stormwater Upgrade	503	839	2,307
Te Awa Stormwater Pond	368	617	822
Bay View - Upgrade Stormwater	-	21	3
Install New Pump Purimu	-	-	88
Upgrade Taipo Stream	51	84	62
Extend Outfalls Marine Parade	46	-	141
Dalton St Pump Replacement	-	241	-
Taradale Stormwater Upgrade	590	200	3,357
Stormwater Vested Assets	155	448	668
Stormwater Infrastructure from Parklands Residential Development	903	-	-
Overland Drain	10	82	-
Mobile Pump Solutions	-	261	5
Drain Improvements	-	343	-
Upgrading Stormwater Catchments	32	617	222
Stormwater I.A.R.	17	315	661
	2,675	4,068	8,336

Note: Parklands Residential Development Infrastructure was included in vested assets in the 2016/17 Annual Plan and 2015/16 Actuals.

Funding Impact Statement (Stormwater)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,047	3,177	3,044
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	131	103	78
Local authorities fuel tax, fines, infringement fees, and other receipts	123	50	49
Total operating funding (A)	3,301	3,330	3,171
Applications of operating funding			
Payments to staff and suppliers	1,182	1,155	1,101
Finance costs	-	-	-
Internal charges and overheads applied	788	831	747
Other operating funding applications	-	-	-
Total applications of operating funding (B)	1,970	1,986	1,848
Surplus/(deficit) of operating funding (A - B)	1,331	1,344	1,323
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	196	560	556
Increase (decrease) in debt	1,053	-	139
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,249	560	695
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	367	-	1,213
- to improve the level of service	1,186	3,217	6,730
- to replace existing assets	63	615	341
Increase (decrease) in reserves	964	(1,928)	(6,266)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	2,580	1,904	2,018
Surplus/(deficit) of capital funding (C - D)	(1,331)	(1,344)	(1,323)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	1,980	2,106	1,953

Scope

Council provides and maintains a safe, effective and efficient domestic sewage collection, treatment and disposal system to help maintain community health. In addition, we provide for a separate industrial sewage collection and disposal system for selected trade waste customers.

- 44 Pump Stations
- 384km Wastewater Mains
- Biological Trickling Filter plant (Awatoto)
- Milliscreen Plant (Awatoto)
- 1,500m long Marine Outfall pipe
- 93% of Napier's population serviced by reticulation system

Key Issues

A key issue this year was the overflow of a small amount of wastewater to the stormwater network during Tropical Cyclone Debbie. At that time Napier City Council had already committed to developing a new modern network model to ensure that the entire network can be analysed to determine the optimal capital investment plan to address capacity issues and support growth.

Capital Programme Variances

Sewer Pipe Renewal was underspent as result of a decision to invest in a network wide waste water model. This will assist in prioritising and assessing the impact of sewer network upgrades, and the optimisation of future renewal investment

Sewer Pump Station renewal was underspend as a result of a decision to defer the replacement of the Airport pump station until a review of the network is complete. This will ensure that funds are most effectively spent in upgrading the network.

The value of vested assets and infrastructure from Parklands Residential Development in aggregate are higher than budget due to continued strong development and growth within the city.

Wastewater outfall IAR was underspend due to the activity occurring in the following financial year. Specialised contractors are required for this task and were not available until July 2017.

Performance Results 2016/17 (Sewerage)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Sewerage	The collection, reticulation and disposal of household wastewater in a manner that protects the environment and public health	Number of reticulated properties unable to dispose of wastewater for longer than 6 hours. Due to stormwater infiltration	76	zero	zero
		Blockage resulting in overflow	9	zero	1
		Mandatory: Dry weather overflows (per 1,000 connections *)	0.12	≤0.1	0.04
		Mandatory: Compliance with resource consents:			
		a) Abatement notices	1	zero	zero
		b) Infringement notices	0		
		c) Enforcement orders	0		
		d) Convictions	0		
		Mandatory: Median response times:			
		a) Attendance time from notification to staff on site	0.69 hours	≤2 Hrs	1.68 hours
	b) Resolution time from receipt of notification to resolution	2.07 hours	≤8 Hrs	2.25 hours	
	Customer Satisfaction	Mandatory: Number of complaints per 1,000 connections relating to:			
		a) sewerage odour	0.43	≤5	1.23
		b) Sewerage system faults	1.1	≤20	0.88
		c) Sewerage system blockages	8.03	≤10	8.06
		d) Response to issues	0	≤1	0.00
Total number of complaints per 1,000 connections		9.56	≤36	10.17	
Percentage of residents satisfied with Wastewater in the NRB Public Opinion Survey	87%	92%	89%		

* based on 25,402 wastewater connections

Capital Expenditure (Sewerage)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
BTF Wastewater Treatment Plant	23	-	196
Wastewater Vested Assets	186	401	339
Wastewater Infrastructure from Parklands Residential Development	301	-	-
Wastewater Pipe I.A.R.	591	869	2,042
Wastewater Pump Station I.A.R.	146	557	337
Milliscreen I.A.R.	289	260	69
Wastewater Treatment Plant I.A.R.	-	-	3
Wastewater Outfall I.A.R.	-	100	-
Other Wastewater Projects	4	-	6
	1,540	2,187	2,992

Note: Parklands Residential Development Infrastructure was included in vested assets in the 2016/17 Annual Plan and 2015/16 Actuals.

Funding Impact Statement (Sewerage)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	7,318	7,464	7,250
Subsidies and grants for operating purposes	-	-	-
Fees and charges	525	450	431
Internal charges and overhead recoveries	103	51	39
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	7,946	7,965	7,720
Applications of operating funding			
Payments to staff and suppliers	2,939	2,835	2,711
Finance costs	-	-	-
Internal charges and overheads applied	1,086	1,024	924
Other operating funding applications	-	-	-
Total applications of operating funding (B)	4,025	3,859	3,635
Surplus/(deficit) of operating funding (A - B)	3,921	4,106	4,085
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	163	158	184
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	163	158	184
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	23	-	500
- to replace existing assets	1,030	2,412	2,300
Increase (decrease) in reserves	3,031	1,852	1,469
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	4,084	4,264	4,269
Surplus/(deficit) of capital funding (C - D)	(3,921)	(4,106)	(4,085)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	3,993	4,042	4,034

Water Supply

Scope

Council provides a water supply system for the supply of potable water as well as for firefighting purposes. Water is drawn from the Heretaunga Plains aquifer and is reticulated to the Napier urban area and Bay View. There is a programme in place to manage the usage of water, a precious natural resource, to minimise wastage and shortages.

- 9.8 million cubic metres of water consumed annually
- 10 ground water and 8 booster pump stations
- 11 service reservoirs situated on 8 sites
- 40 million litres service of reservoir storage
- 474km of water mains
- 93% of Napier's population serviced by reticulation system

Key Issues

Capital Programme Variances

A new modern network model is close to being completed which allow for a high level of scheme analysis. As a result several projects were deferred pending new infrastructure planning. These included upgrades to water booster pump stations and capital upgrades.

Water Meter Replacement was deferred due to operational constraints in that a number management of transgressions and the chlorination of the water supply.

Additional capital was spent of providing new chlorination equipment to chlorinate the supply on a temporary basis.

Upgrade to the Water Supply Control System was underspent as a result of additional effort to clearly define the scope of the project.

The new Taradale reservoir project practical completion has been deferred due to construction quality issues requiring resolution.

There were five water supply bacteriological compliance transgressions that occurred in the network. This together with the Havelock North Inquiry has seen a significant response to improve the water network and source protection and has contributed to the deferral of planned capital projects not directly connected with water quality outcomes.

A new role of Drinking Water Quality manager has been created to oversee the improvement program and work with the Drinking Water Assessor to ensure that the water supply operates to the highest standards.

Performance Results 2016/17 (Water Supply)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Water Supply	Safeguard Public Health	Mandatory: Compliance with Part 4 criteria of the Drinking Water Standards (bacteria compliance criteria)	achieved	achieved	achieved
		Mandatory: Compliance with Part 5 criteria of the Drinking Water Standards (protozoa compliance criteria)	achieved	achieved	achieved
	Management of Environmental Impacts	Mandatory: The percentage of real water losses from Council's networked reticulation system as determined through an annual water balance *	18.4%	≤22%	18.3%
		Mandatory: Average annual consumption of drinking water per day per resident	570 L	≤430 L	503 L
	Response to Water System Issues	Mandatory: Median response times from time notification received:			
		Attendance time for urgent call outs	28 minutes	90 minutes	40 minutes
		Resolution time for urgent call outs	51 minutes	≤6 hours	12.9 hours
		Attendance for non-urgent call outs	1.2 hours	≤ 8 hours	19.13 hours
		Resolution time for non-urgent call outs	3.2 hours	≤ 72 hours	23.57 hours
	Customer Satisfaction	Mandatory: Number of complaints per 1000 connections relating to:			
		a. Drinking water clarity	5.7	≤2	4.2
		b. Drinking water taste	0.6	≤2	0.1
		c. Drinking water odour	3.1	≤2	0.4
		d. Drinking water pressure or flow	0.8	≤2	0.9
		e. Continuity of supply	15.8	≤2	0.6
		f. Council's response to any of these issues per 1000 connections	0.19	≤2	0.2
		Percentage of residents satisfied with Water Supply in the NRB Public Opinion Survey	67%	90%	92%

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

Note: There were other requests received by the Council in relation to water wastage, toby damage, toby leak, and toby location. This amounts to 11 requests per 1000 connections.

Capital Expenditure (Water Supply)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
New Well Awatoto	340	382	221
Water Supply Vested Assets	175	221	227
Water Supply Infrastructure from Parklands Residential Development	144	-	-
Upgrade Water Supply Control System	8	195	19
New Reservoir Taradale	483	751	1,582
Awatoto Trunk Main	42	143	2,408
Water Pipes I.A.R.	923	795	1,084
Water Pump Stations I.A.R.	-	120	94
Water Supply Capital Upgrade Associated with I.A.R.	8	339	22
Water Meters I.A.R.	12	50	24
Water Supply Minor Capital	23	-	8
	2,158	2,996	5,689

Note: Parklands Residential Development Infrastructure was included in vested assets in the 2016/17 Annual Plan and 2015/16 Actuals.

Funding Impact Statement (Water Supply)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	4,529	4,659	4,421
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overhead recoveries	96	71	54
Local authorities fuel tax, fines, infringement fees, and other receipts	-	12	11
Total operating funding (A)	4,625	4,742	4,486
Applications of operating funding			
Payments to staff and suppliers	2,470	2,215	2,113
Finance costs	-	-	-
Internal charges and overheads applied	651	697	638
Other operating funding applications	1	-	-
Total applications of operating funding (B)	3,122	2,912	2,751
Surplus/(deficit) of operating funding (A - B)	1,503	1,830	1,735
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	211	203	267
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	211	203	267
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	888	-	5,696
- to improve the level of service	8	384	70
- to replace existing assets	943	1,686	1,425
Increase (decrease) in reserves	(125)	(37)	(5,189)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	1,714	2,033	2,002
Surplus/(deficit) of capital funding (C - D)	(1,503)	(1,830)	(1,735)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	1,710	1,758	1,680
Water by Meter Charges	(490)	(502)	(492)

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

Recreation

Scope

Sportsgrounds

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

15 sports parks (213 hectares)

Major facilities – McLean Park Complex, Park Island, Nelson Park and Tareha Recreation Reserve

Napier Aquatic Centre

A comprehensive aquatic facility including an indoor heated 5 lane 25m pool, 6 lane 25m pool, 15m learner's pool, 2 toddler pools, 2 spa pools and 2 water slides. In addition, the centre provides educational, fitness and recreational programmes, and a range of outdoor activities including water jets and toys, a flying fox, barbeque areas, shaded areas, and general playground facilities.

Marine Parade Pools

A complex of four heated outdoor pools and five spa pools managed under contract.

Reserves

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

- 36 neighbourhood parks, 46 greenbelt reserves, 9 foreshore reserves and 9 public gardens
- A target of 75 square metres recreational reserves per residential lot

Inner Harbour

An area of wharves and catwalks in Ahuriri providing 98 berths for commercial and recreational vessels, and popular for recreational fishing.

Bay Skate

Skate areas including rink, ramps and bowls catering for all roller sports disciplines.

Key Issues

Sportsgrounds

Council will be considering the Multi-Use Sports Facility (MUSF) project at a meeting on 30th August 2017. The recommendations will be that the business case for the MUSF is not updated further but is left on the table for ongoing Council and Sport NZ consideration as community recreational projects are prioritised and sequenced in the future and that funding allocated for the MUSF be reallocated through the Long Term Plan process to other projects that support community well-being.

Significant time and resources have been invested in the planning of the returf for McLean Park. Issues with turf drainage came to light in February when moderate rainfall resulted in the abandonment of the Australia-New Zealand ODI due to a water logged outfield. Final delivery timeframes for the returf project are being developed.

Napier Aquatic Centre

Work was completed this year to strengthen the Ivan Wilson Complex to bring it up to seismic standards.

Reserves

Detailed design work has been completed on the resurface of the Soundshell Skating rink. The engineers estimate for this work was considerably above the budget and therefore this project will be reported back to Council for further consideration.

Work is progressing Whakarire Rock Revetment with design work completed and the physical works are proposed to be completed by the end of December 2017.

Design work for the Destination Playground at Anderson Park is completed and the purchase of the equipment approved. Construction is programmed for spring/summer 2017/2018. Design was delayed while the design was modified to provide sufficient detail to fully inform multiple parties of their scope of work.

Performance Results 2016/17 (Recreation)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Sportsgrounds	Council provides a sufficient number and range of sports and recreation facilities to satisfy the needs of the community	Percentage of residents satisfied with Sportsfields in the NRB Public Opinion Survey	89%	88%	89%
Napier Aquatic Centre	Council provides a safe and well-presented aquatic centre to satisfy the needs of the community and provide users with a positive recreational experience	Accredited as meeting Poolsafe Standards	100%	achieved	100%
		Water quality adherence to NZ Water Treatment Standards 5826:2000	100%	100%	93%
		Percentage of customers (pool users and programme participants) satisfied with Napier Aquatic Centre	46% 61% excluding don't know	90%	65% 69% excluding don't know
Reserves	Council provides a sufficient number and range of safe parks and reserves to satisfy the needs of the community	Number of city-wide playground equipment safety audits undertaken annually	16 inspections undertaken 1 annual audit completed	24	10
	Council sustainably manages the development and use of reserves as a natural recreational resource for both local residents and visitors	Percentage of residents satisfied with public gardens, street beds and trees in the NRB Public Opinion Survey. (See also Sports grounds)	97%	95%	96%
Inner Harbour	To provide and maintain Inner Harbour facilities to enable the safe berthing of commercial and recreational vessels	The depth of the navigational channels are maintained to a minimum depth of 2.4m at lowest tide (source: depth sound checks)	achieved	achieved	achieved

Capital Expenditure (Recreation)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Sportsgrounds			
Sportsgrounds I.A.R.	685	268	228
Park Island Expansion	574	575	147
Multi-use Sports Facility	52	1,884	-
Whitmore Park Changing Facilities Renovation	-	60	53
Sportsgrounds Development	647	791	20
McLean Park Harris Stand Retrofitting	4	-	117
Park Island Bond Field Extension	-	-	1,076
Sportsgrounds Minor Capital	22	-	-
Napier Aquatic Centre (NAC)			
NAC I.A.R.	71	120	114
NAC Enclosure Building	284	500	41
Reserves			
Reserves I.A.R.	281	730	255
Resurface Soundshell Area	38	677	-
Reserves Vested Assets	-	102	-
Tree Planting Programme	116	106	46
Playground Equipment	2	100	1
Botanical Gardens Restoration	-	-	33
Whakarire Ave Groyne	21	309	59
Reserves, Pathways and Linkages	-	-	16
Hardinge Road Erosion	115	212	13
Perfume Point Reserve Beach Landscaping	-	-	4
Clive Square Lighting Project	-	67	124
Destination Playground	204	2,448	109
Ahuriri Water Sports Facility	2,074	310	8
Pirimai Park - Installation	263	190	17
Tamatea Park Development	17	16	51
Taradale Skate Bowl	-	-	9
Anderson Park Upgrade	29	1,000	-
Allen Berry Ave Reserve	-	-	13
Minor Capital Items	45	-	-
Napier Skate Park			
Napier Skate Park Development	7,623	7,458	680
Bay Skate Renewals	3	-	-
Inner Harbour			
Inner Harbour Facilities I.A.R.	81	15	-
Boat Ramp	-	-	85
	13,251	17,938	3,319

Funding Impact Statement (Recreation)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	8,136	8,795	8,117
Targeted rates	-	-	-
Subsidies and grants for operating purposes	5	24	24
Fees and charges	1,440	1,465	1,492
Internal charges and overhead recoveries	157	131	101
Local authorities fuel tax, fines, infringement fees, and other receipts	833	769	616
Total operating funding (A)	10,571	11,184	10,350
Applications of operating funding			
Payments to staff and suppliers	7,713	7,890	7,355
Finance costs	-	-	-
Internal charges and overheads applied	2,064	1,928	1,765
Other operating funding applications	-	2	2
Total applications of operating funding (B)	9,777	9,820	9,122
Surplus/(deficit) of operating funding (A - B)	794	1,364	1,228
Sources of capital funding			
Subsidies and grants for capital expenditure	-	10,000	300
Development and financial contributions	473	394	534
Increase (decrease) in debt	2,352	4,037	3,859
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	2,825	14,431	4,693
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	1,222	8,444	3,977
- to improve the level of service	10,447	16,094	11,475
- to replace existing assets	1,582	1,809	3,055
Increase (decrease) in reserves	(9,632)	(10,552)	(12,586)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	3,619	15,795	5,921
Surplus/(deficit) of capital funding (C - D)	(794)	(1,364)	(1,228)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	2,096	2,321	1,984

Social and Cultural

Scope

Libraries

Libraries offer free-to-all services. With 34,000 members services include recreational, educational, historical, genealogical, cultural and current affairs material in multi-media forms; together with online facilities, reading and digital literacy programmes for all ages, and community outreach. Napier City Council has two libraries one located in Napier City and another in Taradale.

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. The Historic Places Act 1980 lists the Municipal Theatre building, classified by the New Zealand Historic Places Trust. This building has also been declared as a place of Art Deco significance by the Napier Art Deco Trust.

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

The MTG Hawke's Bay is located on the corner of Tennyson Street and features museum and gallery spaces, a theatre, archives and a small retail area. MTG Hawke's Bay's exhibition, education and public programmes interpret and share the region's history through the Hawke's Bay Museums Trust's (HBMT) regional collection. It has spaces to host a variety of performances, films, lectures, and other events. MTG Hawke's Bay cares for the HBMT collection under a management agreement with the HBMT, a Council Controlled Organisation (CCO) jointly funded by Napier City Council and Hastings District Council.

Community Strategies

Development of strategies and policies, community engagement, support and advice to the community sector, distribution of community grants, encouraging a safer community, youth development and delivery of a range of programmes, projects and events are the main components of this area. Our grants support and encourage community and voluntary organisations to address social issues in Napier. Through the Safer Napier programme, key safety priorities are identified and worked on in partnership with community groups and government organisations to improve community safety in Napier. We support and foster the role of young people in our community, providing opportunities for them to participate and engage in decision making, particularly through the Napier Youth Council (YCON).

Halls

Council provides six casual hire community halls with a range of facilities for recreational, community or leisure activities at affordable prices.

Retirement and Rental Housing

Retirement and rental flats are provided for people with special housing needs, low assets, and low income. Council housing officers provide support to our retirement flat tenants through regular visits. Council flats are in high demand with the average occupancy rate exceeding 97%.

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

Cemeteries

Council has six cemeteries; four operational and two historic. Operating cemeteries include comprehensive areas for burials, ash interments, and ash scattering. The recently restored historic cemeteries ensure their historical and cultural significance is preserved. Records are available for genealogical enquiries. The crematorium for the Hawke's Bay region, located in Hastings, is owned and operated by Hastings District Council.

Public Toilets

45 Public toilet facilities are provided in key areas of the city generally related to tourism, recreation and shopping activities. Facilities are cleaned and inspected at least daily with the emphasis on hygiene, safety, discouragement and removal of graffiti.

Emergency Management

The Hawke's Bay Civil Defence Emergency Management Group coordinates the delivery of emergency management policies, planning and services as a region. Council provides funding to ensure the needs of Napier Emergency Management are met.

Key Issues

Libraries

Library members and other visitors are increasingly accessing the Libraries in a different way, and for different reasons, than has been the established tradition. Examples are the use of the library buildings as community hubs for informal meetings; increased use for study; the burgeoning public internet and free Wi-Fi service; literacy and digital literacy support; job search support; and programmes for both children and adults.

The roof garden that was established as a pop up space has been well used by visitors to the facility and the introduction of free Wi-Fi across all levels of the library has drawn new users to the central library.

The Napier City Council has commenced the planning process to build a new library in the city centre and is in the unique position to deliver a new library that will meet community needs and be fit for purpose. This project will be included in consultation for the 2018-28 Long Term Plan.

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

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

The quality and professionalism of exhibitions has significantly increased with the redevelopment and this has been maintained as the new benchmark for visitor expectations.

Work continues on finding additional space for collection storage through a specific building project. Scoping work is underway for possible conversion of onsite basement space for additional storage and a permanent offsite location for the remainder of the collection. Sustainability and fiscal responsibility are being considered alongside collection management ideals. The balance remaining within this budget item will be transferred to the next financial year and utilised as the project progresses.

Community Strategies

While Napier residents report an improved quality of life, some parts of the community continue to encounter difficulties achieving adequate income, have limited access to suitable housing and experience health issues. These fundamental issues require Council to work with central government agencies, business and not for profit groups in order to achieve improved outcomes for the community.

Safety remains a key concern for the community. Council is the lead agency implementing Safer Napier programme, which focuses on key areas of concern for the community; crime prevention, injury prevention, road safety, reducing alcohol related harm and building community resilience.

Population changes over the next few decades presents challenges in the medium to long term. Napier will have a higher proportion of over 65 year population, a growing Maori and Pacific youth population and a static or declining working age population. It is important this is considered in the planning of infrastructure, facilities and services.

Halls

Several of the community halls require either structural strengthening or refurbishment. The Taradale Community Rooms refurbishment has an approved allocation of funding. The refurbishment will update the interior of the building to provide flexible spaces to be used as office and/or meeting space for community organisations. The Taradale Plunket Rooms requires strengthening and the interior will be refurbished through this project. Work is underway to align all the management arrangements and ensure health and safety requirements are met and preparations are made to implement an online booking system.

Retirement and Rental Housing

A review of Council housing provision will be undertaken that will investigate options for future delivery of housing.

Cemeteries

The Western Hills Extension has been included in the 2017/18 Annual Plan.

Emergency Management

Council retains a responsibility to provide for Emergency Management. However, this function has now transferred to Hawke's Bay Regional Council which provides services to all territorial authorities in the region. Council staff resource is allocated to support an event response, this requires staff to be trained and skilled in the various roles. Council retains responsibility for the assets it owns (e.g. sirens, Emergency Operations Centre, etc.)

Performance Results 2016/17 (Social and Cultural)

Social and Cultural Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Libraries	Council provides library services, literacy support and other programmes for all ages to meet the communities' recreational, social and educational needs	Percentage of library members who are active borrowers (in 24 month period - card use only)	31%	39%	33%
		Percentage of residents satisfied with Library Service in the NRB Public Opinion Survey (excluding don't knows)	86%	85%	81%
		Number of programme sessions delivered for all ages per year	946	330	632
Napier Municipal Theatre	Council provides a quality performing arts venue experience for local and visitor use	Qualmark 4.5 star rating maintained	achieved	achieved	achieved
		Percentage of customers satisfied with the Municipal Theatre experience (source: Ticketek Survey)	100%	80%	100%
MTG Hawke's Bay	Council provides a quality museum, theatre and art gallery experience for local and visitor use	Visitor numbers per year for all users (source: door counter)	127,923	120,000	116,837
		Minimum number of new exhibitions per annum	7	5	10
		Percentage of residents satisfied with Hawke's Bay Museum and Art Gallery (including Century Theatre) in the NRB Public Opinion Survey	50%	80%	50%
	The MTG is a quality provider of educational experiences	Percentage of teachers satisfied with school experience	100%	80%	100%
		Number of students participating in a learning experience outside the classroom (LEOTC) programme at MTG	6,252	6,000	5,847

Social and Cultural Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Community Planning	Council supports communities to come together to address issues and to celebrate and promote their uniqueness	Number of local community events coordinated per year	50	50	52
	Council provides quality advice and information to community groups and agencies, and facilitates collaborative opportunities with them to build strong community networks that can respond to community issues	Satisfaction score from coalition partners on Council's coordination role for Safer Napier (source: annual Coalition Survey Report) Zone >4 - The coalition is doing average to above average in this area	5	>4	4
		Percentage of residents who perceive they are safe or very safe in Napier at all times (source: biennial social monitor survey)	biennial measure due next year	95%	biennial measure due next year
		Number of community training and network meeting facilitated per year	23	20	26
		Percentage of attendees satisfied with community training and networking meetings	98%	96%	98%
Halls	Council provides a sufficient number and range of cultural and social facilities to satisfy the needs of the community	Percentage community hireage for halls directly managed by Council	93%	85%	97%
		Percentage of customers satisfied with hireage of halls directly managed by Council. (source: postal survey of post use)	100%	95%	96%
Retirement & Rental Housing	Council provides affordable and safe retirement and rental housing for people who have low assets and low income	Village coordinators available during normal working hours and on call for emergencies after hours	100%	100%	100%
		Inspections per unit per year: •Retirement Flats - fortnightly •Rental Flats - annually	100%	100%	100%
		Occupancy Rate - retirement	99%	97%	99%
		Occupancy Rate - rental	100%	98%	100%

Social and Cultural Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Cemeteries	Council maintains accurate and accessible burial records and the historical features of all six council managed cemeteries	Percentage of time that the online cemetery records system is operational throughout the year	98%	90%	100%
	Council provides and maintains a tranquil environment for burial, reflection and placing of memorials to deceased family members	Interment and Burial spaces are available on request	100%	100%	100%
		Percentage of residents satisfied with Cemeteries (including the maintenance of Cemeteries) in the NRB Public Opinion Survey	74%	80%	73%
Public Toilets	Council provides adequate toilets that are accessible, available and appropriately located for use by the public to safeguard the health of the community through the appropriate disposal of human waste in high use community areas	Percentage of council-managed public toilets cleaned at least daily	100%	100%	100%
		Percentage of residents satisfied with Public Toilets in the NRB Public Opinion Survey	75%	80%	74%

Social and Cultural Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Emergency Management	Council will work with the Napier community and HB CDEM Group to ensure Napier communities are prepared and know how to survive and recover during and after an emergency	Public warning sirens tested a minimum of twice per year	achieved	achieved	Full functioning test completed April 2016 - one siren not activated due to damage to power cable by road construction in Taradale
		Percentage of community groups satisfied with public education presentations/ events	100%	90%	100%
		Percentage of households with emergency food and water to be self-sufficient for three days	53% Emergency Kit 55% Emergency Water	88%	50% Emergency Kit 56% Emergency Water*
		Percentage of residents satisfied with Civil Defence Organisation in the NRB Public Opinion Survey (excluding don't knows)	71% 83% excluding don't know	90%	70% 94% excluding don't know
		Number of new community resilience plans developed in high risk areas within Napier per year	1	2	Bay view pilot continuing
		Number of trained Emergency Management volunteers ready to respond to an event	42	70	53 - recruiting drive started in June 2016 and Napier has had two enquiries in that month. In the new year, post approval of the NZRT (Light Rescue) recruiting will continue and be increased

Capital Expenditure (Social and Cultural)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Libraries			
Library Renewals	20	22	-
Library Stock	377	510	418
Robson Collection Donations	1	1	-
Napier Library	42	36	283
Library Minor Capital Items	57	-	12
Napier Municipal Theatre (NMT)			
NMT I.A.R.	-	130	-
NMT Minor Capital	16	76	4
MTG Hawke's Bay			
MTG Building Project	131	609	19
Century Theatre Upgrade	120	-	-
MTG Minor Capital	70	50	80
Halls			
Seismic Upgrades Meeanee and King Georges Halls	-	-	52
Greenmeadows East Hall - New Flooring	-	27	51
Taradale Community Rooms - Community Centre Refurbishment	-	279	-
Halls Minor Capital Items	7	-	-
Community Strategies			
Art Deco Sculpture	-	-	15
Marine Parade Freedom Camping Carpark	-	-	282
Paxie's Lane Artworks	-	-	46
Maraenui Community Centre	-	-	11
Retirement and Rental Housing			
Retirement Housing Renewals	-	-	176
Retirement Housing Minor Capital	183	295	70
Rental Housing Minor Capital	4	42	-
Cemeteries			
Cemeteries I.A.R.	34	30	17
Western Hills Extension	11	154	1
Public Toilets			
Public Toilets I.A.R.	83	160	422
New Toilet Programme	-	39	4
	1,156	2,460	1,963

Funding Impact Statement (Social and Cultural)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	9,607	9,072	8,711
Targeted rates	-	-	-
Subsidies and grants for operating purposes	401	326	325
Fees and charges	2,406	2,396	2,440
Internal charges and overhead recoveries	48	2,309	2,256
Local authorities fuel tax, fines, infringement fees, and other receipts	2,455	2,409	2,358
Total operating funding (A)	14,917	16,512	16,090
Applications of operating funding			
Payments to staff and suppliers	9,999	9,489	9,383
Finance costs	-	-	-
Internal charges and overheads applied	4,079	5,842	5,693
Other operating funding applications	-	-	-
Total applications of operating funding (B)	14,078	15,331	15,076
Surplus/(deficit) of operating funding (A - B)	839	1,181	1,014
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	51	53	74
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	38	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	89	53	74
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	305	194	968
- to replace existing assets	851	1,459	1,751
Increase (decrease) in reserves	(228)	(419)	(1,631)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	928	1,234	1,088
Surplus/(deficit) of capital funding (C - D)	(839)	(1,181)	(1,014)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	2,278	2,366	2,384

Scope

City Business and Promotion

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

Napier Conference Centre

The Napier Conference Centre is a multi-functional facility, located on the beach front along Marine Parade, consisting of a ballroom, an exhibition hall, a gallery and a number of breakout rooms. It includes a kitchen and back of house area, technical (audio-visual) equipment, and conference furniture and fittings. The facility is considered to be one of Hawke's Bay's premium conference facilities and hosts local, national and international events.

National Aquarium of New Zealand

The National Aquarium of New Zealand is a centre that is open to the public seven days a week and provides education, entertainment and cultural experience, located at the southern end of Napier's Marine Parade. Services provided include general admissions to the public, conservation projects, education programmes, tours, swimming with the sharks, photograph opportunities, sleepovers, birthday parties, functions, special events, retail souvenir sales and a café.

Napier i-SITE Visitor Centre

Napier i-SITE Visitor Centre, is located centrally on Napier's Marine Parade in the heart of the tourist zone. Belonging to the national i-SITE network, it is a significant source of information for visitors to Hawke's Bay, both domestic and international, as well as locals. It plays a vital role in the promotion of Napier as a destination and the assets of the city and surrounding areas.

Par2 MiniGolf

Par2 MiniGolf, located on Marine Parade, consists of two 18-hole courses and a clubhouse. Complementing the city's tourism activities, this facility provides a conduit to the Napier i-SITE and promotes sport and recreation activity. Services include group rates, family passes and hireage for special events

Kennedy Park Resort

Kennedy Park Resort, located on Storkey Street, covers approximately 5.7 hectares of land and includes 91 rooms, 170 powered and non-powered sites, as well as a restaurant, bar, conference facility, children's playground, commercial laundry, service buildings, a shop, and a heated pool complex. It holds Qualmark Gold five and four plus star awards for the standard of its park facilities and accommodation.

Key Issues

Napier Conference Centre

The Napier Conference Centre re-opened in early March 2017 after an upgrade was completed focusing on a redevelopment and seismic strengthening. The facility has been re-furbished with a modern décor and offers additional space to meet the demands of the conference market. A new Exhibition Hall offers a multi-purpose room as well as an area to accommodate up to 25 trade sites and the extended Ballroom increases the dining capacity of the venue. The larger foyer allows delegates to move between more freely between all areas well as providing a registration and pre-function space.

Additional funding was approved by Council in order to complete the redevelopment. Key factors relating to the additional funding included an increase of project scope; time delay variations to contracts; insufficient contingency budget under industry standard; and an increase requirement for fixtures, fittings and furniture.

National Aquarium of New Zealand

Section upgrades and redevelopments during the year have positively impacted on the reception and the ticketing area as well as the gift shop and café. Issues had been identified around controlling access to the facility through its multiple entry points and building alterations have now be made to assist in these areas.

Initial costs for the upgrade were conservative and additional budget capacity was allocated from other areas of the facility in order to achieve the desired outcomes.

The Government's Regional Growth Programme has identified potential growth opportunities in selected regions including Hawke's Bay. Based on this Matariki – Hawke's Bay Regional Economic Development Strategy and Action Plan 2016 was

Key Issues - City Activities continue

created and with one action under the strategic direction of Promote greater innovation, productivity and agility is to “Support the expansion of the National Aquarium, including the development of marine research, to create high-skilled science-based employment.”

The Napier City Council is currently in the process of submitting a business case to Central Government for the National Aquarium of New Zealand expansion project.

Napier i-Site & Par2 MiniGolf

Continued capital maintenance at both facilities is required over the next ten year period with a business case being developed in 2018 / 2019 for future developments on the site. Possible expansion of the i-Site will be considered and a significant upgrade to Par2 MiniGolf to ensure the facilities remain fit for purpose and returning economic benefit to Napier residents. Based on this, the upgrade to the Par2 MiniGolf was postponed within this financial year to form a part of this plan.

Kennedy Park Resort

Like all Holiday Parks in New Zealand, demand for the Kennedy Park Resort is seasonal in nature. Market forces that are constraining demand for accommodation include seasonality (where most revenue is earned in the peak summer season), a predicted growth in international visitor numbers but a reduction in their daily expenditure and competition from other New Zealand regions and within Hawke’s Bay.

The reception block at Kennedy Park Resort was upgraded to a purpose built building this year to allow for the growth of the facility and matching customer expectations.

Performance Results 2016/17 (City Activities)

City Activities by Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
City and Business Promotion	Council works with the business sector both locally and regionally to encourage new businesses to establish in the City and to facilitate economic development	City GDP per capita relative to NZ average	GDP for 2016/17 not yet released	Increasing trend	\$36,899
	Council attracts and provides funding and support for sporting, cultural and other events to bring economic benefits to the City	Economic impact of events funded under the Council’s event’s policy (currently under development)	24 events with a total impact of \$12.5 million. Major events: Horse of the Year, HB Marathon, Iron Maori and National Optimists Championships	Increasing trend	NRL Storm vs Dragons game and Art Deco local economic impact was \$13.9m
Napier Conference Centre	Council provides a quality conference and events facility which enables events and services to be hosted that contribute to the economic well-being of the City	Maintain Qualmark Venue 4.5 star rating.	achieved	achieved	Maintained
		Percentage of customers satisfied with Napier Conference Centre experience	97%	90%	99%
		Number of national and international hires	63 (Open 3 months end March to end June)	128 (Open 5 months Feb-June 2017)	173 Facility closed 31 March 2016 for seismic strengthening and redevelopment

City Activities by Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
National Aquarium of NZ	Council provides a marine zoo and aquaria to attract visitors to Napier, offers a value-for money visitor experience that contribute to the economic well-being of the City	Qualmark venue rating maintained (60% rating required)	achieved	achieved	achieved
		Percentage of customers satisfied with Aquarium experience (source: customer survey)	94%	80%	94%
		Number of visitors	144,476	115,000	140,181
Napier i-SITE Visitor Centre	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 re-visit	Qualmark venue rating/ i-SITE membership maintained	Qualmark Enviro Silver maintained	Qualmark Enviro Silver	Maintained
		Percentage of customers satisfied with i-SITE Visitor Centre experience	95%	80%	97%
		Visitor numbers per annum	243,208	260,000	249,920
Par 2 MiniGolf	Council provides a Mini Golf facility as a visitor attraction and for local community use	Qualmark membership maintained	Qualmark Enviro Silver maintained	Qualmark Enviro Silver	Maintained
		Percentage of customers satisfied with Par 2 MiniGolf experience	85%	90%	95%
		Visitor Admissions per annum.	46,191	43,000	45,099
		Return on Assets	34%	16%	29%
Kennedy Park Resort	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	Qualmark ratings maintained	Achieved Holiday Park 5 Star, Motel 4+ Star	Achieved Holiday Park 5 Star Motel 4+ Star	Maintained
		Percentage of customers satisfied with Kennedy Park experience	87%	80%	86%
		Room nights per annum	30,108	24,000	25,575
		Return on Assets	8%	6%	7%

Capital Expenditure (City Activities)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
City Business and Promotion			
Minor Capital Items	6	-	-
Napier Conference Centre (CC)			
CC Renewals	32	90	-
Replace Carpet Lower Level	-	17	-
CC Upgrade	6,996	2,686	1,383
CC Minor Capital	-	120	3
National Aquarium of New Zealand (NANZ)			
NANZ Renewals	-	35	10
NANZ Laboratory	33	50	28
NANZ Reception/Ticketing Upgrade	379	207	42
NANZ Minor Capital	97	75	55
Napier i-SITE Visitor Centre			
i-SITE Minor Capital	15	30	17
Par 2 MiniGolf			
Par 2 MiniGolf Upgrade 2 Courses	1	196	2
Par 2 MiniGolf Minor Capital	4	14	6
Kennedy Park			
Kennedy Park I.A.R.	34	120	42
Kennedy Park Reception Upgrade	743	589	267
Kennedy Park Minor Capital	67	180	85
	8,407	4,409	1,940

Funding Impact Statement (City Activities)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,676	2,014	1,809
Targeted rates	191	195	185
Subsidies and grants for operating purposes	126	112	112
Fees and charges	7,156	7,399	7,145
Internal charges and overhead recoveries	73	55	54
Local authorities fuel tax, fines, infringement fees, and other receipts	324	19	19
Total operating funding (A)	10,546	9,794	9,324
Applications of operating funding			
Payments to staff and suppliers	8,436	7,772	7,562
Finance costs	-	-	-
Internal charges and overheads applied	1,267	1,460	1,374
Other operating funding applications	2	-	-
Total applications of operating funding (B)	9,705	9,232	8,936
Surplus/(deficit) of operating funding (A - B)	841	562	388
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	5,470	1,637	3,342
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	5,470	1,637	3,342
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	33	-	50
- to improve the level of service	8,174	1,433	3,400
- to replace existing assets	200	868	747
Increase (decrease) in reserves	(2,096)	(102)	(467)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	6,311	2,199	3,730
Surplus/(deficit) of capital funding (C - D)	(841)	(562)	(388)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	914	983	889

Planning and Regulatory

Scope

The Planning and Regulatory Group provides services in the areas of animal control, building consents, resource consents, planning policy, environmental health and parking.

The Council's planning and urban development work includes strategic urban planning, enabling controlled building activity and land use, assessing risks from earthquake prone buildings and managing the risks that come from food and liquor premises, noise and domestic animals.

The planning and regulatory group is responsible for all aspects of strategic planning for Council. Strategies guide Council in thinking through what we want to achieve and how we will achieve it. This articulates the vision of the community by identifying the key issues and priorities; understanding where we are now, where we want to get to, and how we get there, including what Council's contribution and role should be; articulating how we will deliver our contribution (strategies, policies, plans and action); and measuring our performance - have we achieved our goals?

We promote the development and use of the natural and built environment of the city in a way that focuses on Napier being a compact, vibrant, attractive city that is sustainable and true to its historical past.

This is done in collaboration with our businesses and communities through the City Vision strategy to ensure development is well managed, in conjunction with the District Plan and Legislation (RMA, and Building Act). A key focus is efficient resource and building consenting service.

The Council manages the built environment in conjunction with central and local government, businesses, local communities and individuals. Our work involves partnerships across the board with homeowners wanting to build or renovate; with developers who want to grow and create opportunities in the city; with businesses who want to thrive; and with each individual who lives, works, visits and enjoys our city. We strive to create a city in which creativity and innovation flourish, and an environment that enables business activity that supports artistic and cultural endeavours and celebrates the identities of the city's many communities.

Our role includes making Napier a safe place to work and live, encouraging responsible dog ownership and education and responding to safety related concerns about animals, vermin, hygiene and hazardous substances. We have a role in regulating food and liquor premises to ensure personal safety in Napier and to deter unhealthy food preparation practices.

Council provides 2,623 public parking spaces in the CBD and 393 in Taradale Shopping Centre as well as parking in the smaller commercial areas of the city, with long and short term spaces providing parking to meet reasonable public expectations. Monitoring and enforcement of parking bylaws ensures equitable use.

Key Issues

Planning Policy

The Gambling Venues Policy was reviewed and a Local Easter Sunday Trading Policy and Freedom Camping Bylaw have been adopted.

Capital Projects

CBD Parking and Property Information EDM projects have been included in the 2017/18 Annual Plan.

Planning and Regulatory Performance Results 2016/17

Planning and Regulatory Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Planning Policy	Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety (building quality, animal nuisance)	District Plan changes comply with legal requirements	No District Plan changes were processed in 2016/17. There is only one point of appeal still unresolved from past changes.	achieved	Achieved. Plan Change process is complete apart from the resolution of Environment Court appeals.
Regulatory Consents	Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety through the resource consent process	Percentage of Land Information Memorandums processed within the statutory time frame of 10 working days	100% (365) of LIM's processed within 10-working days at an average of 7-working days	100%	100% (95) processed within 10-days at an average of 7-days
		Percentage of resource consents processed within statutory timeframes and discount regulations	97% (217 out of 224) of non-notified Resource Consents (land use & subdivision) were processed within statutory timeframes at an average of 16-working days. 100% (1 out of 1) notified Resource Consents was processed within statutory timeframe	100%	Non-notified Resource Consents-46 out of 49 (94%) processed within 20-working days with an average of 13-days. One notified application was processed within statutory time frame
	Planning complaints are responded to efficiently and effectively in a manner that is fair to all parties	Percentage of complaints investigated within 3 days.	100% of complaints (12 out of 12) responded to within 3-working days	100%	100% of complaints investigated within 3-days (3 out of 3)

Planning and Regulatory Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Building Consents	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 requiring building warrants of fitness registered from owners of buildings subject to code of compliance schedule	24.91%	20%	6.5%
		Maintain Building Consent Authority (BCA) accreditations	accreditation maintained	achieved	accreditation maintained
		Percentage of building consents processed within statutory timeframe of 20 working days	99% processed within 20 working days (1,101 out of 1,113)	100%	100% processed within 20 working days (1,298 out of 1,298)
		Percentage of code of compliance certificates processed within statutory timeframe of 20 working days	100% processed within 20 working days (1,000 out of 1,000)	100%	100% processed within 20 working days (1,277 out of 1,277)
Environmental Health	Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their health (food handling, water quality) and well-being (noise and environmental effects)	Percentage of food premises inspected twice per year (including re-checking) and non-food premises inspected once per year	100%	100%	100%
		Percentage of residents satisfied with Noise Control in the NRB Public Opinion Survey.	81%	80%	81%
Animal Control	Council monitors and enforces compliance with legislation intended to protect its citizens from threats to their safety (building quality, animal nuisance)	Percentage of complaints responded to within target timeframe (urgent: 2 days, other: 5 days)	85%	100%	100%
		Percentage of residents satisfied with Animal Control in the NRB Public Opinion Survey.	76%	75%	76%

Planning and Regulatory Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Parking	Council provides on and off street parking facilities 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)	72%	Range 50 - 85%	64%
		Taradale parking occupancy rate (off street and on street)	58%	Range 50 - 85%	49%
		Percentage of residents satisfied with Parking in the Inner City in the NRB Public Opinion Survey	65%	60%	67%
		Percentage of residents satisfied with Parking in the Suburbs in the NRB Public Opinion Survey	71%	60%	65%

Capital Expenditure (Planning and Regulatory)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Building Consents			
Property Information EDM	73	414	14
E-Commerce for Applications	28	25	13
Animal Control			
Complex Shelter & Office	101	60	-
Dog Agility Track	-	-	45
Stock Control Equipment	-	5	-
Animal Control Minor Capital	4	30	32
Parking			
CBD Parking Projects	465	1,960	28
Parking Minor Capital	160	20	17
Parking Equipment Replacement	-	30	20
Alternate Transport Parking	5	101	6
Parking Security	-	35	-
	836	2,680	175

Funding Impact Statement (Planning and Regulatory)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,560	2,693	2,647
Targeted rates	-	-	-
Subsidies and grants for operating purposes	15	-	-
Fees and charges	4,298	4,202	4,113
Internal charges and overhead recoveries	249	255	250
Local authorities fuel tax, fines, infringement fees, and other receipts	693	1,067	1,066
Total operating funding (A)	7,815	8,217	8,076
Applications of operating funding			
Payments to staff and suppliers	5,648	4,705	4,616
Finance costs	-	-	-
Internal charges and overheads applied	2,733	2,765	2,692
Other operating funding applications	1	-	-
Total applications of operating funding (B)	8,382	7,470	7,308
Surplus/(deficit) of operating funding (A - B)	(567)	747	768
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	-	-	-
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	805	6,723	1,185
- to replace existing assets	31	127	149
Increase (decrease) in reserves	(1,403)	(6,103)	(566)
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	(567)	747	768
Surplus/(deficit) of capital funding (C - D)	567	(747)	(768)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	316	453	270

Scope

Lagoon Farm

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

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

Parklands Residential

The Council's Parklands Residential Development on 120 hectares of former Lagoon Farm land will provide over 300 residential sections for sale during the period 2017-2022. The rate of residential development will be driven by market demand.

Property Holdings

Leasehold Land Portfolio:

- Investment Property Portfolio = 76
- Residential = 19

This business unit is responsible for the management of leases and licences that have been established for parks, reserves, sportsgrounds, roads, commercial, industrial, and residential properties. The majority of leases within the Leasehold Land Portfolio are perpetually renewable.

It is also responsible for asset management advice relating to all major Council buildings.

Key Issues

Property Holdings

In the Long Term Plan 2015-25 Council signalled that the Civic Building required an upgrade. As part of the due diligence process for the proposed upgrade a Detailed Seismic Assessment (DSA) was commissioned for both the Library and Civic Buildings.

The Seismic Assessments have deemed both buildings to be earthquake prone and in need of significant upgrading and refurbishment. Investigations are underway to determine the various options for the future of the buildings and the site. Council will undertake a Special Consultative Procedure on the proposed options.

The capital projects included in the 2016/17 Annual Plan will be included in future plans once the options for the Civic and Library Buildings have been determined.

Property Assets Performance Results 2016/17 (Property Assets)

Activity	Level of Service	Service Performance Measure	Actual 2016/17	AP 2016/17	Actual 2015/16
Parklands Residential Development	Council develops residential sections for sale to meet demand for affordable sections and provide an income stream for council	Number of sections sold and developed	54 lots created and sold	40	28 lots created, 51 lots sold
Property Holdings	Council manages a portfolio of commercial and leasehold land in accordance with legislation, council policies and individual lease agreements	Independent review of Council's investment portfolio completed regularly (every 3-5 years) including consideration of average rate of return	Review to be carried out as part of the 2018-28 LTP process	n/a	In progress
	Council maintains and renews all Council buildings (not specifically allocated to other activities) to ensure buildings remain safe, in good condition and fit for purpose	Buildings comply with Building Act and Health & Safety Act and hold current warrant of fitness certificates	100%	achieved	100%

Capital Expenditure (Property Assets)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Lagoon Farm			
Minor Capital Items	4	-	-
Property Holdings			
Air Conditioning Projects	-	594	-
Seismic Strengthening Council Buildings	6	1,500	-
Council Chambers Ventilation	-	34	-
Civic Buildings Upgrade	33	540	14
Civic Building	-	517	-
Library Building Refurbishment	297	-	-
Property Purchases	-	500	-
Property Holdings Minor Capital	78	-	-
	418	3,685	14

Funding Impact Statement (Property Assets)

	Actual 2016/17 \$000	LTP 2016/17 \$000	LTP 2015/16 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	382	521	588
Internal charges and overhead recoveries	1,646	1,715	1,678
Local authorities fuel tax, fines, infringement fees, and other receipts	12,388	9,396	7,726
Total operating funding (A)	14,416	11,632	9,992
Applications of operating funding			
Payments to staff and suppliers	5,290	5,223	4,295
Finance costs	-	-	-
Internal charges and overheads applied	2,140	1,819	1,631
Other operating funding applications	6	-	-
Total applications of operating funding (B)	7,436	7,042	5,926
Surplus/(deficit) of operating funding (A - B)	6,980	4,590	4,066
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	39	1,023	500
Gross proceeds from sale of assets	488	116	125
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	527	1,139	625
Application of capital funding			
Capital expenditure*:			
- to meet additional demand	-	-	-
- to improve the level of service	-	1,023	122
- to replace existing assets	418	1,552	1,071
Increase (decrease) in reserves	7,089	3,154	3,498
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	7,507	5,729	4,691
Surplus/(deficit) of capital funding (C - D)	(6,980)	(4,590)	(4,066)
Funding balance ((A-B) + (C-D))	-	-	-
Group depreciation and amortisation	425	440	393

Support Services

Scope

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 Services include the Services Depot, which provides support for the Utilities and Reserves divisions including a store and mechanical workshop. Design Services provides scientific and technical services to other Council departments ensuring the community receives engineering services of maximum quality and safety.

Capital Expenditure (Support Services)

	Actual 2016/17 \$000	AP 2016/17 \$000	Actual 2015/16 \$000
Minor Capital General Provision	108	75	84
Replacement of Mobil Plant and Vehicle	1,185	1,000	1,136
Software Replacement and Upgrades	53	71	60
PC and Printer Replacement	79	71	83
Corporate IT Network	27	43	3
Technology Equipment Minor Capital	-	60	90
Electronic Document Management	568	670	512
Napier Wi-Fi	25	61	28
Design Services Minor Capital	2	30	-
Services Minor Capital	0	0	4
	2,047	2,081	2,000

Independent Auditor's Report

To the readers of Napier City Council's annual report for the year ended 30 June 2017

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 report on the information in the City Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the City Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the City Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 26 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 13 to 64:
 - present fairly, in all material respects:
 - the City Council's financial position as at 30 June 2017;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 65 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- the statement of service provision (called "performance results") on pages 84 to 126:
 - presents fairly, in all material respects, the City Council's levels of service for each group of activities for the year ended 30 June 2017, including:

- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 85 to 128, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the City Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 85 to 127, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's Long-term plan.

Report on the disclosure requirements

We report that the City Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 73 to 78 which represent a complete list of required disclosures and accurately reflects the information drawn from the City Council's audited information and, where applicable, the City Council's long-term plan and annual plans.

Basis for opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

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

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

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the City Council or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the City Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision (called "performance results"), as a reasonable basis for assessing the levels of service achieved and reported by the City Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant

doubt on the City Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the City Council to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 10, 66 to 72, 81 to 83, and 135 to 141, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out a Limited Independent Assurance Engagement in relation to the City Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than the audit, our report on the disclosure requirements and this engagement 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



Appendices

Council Controlled Organisations

Glossary of Terms

Appendices cover page image: The LAB hazard education space at the National Aquarium, September 2016

Left to right: Carol Larson, Education Coordinator with Kate Boersen, Community Science Coordinator

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

The following is a Statement of Service Performance relating to the key objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2017 (as reflected in the Company's Annual Report for 2016/17.)

Activity	Measure	Status
CAA recertification	Renewal of Aerodrome Operating Certificate	●
Operate a Successful Business	Achieve performance targets: <ul style="list-style-type: none"> • Revenue • EBITDA • NPAT • Return on Equity - Annualised • Gearing • Dividend • Development of Business Park 	● ● ● ● ● ● ●
Appropriate Infrastructure	Progress planning for: <ul style="list-style-type: none"> • Terminal redevelopment • New rescue fire station • Additional carparks • Rental Car Valet Facility 	● ● ● ●
Health and Safety	Zero harm and zero LTI	●
Customer Focus	Regular engagement with customers	●
Stakeholder Engagement	4 meetings per annum with Shareholders	●

Meets or Exceeds target ●

Within 10% of target ●

10% or more below target ●

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

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

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

The objectives of the Trust are:

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

Nature and Scope of Activities

Protection

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

Quality

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

Access

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

Development

- Fundraising - to work with the Hawke's Bay Museums Trust Foundation to provide funding.
- Reserves - to appropriately manage accession reserves.
- Relationships - to appropriately manage relationships to allow the collection to develop appropriately.
 - Funding Councils
 - Te Rōpū Kaiawhina Taonga
 - Friends of MTG Hawke's Bay

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

Hawke's Bay Museums Trust continues

Performance Targets

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2016/17) are:

Key Result Area	Performance Indicator	Target 2016/17	Actual 2016/17
Protection	Full insurance cover is provided for the collections	Yes	Yes
	Collections are stored in an acceptable environment	No items reported to have suffered deterioration due to the environment	10 items reported to have suffered deterioration due to the environment
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries	480 Online catalogue 12,652
	Collections are made available to the public through quality exhibitions	Minimum of five collection based exhibitions	Bringing China Home A Glimpse of India Out of the Box Time for Tea He Manu Tioriori
Development	Bequests fund income is used in the manner determined by the donor	Yes	Yes
	Conservation funds income is used solely for collection care	Yes	Yes
	Joint HBMT/Te Rōpū Kaiawhina Taonga meeting held	1 per annum	0

Protection

Damage to ten collection items noted at de-install of the WW1 exhibition. Long display period resulted in fading, damage to photos and foxing.

Access

The number of annual regional archive visits exceeded the target with online visitors reaching 12,652.

Development

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

Hawke's Bay Local Authority Shared Services Limited

Policies and Objectives Regarding Ownership and Control

HBLASS Limited is a Limited Liability Company registered under the Companies Act 1993. The Company is jointly owned by Central Hawke's Bay District Council, Hastings District Council, Hawke's Bay Regional Council, Napier City Council and Wairoa District Council. The Company is a Council Controlled Organisation as defined in Section 6 of the Local Government Act 2002.

The Company produces separate annual accounts. The Council share of the Company is included in its annual financial statements through contributions to the cost of projects completed or in progress.

Nature and Scope of Activities

The principle nature and scope of the activities of HBLASS Ltd is to:

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

Performance Targets

HBLASS has been in operation since December 2012. The results against the performance targets detailed below must therefore be read in that context.

The Statement of Intent outlines the following performance targets against which the company is measured.

To ensure the company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Target 2016/17	Actual 2016/17
Initiate at least one shared service each year and no less than two shared services successfully implemented within the following three years	<ul style="list-style-type: none"> • Extended the Web Services Shared Service to Hastings – now a comprehensive Hawke's Bay Shared Service • Parks – paper drafted for the Board for consideration including plans, issues and opportunities • Animal Control – paper drafted for the Board for consideration and group open for collaboration • Building Control – several meetings held with Leadership Team Executives
Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders.	<ul style="list-style-type: none"> • Napier City Council alignment of GIS tools with Hastings District Council and Hawke's Bay Regional Council • Agreement to specify, develop and implement one core data set for GIS services across councils. Expertise and support offered between councils to implement international data standards in preparation for a single, core data set • Promotion of Open Data as a region including the joint promotion of EIT Govhack

Hawke's Bay Local Authority Shared Services Limited (HBLASS)

Performance Targets continue

Target 2016/17	Actual 2016/17
<p>Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and/or continuity of supply.</p>	<ul style="list-style-type: none"> • Joint RFP for the provision of internet and WAN Services • Exploring Infrastructure as a Service for NCC in conjunction with service provisions through HBRC • NCC leading topographical photography procurement for four Councils - agreement to synchronise aerial photography for all urban areas in 2017 • Joint Procurement of Mahi Tahi - a collaboration portal from Bay of Plenty LASS to ensure information on shared services/ projects/ policies can be shared wider than the region • Integration platform that supports common user interface, data sharing and reporting without requiring a common applications software licensing • Discussions underway on Training and Development to be undertaken jointly across Councils - good opportunity to bring staff together and reduce costs and adding additional value • Transport - joint 17a review underway (jointly funded by HDC and NCC) • Waste minimisation - joint 17a review underway (jointly funded by HDC and NCC) • Joint Procurement of Insurance across all Councils • Discussion on joint procurement of Seismic risk modelling • Initiated and jointly funded Collaborator role (February 2017) to embed collaboration as a way of operating between and across Hawke's Bay Councils and to improve commitment to shared services • Discussions underway between NCC and HBRC on opportunities for shared services with Council finance functions and for finance accounting systems. Finance 17a reviews underway for HDC and CHBC - with all Councils expressing interest
<p>Publish a newsletter setting out the Companies activities at least quarterly</p>	<ul style="list-style-type: none"> • KPI not met • Draft newsletter produced May 2017 - awaiting approval at August meeting for production • Produced Collaboration Booklet with comprehensive review of shared services - awaiting approval at August meeting for production to website. Comprehensive review of all shared services
<p>Ensure sufficient income is available from activities to sustain a viable company.</p>	<ul style="list-style-type: none"> • The company remains viable
<p>Operate in a manner that conforms with any applicable regulatory requirements</p>	<ul style="list-style-type: none"> • All regulatory requirements have been met

Glossary of Terms

Activity Groups

This section explains the activity groups in which the Council engages, 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.

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.

Appendices

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

Bay Skate

Formerly known as Napier Skate Park.

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 well-being.

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.

Financial Statements

This shows in detail the financial reports 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 2016/17 is placed at the end of the financial statements.

Impairment

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

Infrastructural Asset Renewal - I.A.R.

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

Infrastructural Assets

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

Levels of Service

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

Napier Conference Centre

Formerly known as the War Memorial Conference Centre.

Non-targeted Rates

Rates other than targeted rates. These are General Rates and Uniform Annual General Charges, and fund a wide range of activities 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 Limited. The survey is of public perceptions and interpretations of Council services and representation, with comparisons to National and Peer Group averages.

Restricted Assets

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

Prospective Financial Statements

Refers to future-orientated financial statements.

Targeted Rate

A rate, set under Sections 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.