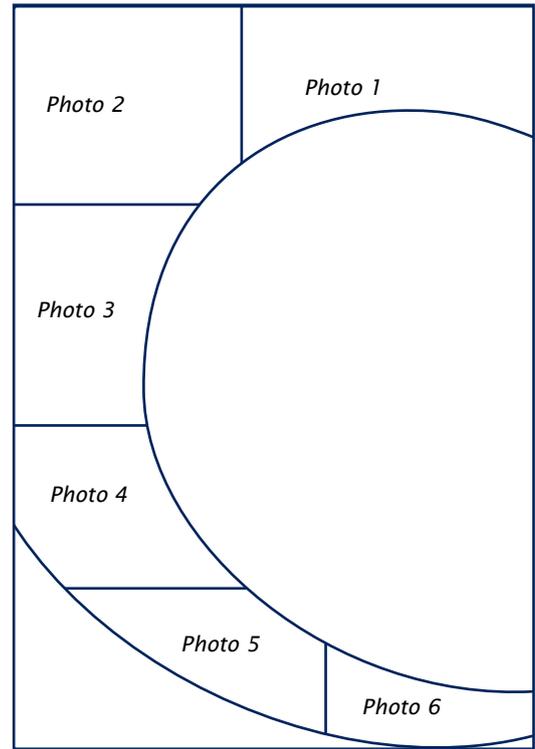


# NAPIER CITY COUNCIL ANNUAL REPORT

For the period 1 July 2011 to 30 June 2012  
Adopted 16 October 2012

*Cover photos:*

- 1. Representatives of community organisations resident at Napier Community Hub*
- 2. Napier's Youth Council*
- 3. Laying seal at the new roundabout Pandora Road, West Quay and Humber Street*
- 4. All decked out for Art Deco Weekend*
- 5. Marine Parade's Great Long Lunch event*
- 6. Beginning of boardwalk from Perfume Point*



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## **Napier City Council Annual Report 2011/12**

This Annual Report is our way of being accountable to you. It sets out what we have achieved in the last year and looks at the progress we have made in providing the sort of city that you have told us is important to you.

This Annual Report compares our achievements and progress to what was planned to be achieved in our Annual Plan 2011/12, which updated our 2009-2019 Ten Year Plan (the Long Term Council Community Plan). The recently adopted 2012-2022 Ten Year Plan is our City business plan and the Council's key strategic document. This applies from 1 July 2012 and builds on the 2009-2019 LTCCP. It outlines the Council's policies and programmes and the financial implications of these.

Under the Local Government Act all Councils are required to produce an Annual Report and for certain information to be audited, such as the financial statements and the non-financial performance information. The audit has been completed successfully by Audit New Zealand and their audit opinion can be found on page 61 of this report .





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# PART one

## Introduction

Napier City at a Glance

What is in the Annual Report?

Mayor and Chief Executive Review

Maori Contribution to Decision-Making Process

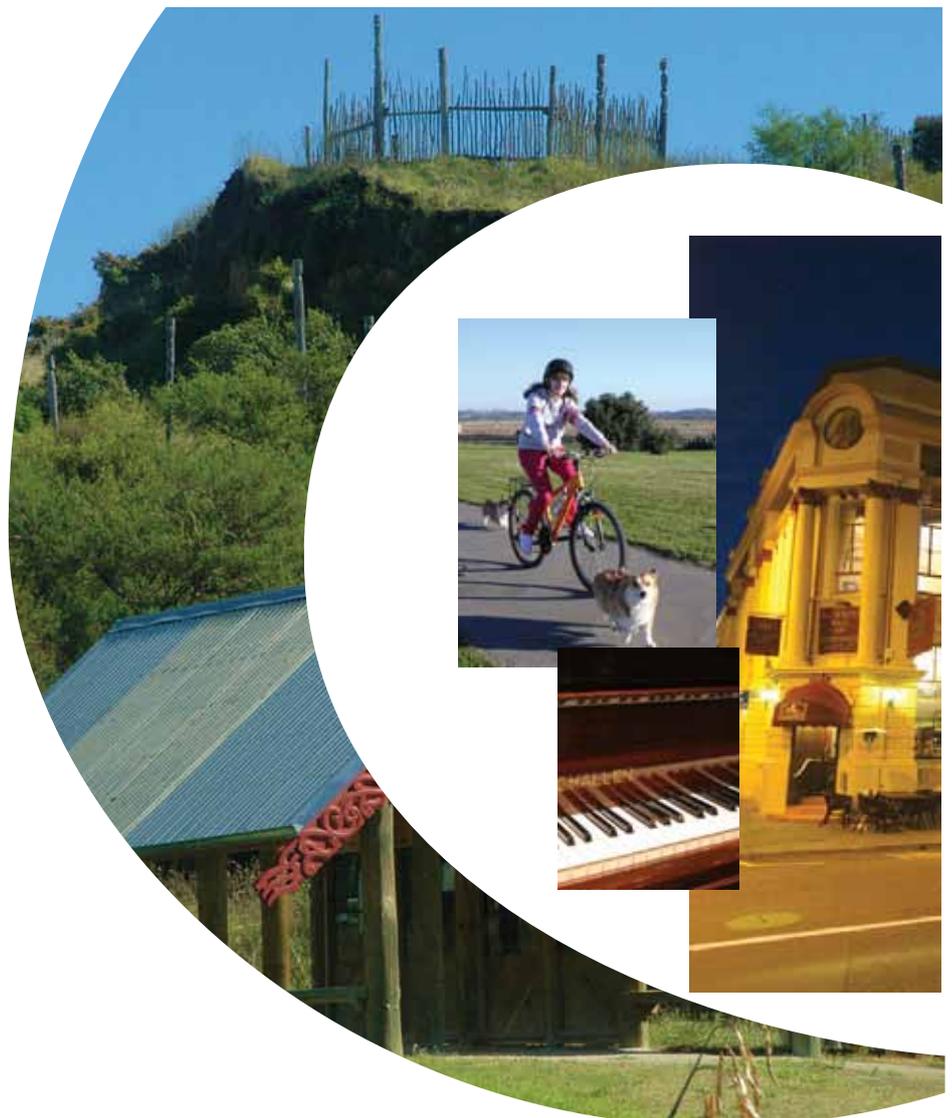
Key Statistics

Financial Condition Indicators

Financial Overview

Community Outcomes

Statement of Compliance and Responsibility



# Napier City at a Glance

## Napier City Wards:

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

## Land Area:

106km<sup>2</sup>

## Population:

58,660<sup>[1]</sup>

## Climate:

A near Mediterranean climate with long, fine, dry summers and short, mild winters.<sup>[2]</sup>

Average annual rainfall (mm): 803

Average annual sunshine hours: 2,188

Average summer temperature (°C): 24

Average winter temperature (°C): 13



## Council Funded Community Assets:

36	Neighbourhood Parks	1	Inner Harbour with Berths	2	Libraries
15	Sports Parks	33km	Pathways	1	Civil Defence
4	Sports Complexes	46	Greenbelt Reserves	2	Pool Facilities
1	Municipal Theatre	1	Visitor Information Centre	1	Community House
1	Conference Centre	1	National Aquarium	8	Community Halls
1	Regional Museum & Art Gallery	1	Par 2 MiniGolf	43	Public Toilets

1. "Subnational Population Projections: 2006 (base) - 2031 update. (High/Medium)". Statistics New Zealand. [http://www.stats.govt.nz/browse\\_for\\_stats/population/estimates\\_and\\_projections/SubnationalPopulationProjections\\_HOTP2031.aspx](http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/SubnationalPopulationProjections_HOTP2031.aspx) Retrieved 13/07/2012.

2. "General Napier Weather Information" <http://www.nzs.com/new-zealand-weather/hawkes-bay/napier/> Retrieved 16/07/2012.

## **What is in the Annual Report?**

The Annual Report 2011/12 sets out what the Napier City Council did in the past year, why we did those things, how much they cost, and how we paid for them.

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

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

### **Introduction**

This part includes the Mayor and Chief Executive's review, the Maori Contribution to Decision Making process, a financial summary, key statistics and the community outcomes. The statement of compliance and responsibility finishes this part.

### **Financial Statements**

This part presents detailed financial statements and accounting policies for the Council. The financial statements provide information about the Council's assets, liabilities, income and expenditure. The auditor's report for 2011/12 can be found at the end of the financial statements.

### **Activity Statements**

This part explains the activities that the Council is engaged in and reports on achievements and progress in delivering these services to the community over the last year. It details the costs and resources applied to these activities together with non-financial performance targets and results and key issues. Comparisons to budgets and last year's actuals are provided.

### **Appendices**

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

## **How The Annual Report Fits Into The Planning Process**

### **Community Outcomes**

What the community values now and wants in the future.

### **Ten Year Plan**

A forward-thinking plan with a 10 year outlook that sets out the future direction and costs of running the kind of city the community wants.

### **Annual Plan**

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

### **Annual Report**

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

## Mayor and Chief Executive Report

Reports are all about what the Council has achieved against the Annual Plan for 2011/12.

Last year's plan had two variations from the Ten Year Plan and both of these have been nearly completed. The Art Deco buses that will link the critical parts of the city, Ahuriri and the CBD, will be operational during the summer and the Penguin Facility at the National Aquarium of New Zealand is opening to the public on 3 November.

The Rugby World Cup was an event that we all celebrated in Napier. Some important projects are completed or underway:

- Roundabout at Pandora Road, Humber Street
- Hastings Street Upgrade
- Water Trail Pathway
- Upgrade of Bay View Stormwater
- Taradale Road Pump Station
- McLean Park Scoreboard
- Continuing construction of Hawke's Bay Museum & Art Gallery
- Greening of Napier continues

More importantly, throughout the year there has been no reduction of service while a series of large projects have been underway.

Financially we remain in a strong position at year end and our current rating increase of 2.2% reflects this.

Residents, Council staff and Councillors have worked together to continue to grow this clean, caring city. Faith and courage is the city's motto and what a wonderful impetus that has been on which to build this city, community, facilities and amenities.

Thank you to all for your dedication to your people and your city.



**Barbara Arnott**  
MAYOR



**Neil Taylor**  
CHIEF EXECUTIVE



### **Mayor and Councillors as at 30 June 2012**

**Back Row (L-R):** , Cr Keith Price (Onekawa–Tamatea Ward), Cr Bill Dalton JP, Cr Tony Jeffery JP.

**Middle Row (L-R):** Cr Rob Lutter (Taradale Ward), Cr Maxine Boag (Nelson Park Ward),  
Cr Michelle Pyke, Cr Faye White, Cr Mark Herbert (Ahuriri Ward), Cr John Cocking.

**Front Row (L-R):** Mayor Barbara Arnott, Cr Tania Wright JP (Taradale Ward), Cr Kathie Furlong (Deputy Mayor), Cr Dave Pipe (Nelson Park Ward).

## **MISSION STATEMENT**

**To provide the Facilities and Services  
and the Environment, Leadership,  
Encouragement and Economic Opportunity  
TO MAKE NAPIER THE BEST CITY IN NEW  
ZEALAND in which to live, work, raise a  
family, and enjoy a safe and satisfying life.**

## Maori Contribution to Decision-Making Process

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

### Maori Consultative Committee

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

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

At the Triennial Meeting of Council on 3 November 2010 the terms of reference were adopted for the Maori Consultative Committee. Four representatives from Mana Ahuriri were appointed to the Maori Consultative Committee at the Extraordinary Council meeting on 15 June 2011. A ceremony was held late July 2011 to formally install Heitia Hiha, Ranui Toatoa, Rangi Spooner and Te Reo Spooner to the Committee. The first Maori Consultative Committee meeting was held in August 2011.

### Council Kaumatua

This position is important to Council as it empowers all relationships between Tangata Whenua and Council through guidance and assistance to Council's decision making process.

Heitia Hiha was appointed Council Kaumatua at the Extraordinary Council Meeting held on 15 June 2011.

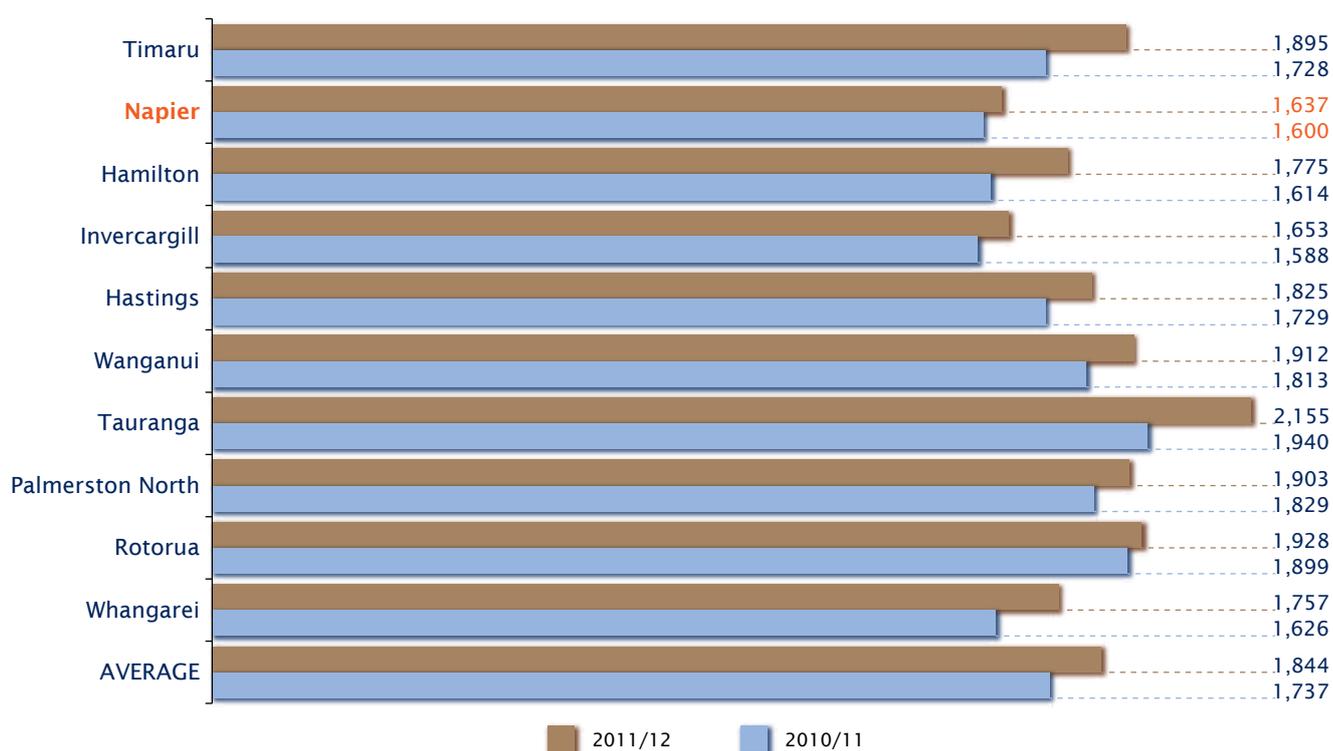


*The Hawke's Bay Museum & Art Gallery redevelopment from above  
(Photo courtesy Peter Scott)*

## Key Statistics

	30 June 2012	30 June 2011
<b>AREA AND POPULATION</b>		
Area (ha)	10,364	10,364
Population (forecast based on 2006 Census)	58,660	58,400
<b>VALUATION</b>		
Rateable properties (number of)	24,734	24,585
Non-rateable properties (number of)	365	367
Gross capital value	10,104,957,950	10,349,723,900
Net capital value (i.e. capital value of rateable property)	9,642,601,350	9,878,742,950
Gross land value	4,650,129,600	4,873,402,050
Net land value (i.e. land value of rateable property)	4,465,148,000	4,680,566,100
Date of last revision of values	2011	2008
<b>RATES AND RATING</b>		
Total rates struck (incl. GST)	51,175,775	49,765,417
System of rating	Land Value	Land Value
<b>PUBLIC DEBT</b>		
Public debt outstanding (excluding finance leases)	4,028,100	4,035,900
Loan redemption reserves	1,391,984	1,167,657
Unexercised loan authorities	77,385,000	75,873,000
<b>BUILDING CONSENTS</b>		
Value of consents for year	92,172,007	103,836,706
Value of consents for residential properties	44,547,180	43,375,328
<b>DATE OF CONSTITUTION OF CITY</b>		
	1989	1989

## Average Residential Rates



## Financial Condition Indicators

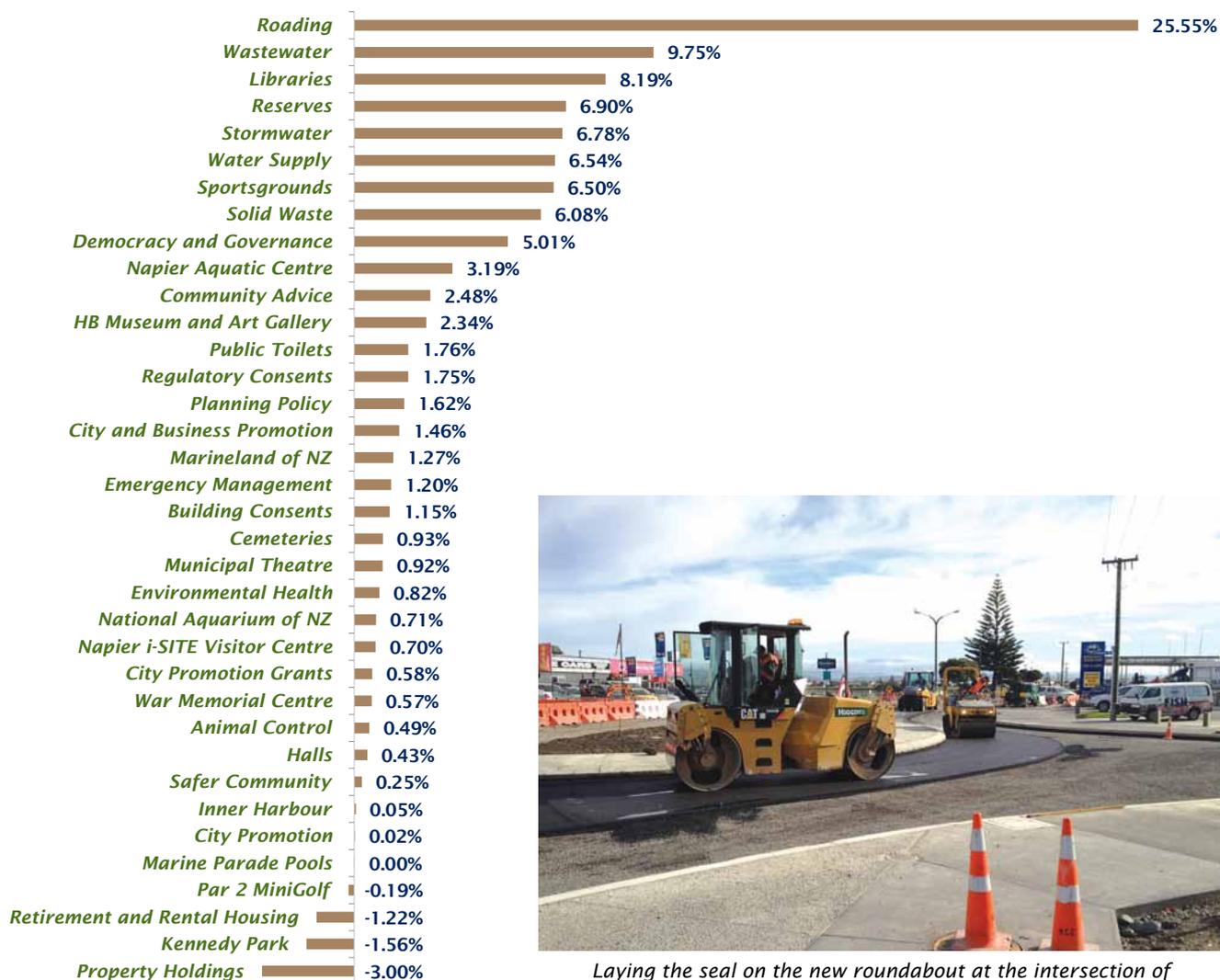
	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
Rates revenue	44,840	44,379	43,799
Net surplus	18,744	21,056	13,905
Working capital	66,898	26,825	58,069
Public debt	4,028	4,028	4,036
Total assets	1,375,190	1,363,960	1,345,845
Proportion of rates revenue to total revenue (%)	47.30%	44.40%	51.17%
Public debt as a percentage of total assets	0.29%	0.30%	0.30%
Proportion of rates revenue applied to service debt (%)	3.90%	11.36%	4.83%

The financial condition indicators reflect Council's overall performance and financial position at 30 June 2012. Public debt and working capital show favourable variances due to timing variations of capital projects. The net surplus below budget is also due to timing variances.

Explanations of major budget variations are outlined in Note 2 of Notes to the Financial Statements.

### 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.



Laying the seal on the new roundabout at the intersection of Pandora Road, West Quay and Humber Street

# Financial Overview

## Rates Increases

Since 2000/01 Napier City has surveyed Councils of similar size for a comparison of average residential rates. The graph of comparison for the last 2 years is shown on page 7 of this report. The graph is compiled from returns direct from each Council. While Napier has been below the average of this group since 2006/07, for the first time since the survey was commenced, Napier's average residential rates are the lowest within the survey group in 2011/12 and are \$518 lower than the highest Council.

## Growth in Rateable Properties

The table below shows growth in the number of households in Napier City over the last 7 years and the average growth for the last 22 years. The growth of households in the last 2 years is significantly lower than the high rates experienced during 2005 – 2007. The lower growth rate in households during the last 2 years reflects New Zealand growth generally and the current global economic environment.

Year	Number of new properties	Percentage growth per year
2011/12	149	0.6%
2010/11	145	0.6%
2009/10	204	0.8%
2008/09	175	0.7%
2007/08	426	1.8%
2006/07	518	2.2%
2005/06	502	2.2%
Average over last 22 years	220	0.9%

Residential growth in Napier totalled approximately 5,000 properties during the last 22 years, an increase of 25% between 1990 and 2012.

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

Developers construct and pay for the roads, underground services and recreation reserves within their developments (known as on-site services). These services are then vested to Council (vested assets).

The Council also constructs the infrastructure that is needed to support local residential and commercial developments (referred to as off-site non-local services). New wells and reservoirs are needed to supply water, trunk sewers and pump stations to take wastewater away, stormwater pump stations and drains to deal with stormwater, road widening and intersection improvements to provide capacity for the increased traffic that is generated on the wider roading network, and additional sportsgrounds, recreation reserves and library books are needed to ensure that people will continue to enjoy the same level service after growth as before.

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

It is important to note maintenance and operation costs are funded from rates, not from financial and development



*Parklands Residential Development from above  
(Photo courtesy Peter Scott)*

contributions. The rationale is that new developments should meet the cost for the infrastructure that is needed to support it, but the operation and maintenance costs of that infrastructure is funded from the rates collected, which the new properties contribute to.

The community, through rates revenue, contributes approximately 10 - 15% towards the cost of growth. The balance is met through financial contributions, development contributions and vested assets.

## Statement of Comprehensive Income

This section provides an overview of the Council's financial results for the year ended 30 June 2012. For detailed information please refer to the following sections in this Annual Report: Part 2 - Financial Statements and Part 3 - Activity Statements.

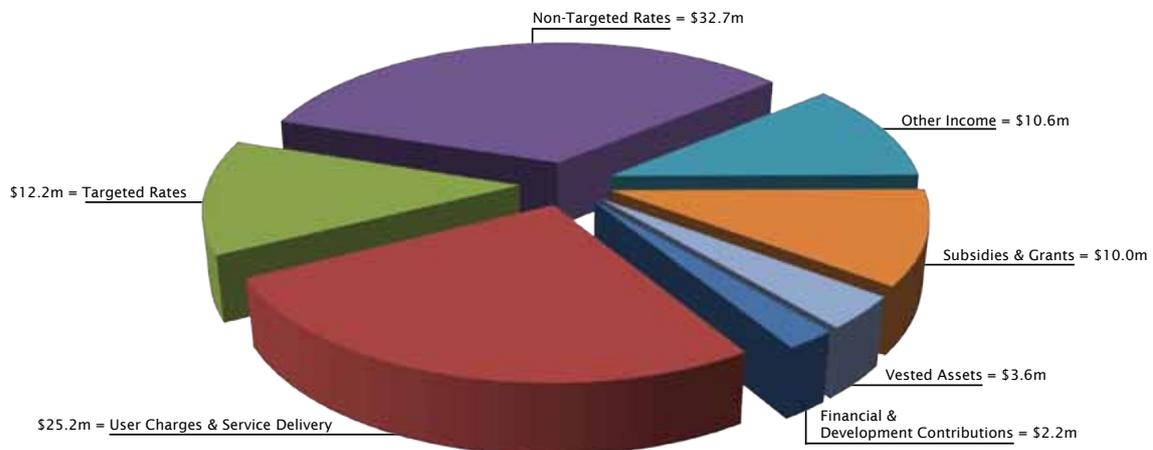
The financial statements contained in Part 2 (pages 22 to 26) of this report comply with New Zealand International Financial Reporting Standards as appropriate for public benefit entities. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars (\$000). Full details of Council's accounting policies are contained in Note 1 of the Notes to the Financial Statements, Part 2 (pages 27 to 34) of this report.

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>Income</b>			
Rates revenue	44,840	44,379	43,799
Finance income	3,219	1,500	3,036
Other revenue	47,849	52,883	40,337
Other gains/(losses)	(1,103)	1,187	(1,570)
<b>Total income</b>	<b>94,805</b>	<b>99,949</b>	<b>85,602</b>
<b>Expenditure</b>			
Employee benefit expenses	24,847	24,873	24,443
Depreciation and amortisation	20,228	22,099	19,655
Other expenses	30,909	31,743	27,472
Finance costs	289	307	394
<b>Total operating expenditure</b>	<b>76,273</b>	<b>79,022</b>	<b>71,964</b>
Operating surplus/(deficit) before tax	18,532	20,927	13,638
Share of associate surplus/(deficit)	212	129	267
<b>Surplus/(deficit) before tax</b>	<b>18,744</b>	<b>21,056</b>	<b>13,905</b>
Income tax expense	-	-	-
<b>Surplus/(deficit) after tax</b>	<b>18,744</b>	<b>21,056</b>	<b>13,905</b>
<b>Movements in equity</b>			
Adjustments for revaluation gains taken into equity	8,176	-	31,578
Fair value gains/(losses) through comprehensive income on investments	7	-	(218)
<b>Total recognised income and expenses</b>	<b>26,927</b>	<b>21,056</b>	<b>45,265</b>
Other movements in equity	-	-	-
<b>Total movements in equity</b>	<b>26,927</b>	<b>21,056</b>	<b>45,265</b>
Equity at the beginning of period	1,326,032	1,320,708	1,280,767
<b>Equity at close of period</b>	<b>1,352,959</b>	<b>1,341,764</b>	<b>1,326,032</b>

The most significant variance in the actual result shown in the Statement of Comprehensive Income above is in movements in equity. From 2011/12 roading assets will be revalued on an annual basis. As a result of this change in accounting policy, the increase in fair value of roading assets of \$8.2m has been recognised in the current year. This revaluation was undertaken by an independent valuer and was unbudgeted.

## Council Income 2011/12

The main sources of Council's income are shown in the pie diagram below. The full detail of Council's income, other than rates, is contained in Note 4 of the Notes to the Financial Statements, Part 2 (page 38) of this report. In addition explanations of significant variances to budget are outlined in Note 2 of the financial statements (pages 35 to 37).



As shown in the pie diagram above 49% of funding for Council activities is derived from the rates levied on commercial and residential properties within the Napier City boundaries. In comparison with other New Zealand Councils, rates levied are a low proportion of Napier City Councils' revenue and reflect Napier City funding policies.

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

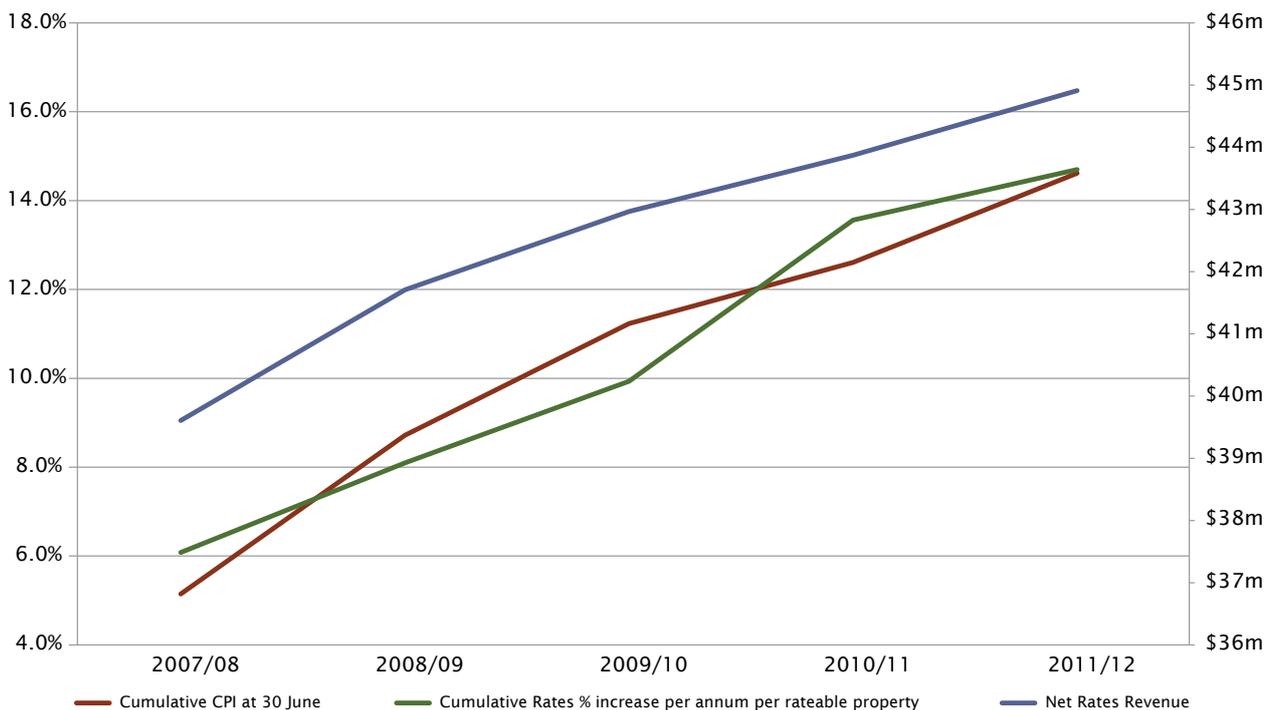
CPI is a measure of the changes in the price level of consumer goods and services purchased by households. However, cost changes which significantly impact Council, particularly in the area of capital expenditure are reflected in other indices such as the Capital Goods Price Index (CGPI), the Producers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

### Net Increase of Rating Revenue 5 Year Trend

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Rating revenue	39,708	41,724	42,898	43,799	44,840
Penalties and remissions	(100)	(17)	69	74	71
Net rates revenue	39,608	41,707	42,967	43,873	44,911
	\$	\$	\$	\$	\$
Rates per rateable property (average)	1,676	1,733	1,773	1,795	1,827
Rates % increase per annum per rateable property	1.5%	3.4%	2.3%	1.2%	1.8%
CPI at 30 June*	4.0%	1.9%	1.7%	3.3%	1.0%
Net increase (under)/over CPI per rateable property*	-2.5%	1.5%	0.6%	-2.1%	0.8%

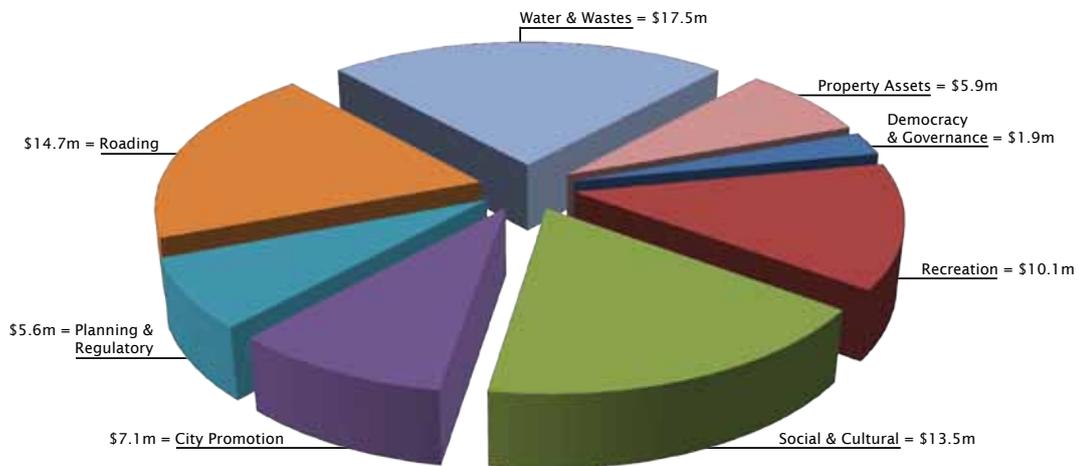
\*Note: CPI quoted is the value at the end of the year reported i.e. for 2011/12 year is as at 30 June 2012. The 2010/11 CPI excludes the impact of the change of GST rate from 12.5% to 15%. CPI used for Annual Plan purposes is the reported value as at 30 June for the year prior to the Annual Plan (i.e. for 2011/12 year the base rate of CPI for Plan purposes was the rate at 30 June 2010).

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



## Council Operating Expenditure 2011/12

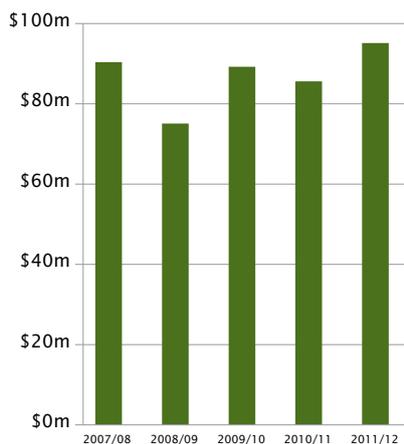
### Activity Operating Expenditure 2011/12



Details of income, operating and capital expenditure for each of the activities above are detailed in Part 3 - Activity Statements of this Annual Report. In addition explanations of significant variances are contained in Note 2 of the financial statements.

The following graphs show the trend of revenue, expenditure and net surplus over the last five years. The 2008/09 result reflects year 1 of the international financial crisis. The impact of this on the revaluation of investment property and Parklands Residential Development sales is clearly shown in the Income and Operating Surplus graphs below. 2011/12 income and operating surplus was significantly above 2010/11 due to contributions received for the Hawke's Bay Museum & Art Gallery redevelopment from government grants \$0.5m above 2010/11 year, other grants and donations for the Museum building \$2.2m above 2010/11 year and vested assets from all subdivision development \$2.0m above 2010/11 year.

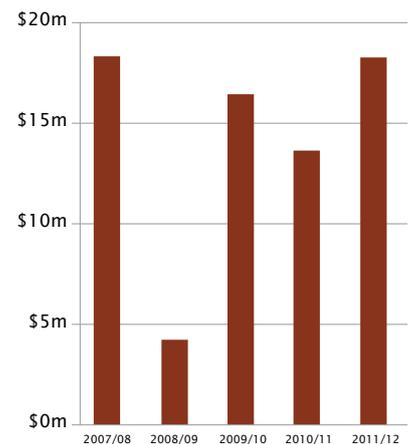
#### Income



#### Expenditure



#### Operating Surplus



## Borrowing

The Council manages its finances prudently and in a way that supports both the current and the future generations within the community. Council prepares and consults on a Ten Year Plan every three years. The budget for the 2011/12 year was based on the Ten Year Plan 2009/10 - 2018/19 years with revisions of this contained in the Annual Plans for the 2010/11 and 2011/12 years. These Annual Plans provided an update to the 2009/10 - 2018/19 Ten Year Plan and reflected, amongst other revisions, changes to inflation assumptions and other unusual items such as changes to roading subsidy levels.

The development and renewal of assets is funded by a number of sources including government grants and subsidies, contributions from developers for infrastructure costs required as a consequence of development through development and/or financial contributions, targeted rates, fees and charges and borrowing. A new Ten Year Plan was adopted on 26 June 2012. Capital expenditure for the next 10 years, the funding sources for this expenditure and the borrowing levels for the next 10 years were reviewed and updated in this plan. As outlined in the 2012 - 2022 Ten Year Plan all external borrowing will be extinguished during the 2014/15 year. The 2011/12 year results have not altered this forecast.

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

	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
Current secured loans	2,008	8	-
Non-current secured loans	2,020	4,020	4,036
<b>Total secured loans</b>	<b>4,028</b>	<b>4,028</b>	<b>4,036</b>

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

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
External debt (excluding finance leases)	11,562	7,055	6,044	4,036	4,028
Internal debt	27,057	31,754	34,233	34,489	32,749
	<b>38,619</b>	<b>38,809</b>	<b>40,277</b>	<b>38,525</b>	<b>36,777</b>

In addition to existing loans, Council has approved loan funded capital projects in current and prior years' capital plans of \$24.1m. These projects are either in progress at present or will be commenced and completed in future years. Significant projects which are partly funded by loans, and included in the \$24.1m are the Advanced Wastewater Treatment Plant project \$3m (user funded industrial effluent treatment only), Hawke's Bay Museum and Art Gallery redevelopment \$5m, other sewerage projects \$3m, Whakarire Avenue Groyne and Westshore Beach Reprofiling \$3m and Prebensen Drive projects \$3m. Of particular note is the Advanced Wastewater Treatment Plant project. A previously planned \$7.0m of rate funded loans was cancelled during the 2012 - 2013 Ten Year Plan process. This project will now be fully funded from levy contributions and accumulated interest for this project. The Advanced Wastewater Levy will cease from the 2013/14 year. Future cashflow requirements and expected loan levels, including the \$24.1m of loan funded projects above, are included in the forecast financial statements included in the 2012 - 2022 Ten Year Plan.

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

## Debt Servicing

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

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Debt Servicing Proportion - actual	8.7%	7.4%	5.5%	4.8%	3.9%
Policy limit:	16%	16%	16%	16%	16%

## Rate Funded Debt per Capita

### Net Rate Funded Debt per Capita (External and Internal Debt)

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Rate Funded Debt per Capita - actual	\$535	\$536	\$530	\$485	\$459
Policy limit:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

## Debt / Income

### Net Debt as a % of Total Income (External and Internal Debt)

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Net Debt % of Total Income - actual	40%	50%	44%	44%	37%
Policy limit:	100%	100%	100%	100%	100%

## Liquidity

### Liquidity to peak 12 month Net Debt

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Liquidity % - actual	266%	206%	328%	385%	724%
Policy minimum:	110%	110%	110%	110%	110%

## Cash Flows

This table below summarises the movement of cash for the last 5 years. The net cash inflow/(outflow) for the year shows the net change in cash and bank balances from operating, investing and financing activities.

	2007/08 \$000	2008/09 \$000	2009/10 \$000	2010/11 \$000	2011/12 \$000
Net cash flows from or used in operating activities	32,852	30,196	40,936	31,899	37,069
Net cash flows from or used in investing activities	(31,501)	(23,300)	(40,200)	(28,190)	(39,666)
Net cash flows from or used in financing activities	(7,188)	(4,559)	(1,023)	(2,010)	(8)
<b>Net cash inflow/(outflow) for the period</b>	<b>(5,837)</b>	<b>2,337</b>	<b>(287)</b>	<b>1,699</b>	<b>(2,605)</b>

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

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

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

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

## Community Outcomes

The Community Outcomes were established in Hawke's Bay jointly for the five Hawke's Bay Councils – Napier City Council, Hastings District Council, Central Hawke's Bay District Council, Wairoa District Council and Hawke's Bay Regional Council. It is important to remember that these outcomes belong to the community – they are not Council outcomes.

They were determined from an extensive consultation process with the community in 2003/04, which included telephone surveys, district meetings with key stakeholders, mail outs, media campaigns and interviews. The outcomes that have been developed represent the views of individuals and organisations on the important ingredients for the future economic, social, cultural and environmental wellbeing of the region. The Community Outcomes are generally similar across the region with some priority of outcomes specific to Napier City.

The first monitoring report was produced in May 2009 which is a report at the region wide level. The Local Government Act 2002 Amendment Act 2010 changes the provisions relating to Community Outcomes. The effect of these changes have been reflected in Council's 2012 Ten Year Plan.

The Council considers that meeting its service level targets constitutes its major role as a contributor to the progress of Community Outcomes for the 2011/12 year. The main contributions of Council's activities to the nine community outcomes, providing economic, environmental and social and cultural wellbeing, are as follows:

### Economic Wellbeing

#### Outcome – A strong, prosperous and thriving economy.

**Inner Harbour** facilitates the fishing industry by maximising berthage facilities.

**Napier War Memorial Conference Centre** promotes Napier as a conference destination and is an integral part of the Marine Parade precinct.

**Hawke's Bay Museum and Art Gallery** is an integral part of the Marine Parade / Herschell Street cultural precinct and utilises a nationally significant regional collection.

**City and Business Promotion** is directly concerned with increasing the overall economic wellbeing of the Napier community, working in association with community agencies and central government.

**City Promotion Grants** primary focus is the economic wellbeing of the community.

**National Aquarium of New Zealand** helps to promote tourism in Napier and the region.

**Napier i-SITE Visitor Centre** provides increased information about Napier to visitors to promote visitor spending.

**Par 2 MiniGolf** is a tourism promotion which

provides a return on investment to Council.

**Kennedy Park Top 10 Resort** provides access for a wide range of visitors and contributes to local employment opportunities, and provides an economic return. It provides support to National and Regional sports events.

**Lagoon Farm** in future will provide land for Business Park development.

**Parklands Residential Development** provides residential land for growth and development.

**Property Holdings** provides leasehold land for commercial and industrial use and lettable space in commercial buildings.

#### Outcome – Infrastructure and services that are safe, effective and integrated.

**Sportsgrounds** provide a full range of attractive facilities for organised outdoor sports for use by citizens and visitors.

**Marine Parade Pools** provide well presented and modern aquatic facilities and local business opportunities.

**Inner Harbour** maintains the Inner Harbour environment to allow safe access to the amenities.

**Public Toilets** provide and maintain suitably located and adequate number of public toilets throughout the city, minimising closure due to cleaning or repair and maintenance.

**Planning Policy** develops planning frameworks for identified city growth and development areas such as the greenfield growth areas of infill and adequate supply of commercial and industrial zoned land.

**Regulatory Consents** provides the administration and monitoring of the District Plan through the resource consents process.

**Building Consents** provides controls, inspections and enforcement to maintain a safe built environment.

**Parking Services** provide accessible, quality transportation amenities.

**Roading** constructs and maintains roads and footpaths and cycle ways at an appropriate standard to meet the resident satisfaction targets with Footpaths and Roads in the NRB Public Opinion Survey.

**Solid Waste** provides ease of access through improved facilities.

**Stormwater** maintains pumping stations and open drains to a standard that will maximise the pumping capacity.

**Wastewater** provides and maintains a wastewater system with adequate wastewater capacity.

**Water Supply** provides flushing and cleaning of the system and makes capacity and storage improvements.

## Social and Cultural

### Outcome – Strong regional leadership and a sense of belonging.

**Democracy and Governance** contributes to co-ordinated regional leadership to achieve economic, social, cultural and environmental wellbeing of our communities, a democratic environment where all people are able to participate in the life of their communities and achieve a sense of belonging.

**Hawke's Bay Museum and Art Gallery** is the leading regional arts and culture institution.

**Community Advice** recognises the needs of the communities of interest, community organisations, youth and youth service providers, and resettled migrants and key migrant providers towards a sense of ownership and belonging. Community Advice supports migrants who resettle in the Hawke's Bay and builds on a sense of community pride and identity with the assistance of migrant services and other key partners.

### Outcome – Supportive, caring and inclusive communities.

**Libraries** provide reading programmes for children and teens to support literacy.

**Community Advice** supports and encourages voluntary and community based organisations, youth providers and migrant services and relevant stakeholders to address important community, social and cultural issues in the city through self-help processes. Community Advice recognises the needs of the communities of interest, youth and migrants that will lead to possible solutions or joint effort toward agreed goals in a sustainable manner.

**Safer Community** provides and encourages coordination, facilitation and liaison between the community groups that contribute to crime prevention, mitigation and safety.

**Retirement and Rental Housing** provides affordable housing with resident assistance, support and advice.

**Cemeteries** provide and maintain burial facilities for the community, preserving the historic and cultural significance and providing genealogical information.

**Emergency Management** formulates community networks and communication systems to respond effectively to a civil defence emergency.

### Outcome – Safe and accessible recreational facilities.

**Sportsgrounds** promote the multiple use of facilities in order for grounds and buildings to be used to capacity.

**Napier Aquatic Centre** provides a safe and well presented aquatic centre whilst the standards are recognised to the highest national standards. It provides pool water quality that is safe for users and meets or exceeds national standards and installs pride in the centre by its users, and to assist the

users in a positive recreational experience.

**Marine Parade Pools** provide an alternative recreation facility which encourages and promotes fitness of residents.

**Reserves** provide public gardens for the pleasure and quiet relaxation of residents and visitors with a network of open space reserves, which subdivide the city into manageable suburban areas and local community areas for general outdoor recreation for the use of the local residents, especially children.

**Inner Harbour** provides safe, accessible, water based recreational opportunities.

**Libraries** are open to the public, 97 hours per week providing a variety of resources including books, magazines, audio visual materials and electronic databases. Staff are available at multiple service points to assist the public with obtaining the material they need. The library service is used by a wide variety of people.

**Napier Municipal Theatre** provides a facility for commercial and community hire.

**Hawke's Bay Museum and Art Gallery** is located strategically in the centre of Napier City providing a facility for cultural stimulation and commercial and community hire.

**Halls** provide communities with a place to come together for meetings and activities.

**National Aquarium of New Zealand** provides safe, educational and recreational facility for schools, young people and families.

**Par 2 MiniGolf** provides an attractive and relaxed leisure environment where all ages, fitness levels, families, school groups, etc can 'Play together – have fun'.

### Outcome – Communities that value and promote their unique culture and heritage.

**Libraries** maintain five collections of resources reflecting and enhancing the culture of the city: Art Deco, Maori, Hawke's Bay Heritage, Robson Collection on Restorative Justice and the Irene Lister Taradale Archive. Libraries index all family notices and important local news stories published in the main local journal(s) of record to acceptable library standards and make it electronically accessible to all library users.

**Napier War Memorial Conference Centre** houses and maintains the historically significant eternal flame memorial and roll of honour.

**Napier Municipal Theatre** values and protects a place of historical significance.

**Hawke's Bay Museum and Art Gallery** provides cultural stimulation to local residents to improve their awareness and ability to understand the value of broad cultural engagement. It produces exhibitions of national standards, attracting domestic and international visitors to Hawke's Bay.

**Planning Policy** identifies the heritage value of the city as a whole through adding to the heritage inventory when appropriate and commissioning appropriate heritage studies.

**Regulatory Consents** provides the administration and monitoring of the District Plan through the resource consents process.

## Environmental Wellbeing

### Outcome – A lifetime of good health and wellbeing.

**Community Advice** supports community activities and projects that enhance health and wellbeing led by other key stakeholders and providers for the benefit of Napier residents, visitors and the wider community.

**Emergency Management** identifies hazards and risks and plans for the management and response to a civil defence emergency.

**Environmental Health** carries out inspections of registered premises, undertakes a water sampling programme in excess of the National Drinking Water Standard requirements and provides noise control.

**Solid Waste** safeguards the environment and community health.

**Stormwater** minimises the adverse effects of surface water on human health, infrastructure, property and the environment.

**Wastewater** protects public health by means of collection, conveyance and disposal of wastewater from urban areas.

**Water Supply** provides water suitable for human consumption.

### Outcome – Safe and secure communities.

**Community Advice** is proactive in leading activities, projects or programmes in a collaborative way with key stakeholders that lead to citywide and regional benefits and outcomes. Community Advice supports community activities and projects that enhance community safety and social well being for the benefit of Napier residents, visitors and the wider community.

**Safer Community** develops and implements community based crime reduction activities that mitigate the effects of crime consistent with the Government's Crime Reduction Strategy and its seven key goals. It promotes safety in the community that emphasises situational crime.

**Retirement and Rental Housing** provides a safe environment for the tenants and ensures tenants comply with the conditions of the Tenancy Agreement and identifies any maintenance or capital improvements required.

**Planning Policy** encourages all relevant stakeholders to have the opportunity to comment prior to formal notification of District Plan modifications.

**Regulatory Consents** provides the administration and monitoring of the District Plan through the resource consents process.

**Animal Control** provides services that are effective in reducing registration costs, consistent application of the principles of equity and fairness, a more coordinated approach to social service delivery to provide a secure and more satisfying environment and improved safety and quality of the urban environment.

**Parking Services** contribute to a safe inner city and traffic and pedestrian safety in the suburbs.

**Roading** designs and constructs safety improvements to minimise the number of injury crashes and provides adequate street lighting.

### Outcome – An environment that is appreciated, protected and sustained for future generations.

**Reserves** sustainably manage, develop and use reserves of ecological importance primarily as a natural recreational resource for the enjoyment of the residents of and visitors to Napier.

**National Aquarium of New Zealand** raises environmental awareness in the community through increased understanding of marine life, conservation and environmental issues.

**Planning Policy** clearly and effectively communicates planning and resource management processes to the public.

**Regulatory Consents** provides the administration and monitoring of the District Plan through the resource consents process.

**Animal Control** provides services that are effective in reducing registration costs, consistent application of the principles of equity and fairness, a more coordinated approach to social service delivery to provide a secure and more satisfying environment and improved safety and quality of the urban environment.

**Solid Waste** protects resources by reducing waste generated and ensures the producer pays for disposal to reflect the true cost of waste.

**Stormwater** complies with the requirements of resource consents for discharging stormwater.

**Wastewater** protects the environment from adverse effects of wastewater by compliance with discharge consents and conditions.

# Statement of Compliance and Responsibility

## Compliance

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

## Responsibility

1. The Napier City Council and its management accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
2. The Napier City Council and its management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
3. In the opinion of the Napier City Council and its management the annual Financial Statements for the year ended 30 June 2012 fairly reflect the financial position and operations of Napier City Council.



Neil Taylor  
CHIEF EXECUTIVE  
16 October 2012



Barbara Arnott  
MAYOR  
16 October 2012



*The new CBD motorcycle and bicycle shelter on Dalton Street*



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## **Financial Statements**

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# Statement of Comprehensive Income

## for the year ended 30 June 2012

	Note	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>Income</b>				
Rates revenue	3	44,840	44,379	43,799
Finance income	8	3,219	1,500	3,036
Other revenue	4	47,849	52,883	40,337
Other gains/(losses)	5	(1,103)	1,187	(1,570)
<b>Total income</b>		<b>94,805</b>	<b>99,949</b>	<b>85,602</b>
<b>Expenditure</b>				
Employee benefit expenses	6	24,847	24,873	24,443
Depreciation and amortisation	16,17	20,228	22,099	19,655
Other expenses	7	30,909	31,743	27,472
Finance costs	8	289	307	394
<b>Total operating expenditure</b>		<b>76,273</b>	<b>79,022</b>	<b>71,964</b>
Operating surplus/(deficit) before tax		18,532	20,927	13,638
Share of associate surplus/(deficit)	19	212	129	267
<b>Surplus/(deficit) before tax</b>		<b>18,744</b>	<b>21,056</b>	<b>13,905</b>
Income tax expense	9	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>18,744</b>	<b>21,056</b>	<b>13,905</b>
<b>Other comprehensive income</b>				
Valuation gains/(losses) taken to equity		8,176	-	31,578
Fair value gains/(losses) through comprehensive income on investments		7	-	(218)
<b>Total comprehensive income</b>		<b>26,927</b>	<b>21,056</b>	<b>45,265</b>

The Notes to the Financial Statements on pages 27 to 60 form part of and should be read in conjunction with these financial statements.

# Statement of Income

## for the year ended 30 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>Income</b>				
Recreation		2,598	2,640	2,291
Social and Cultural		9,808	12,551	7,570
City Promotion		5,518	5,722	5,407
Planning and Regulatory		4,242	4,711	4,501
Roading		6,676	8,997	4,794
Water and Wastes		18,532	17,855	16,558
Property Assets		10,763	12,708	8,659
<b>Total operating revenue</b>		<b>58,137</b>	<b>65,184</b>	<b>49,780</b>
Non-targeted rates		32,688	32,334	31,802
Interest income		3,219	1,500	3,036
Rendering of services		452	596	570
Other income		309	336	414
<b>Total income</b>		<b>94,805</b>	<b>99,950</b>	<b>85,602</b>
<b>Expenditure</b>				
Democracy and Governance		1,910	2,049	2,041
Recreation		10,100	10,456	9,154
Social and Cultural		13,457	14,099	13,426
City Promotion		7,134	7,585	7,027
Planning and Regulatory		5,625	6,036	5,274
Roading		14,743	16,530	14,786
Water and Wastes		17,514	17,860	16,380
Property Assets		5,906	6,971	5,138
		<b>76,389</b>	<b>81,586</b>	<b>73,226</b>
Internal expenditure		(1,844)	(3,559)	(2,065)
Rates remissions		273	200	278
Other expenses		1,455	796	525
<b>Total operating expenditure</b>		<b>76,273</b>	<b>79,023</b>	<b>71,964</b>
Operating surplus/(deficit) before tax		18,532	20,927	13,638
Share of associate surplus/(deficit)	19	212	129	267
<b>Surplus/(deficit) before tax</b>		<b>18,744</b>	<b>21,056</b>	<b>13,905</b>
Income tax expense	9	-	-	-
<b>Surplus/(deficit) after tax</b>		<b>18,744</b>	<b>21,056</b>	<b>13,905</b>

Total interest expense as per Note 8 Finance income and finance costs is included in the cost of services expenditure above and in the Activity Statements.

# Statement of Changes in Equity

## for the year ended 30 June 2012

	Note	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>Retained earnings at beginning of period</b>		<b>695,837</b>	<b>690,735</b>	<b>681,643</b>
Surplus/(deficit) after tax [i]		18,744	21,056	13,905
Transfers from restricted reserves		1,020	-	247
Transfers to restricted reserves		(722)	(526)	(1,445)
Transfer from revaluation reserve on disposal of property, plant & equipment		1,341	-	1,487
<b>Retained earnings at close of period</b>	24	<b>716,220</b>	<b>711,265</b>	<b>695,837</b>
<b>Other reserves</b>				
Revaluation reserves at beginning of period		620,898	621,885	590,807
Restricted reserves at beginning of period		9,404	7,977	8,206
Fair value through equity reserve at beginning of period		(107)	111	111
<b>Other reserves at beginning of period</b>		<b>630,195</b>	<b>629,973</b>	<b>599,124</b>
<b>Movements</b>				
Transfers from restricted reserves to retained earnings		(1,020)	-	(247)
Transfers from retained earnings to restricted reserves		722	526	1,445
Valuation gain/(loss) taken to equity [ii]		8,176	-	31,578
Fair value gains/(losses) through comprehensive income on investments [iii]		7	-	(218)
Transfer to retained earnings on disposal of property, plant & equipment		(1,341)	-	(1,487)
<b>Total movements in other reserves</b>		<b>6,544</b>	<b>526</b>	<b>31,071</b>
Revaluation reserves at close of period		627,733	621,885	620,898
Restricted reserves at close of period		9,106	8,503	9,404
Fair value through equity reserve at close of period		(100)	111	(107)
<b>Total other reserves at close of period</b>	24	<b>636,739</b>	<b>630,499</b>	<b>630,195</b>
<b>Total equity</b>		<b>1,352,959</b>	<b>1,341,764</b>	<b>1,326,032</b>
Total comprehensive income includes items [i], [ii] & [iii] above		26,927	21,056	45,265

The Notes to the Financial Statements on pages 27 to 60 form part of and should be read in conjunction with these financial statements.

# Statement of Financial Position

## for the year ended 30 June 2012

	Note	Actual 2012 \$'000	Budget 2012 \$'000	Actual 2011 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	4,612	6,798	7,217
Debtors and other receivables	11	11,990	11,333	8,921
Inventories	12	5,166	2,328	5,150
Biological assets	13	412	344	537
Other financial assets	14	62,904	18,504	46,904
<b>Total current assets</b>		<b>85,084</b>	<b>39,307</b>	<b>68,729</b>
<b>Non-current assets</b>				
Property, plant and equipment	16	1,239,751	1,274,871	1,222,863
Intangible assets	17	326	543	340
Inventories	12	2,259	1,892	3,156
Investment property	18	34,894	38,395	35,661
Investment in associates	19	4,134	3,998	3,922
Other financial assets	14	8,742	4,954	11,174
<b>Total non-current assets</b>		<b>1,290,106</b>	<b>1,324,653</b>	<b>1,277,116</b>
<b>Total assets</b>		<b>1,375,190</b>	<b>1,363,960</b>	<b>1,345,845</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	20	10,454	9,613	8,036
Employee benefit liabilities	21	3,305	2,861	2,624
Borrowings	22	2,008	8	-
<b>Total current liabilities</b>		<b>15,767</b>	<b>12,482</b>	<b>10,660</b>
<b>Non-current liabilities</b>				
Provisions	23	1,145	2,169	1,310
Revenue received in advance	4	1,568	1,901	1,842
Employee benefit liabilities	21	1,731	1,624	1,965
Borrowings	22	2,020	4,020	4,036
<b>Total non-current liabilities</b>		<b>6,464</b>	<b>9,714</b>	<b>9,153</b>
<b>Total liabilities</b>		<b>22,231</b>	<b>22,196</b>	<b>19,813</b>
<b>Equity</b>				
Retained earnings	24	716,220	711,265	695,837
Other reserves	24	636,739	630,499	630,195
<b>Total public equity</b>		<b>1,352,959</b>	<b>1,341,764</b>	<b>1,326,032</b>
<b>Total liabilities and equity</b>		<b>1,375,190</b>	<b>1,363,960</b>	<b>1,345,845</b>

The Notes to the Financial Statements on pages 27 to 60 form part of and should be read in conjunction with these financial statements.

# Statement of Cash Flows

## for the year ended 30 June 2012

	Note	Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000
<b>Cash flows from operating activities</b>				
Receipts from rates revenue		44,551	44,379	43,575
Interest received		3,326	1,500	3,276
Dividends received		4	-	3
Receipts from other revenue		41,348	46,642	39,417
Goods and services tax (net)		(476)	-	766
Payments to suppliers and employees		(51,395)	(55,945)	(54,717)
Interest paid		(289)	(307)	(421)
<b>Net cash from operating activities</b>	28	<b>37,069</b>	<b>36,269</b>	<b>31,899</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant & equipment		1,287	-	716
Proceeds from withdrawal of investments		111,389	(345)	96,348
Purchase of property, plant & equipment		(27,197)	(43,699)	(17,351)
Purchase of intangible assets		(185)	-	(191)
Acquisition of investments		(124,960)	6,840	(107,712)
<b>Net cash from investing activities</b>		<b>(39,666)</b>	<b>(37,204)</b>	<b>(28,190)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	-	-
Repayment of borrowings		(8)	(8)	(2,008)
Payment of finance lease liabilities		-	-	(2)
<b>Net cash from financing activities</b>		<b>(8)</b>	<b>(8)</b>	<b>(2,010)</b>
<b>Net (decrease)/increase in cash, cash equivalents &amp; bank overdrafts</b>		<b>(2,605)</b>	<b>(943)</b>	<b>1,699</b>
Cash, cash equivalents & bank overdrafts at 1 July 2011		7,217	7,741	5,518
<b>Cash, cash equivalents &amp; bank overdrafts at 30 June 2012</b>		<b>4,612</b>	<b>6,798</b>	<b>7,217</b>

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

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

# Notes to the Financial Statements

## 1. Statement of Accounting Policies

### 1.1. Reporting Entity

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

The accounting policies adopted for preparation of the 2011/12 financial statements comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are set out below. These policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

The primary objective of the Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of NZ IFRS.

The Council holds a 26% share of Hawke's Bay Airport Limited, which is equity accounted.

The financial statements of the Council are for the year ended 30 June 2012. The financial statements were authorised for issue by the Council on 16 October 2012.

### 1.2. Basis of Preparation

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

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

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

### 1.3. Changes in Accounting Policies

There was one change in accounting policy during the financial year. This involved the movement to an annual revaluation process for roading infrastructure, from the previous three yearly cycle.

The following amendments have had only a presentational or disclosure effect and relate to standards that have been previously adopted:

- Amendments to NZ IAS 1 *Presentation of Financial Statements*. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis or other comprehensive income by item. The Council has decided to present this analysis in Note 24.
- NZ IAS 24 *Related Party Disclosures* (Revised 2009) replaces NZ IAS 24 *Related Party Disclosures* (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The main effect has been to disclose further information about commitments between related parties.
- FRS-44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and

to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendment on the Council and group is that certain information about property valuations is no longer required to be disclosed. Note 16 has been updated for these changes.

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

- The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Council is unable to assess the implications of the new Accounting Standards Framework at this time. Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### 1.4. Historical Cost Convention

These financial statements have been prepared on a historical cost basis, modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment, investment property and biological assets subject to agricultural activity.

### 1.5. Principles of Consolidation

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

#### 1.5.1. Associates

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

If the share of deficits of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further deficits. After the Council's

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

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

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

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

### 1.5.2. Subsidiaries

As at 30th June 2012 the Council has no subsidiaries.

## 1.6. Joint Ventures

### 1.6.1. Jointly Controlled Assets

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

## 1.7. Foreign Currency Translation

### 1.7.1. Functional and Presentation Currency

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

### 1.7.2. Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges.

## 1.8. Revenue Recognition

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

### 1.8.1. Rates

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

### 1.8.2. Residential Developments

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

### 1.8.3. Traffic and Parking Infringements

Traffic and parking infringements are recognised when tickets are issued.

### 1.8.4. Licences and Permits

Revenue derived from licences and permits are recognised on application.

### 1.8.5. Development and Financial Contributions

Development contributions are recognised when invoiced and are no longer refundable.

### 1.8.6. 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.

### 1.8.7. 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.

### 1.8.8. Rental Revenue

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

### 1.8.9. Interest Income

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

### 1.8.10. Dividend Income

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

### 1.8.11. Donated, Subsidised or Vested Assets

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

### 1.8.12. Grants and Subsidies

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

## 1.9. Income Tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that

future taxable amounts will be available to utilise those temporary differences and losses.

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

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

### 1.10. Goods and Services Tax (GST)

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

Commitments and contingencies are disclosed exclusive of GST.

### 1.11. Leases

#### 1.11.1. The Council is the Lessee

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

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

#### 1.11.2. The Council is the Lessor

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

### 1.12. 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.

### 1.13. Trade Receivables

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

Trade receivables are due for settlement no more than 150

days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an 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 of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

### 1.14. Inventories

#### 1.14.1. Raw Materials and Stores, Work In Progress and Finished Goods

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

#### 1.14.2. Inventory Held for Distribution

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

### 1.15. Non-current Assets Held For Sale

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

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

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

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

### 1.16. Investments and Other Financial Assets

#### 1.16.1. Financial Assets at Fair Value through Profit or Loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for

trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

#### 1.16.2. Loans and Receivables

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

#### 1.16.3. 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.

#### 1.16.4. Financial Assets at Fair Value through Comprehensive Income

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Purchases and sales of investments are recognised on trade date, the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

#### 1.16.5. Measurement of Investments and Other Financial Assets

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

##### 1.16.5.1. 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.

##### 1.16.5.2. Impairment of Financial Assets

The Council assesses at each balance date whether there is objective evidence that a financial asset or group

of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

#### 1.17. Derivatives

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

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

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

##### 1.17.1. Fair Value Hedge

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

##### 1.17.2. Cash Flow Hedge

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

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

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

##### 1.17.3. Derivatives that do not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative

instrument that does not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Income.

### 1.18. Fair Value Estimation

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

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

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

### 1.19. Property, Plant and Equipment

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

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

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets are valued at depreciated replacement cost and revalued annually. Investment properties are revalued annually and shown at fair value. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

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

Roading	Years
Base Course	70
Surfacings	12
Concrete Pavers	70
Footpaths & Pathways/Walkways	15-80
Drainage	14-80
Bridges & Structures	20-100
Road Lighting	4-50
Traffic Services & Safety	10-25
Water	
Reticulation	56-107
Reservoirs	100
Pump Stations	15-80
Stormwater	
Reticulation	80-100
Pump Stations	15-80
Sewerage	
Reticulation	80-100
Pump Stations	15-80
Milliscreen	10-80
Outfall	60
Others	
Grandstands, Community & Sports Halls	50
Sportsgrounds, Parks & Reserves	
Improvements	10-50
Buildings on Reserves	10-50
Pools	10-50
Inner Harbour	20-50

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income. 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.

#### 1.19.1. Valuation of Property, Plant and Equipment

As at 30 June 2012, Council's Property, Plant and Equipment are valued as follows:

Description	Method of Valuation
Investment Property	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2012 using fair value. Valuation of this class of asset is performed on an annual basis (see also Note 1.21).

Description	Method of Valuation
<b>Library Collections</b>	Valued at depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library in May 2002 for general collections and replacement cost for the Heritage Collection. The Library valuation is performed by James Parkinson BA(Hst/PolSc) MPINZ , Director, Art + Object and performed on an annual basis. The last valuation was performed in June 2012.
<b>Land Under Roads</b>	Land under roads were valued based on fair value of adjacent land determined by M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2005. Under NZ IFRS the Council has elected to use fair value of land under roads at 30 June 2005 as deemed cost. Land under roads are no longer revalued.
<b>Land and Buildings</b>	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2011 using fair value. Land and buildings are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different to fair value.
<b>Infrastructural Assets</b>	Infrastructural assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued. All infrastructural asset classes carried at valuation were valued.
<b>Infrastructural Road Assets</b>	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 2012. Prepared by Opus staff and reviewed by John Vessey BE (Civil), BA (Economics), CPEng, FIPENZ, Affiliate Member of PINZ and a member of ACENZ.
<b>Water, Wastewater and Stormwater Above and Below Ground Assets</b>	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 2011.

Description	Method of Valuation
<b>Restricted Assets</b>	Valued by independent registered valuer M. Penrose, ANZIV, SNZPI, AAMINZ of Telfer Young (HB) Ltd as at 30 June 2011 using depreciated replacement cost method. Restricted assets are revalued on a three yearly valuation cycle. The carrying values are also reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued. All restricted asset classes carried at valuation were valued.
<b>Plant and Equipment</b>	Valued in 1994 using market value. Additions are at cost.
<b>Omarunui Landfill</b>	Landfill assets comprise of land, plant and equipment and motor vehicles. All assets are valued at cost less depreciation.

## 1.20. 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 recorded in the Statement of Comprehensive Income as part of other gains/(losses).

## 1.21. Intangible Assets

### 1.21.1. Trademarks and Licences

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

### 1.21.2. Computer Software

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

Cost associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding 3 years.

## 1.22. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## 1.23. Trade and Other Payables

These amounts 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.

## 1.24. Borrowings

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

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

## 1.25. Borrowing Costs

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

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.26. 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.

## 1.27. Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are

recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

## 1.28. Employee Benefits

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

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

### 1.28.2. 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.

### 1.28.3. Retirement Benefit Obligations

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

### 1.28.4. Bonus Plans

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

## 1.29. Biological Assets

### 1.29.1. Livestock

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

## 1.30. Equity

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

The components of equity are:

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

### 1.30.1. Restricted and Council Created Reserves

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

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

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

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

### 1.31. Budget Figures

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

### 1.32. Cost Allocation

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

### 1.33. Critical Accounting Estimates and Assumptions

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

#### 1.33.1. 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.

#### 1.33.2. Infrastructural Assets

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

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

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

Experienced independent valuers perform the Council's infrastructural asset revaluations except for above and below ground water, wastewater and stormwater assets where the independent valuer peer reviews Council's valuations.

#### 1.33.3. 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 2012.

##### 1.33.3.1. Classification of Property

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

## 2. Major Budget Variances

Explanations for major variations from Council's 2011/12 Annual Plan are as follows:

### 2.1. Statement of Financial Performance

#### 2.1.1. Income

Income was \$5.2m below 2011/12 budget and \$9.2m above 2010/11 year. Significant variances to budget arise from other revenue and other gains/(losses) classifications:

- a. Other revenue: This item was \$5.0m under budget for the 2011/12 year. The most significant variances were:
  - Grants and donations received for the Hawke's Bay Museum & Art Gallery redevelopment project - \$2.1m below budget. The budget value (government grants and grants and donations) for this item was \$7.0m with the actual amount received \$4.9m. The timing of grant and donation receipts for this project have varied from the timing anticipated when the 2011/12 budget was prepared. The balance of funds not received in 2011/12 will be received in the 2012/13 year. The Hawke's Bay Museum & Art Gallery project is running on time and to budget with committed funds nearing target, the fundraising for this project is near complete.
  - Parklands Residential Development section sales were \$1.3m below budget for the year. New section sales slowed significantly during the 2011/12 year. However, sales delayed in 2010/11, due to wet weather in the autumn of 2011, lifted the 2011/12 result above the 2010/11 year end by \$1.6m.
  - Vested asset revenue (see definitions for vested assets) is recognised only when a greenfields development is certified as complete. Vested assets from residential developments were \$2.2m below budget, but \$2.0m above 2010/11. City growth was 78% of that assumed in the 2011/12 Annual Plan with a higher proportion of growth coming from infill development rather than greenfields or new subdivision development. This is reflected in the lower level of vested assets against budget while financial contributions revenue is close to budget levels.
  - Interest income of \$3.2m for 2011/12 was better than budget by \$1.7m. Interest bearing deposits were significantly higher during the year than anticipated in the budget as cash held by Council was significantly higher than budget. Cash held is invested in interest bearing deposits in accordance with Council's investment policy. Increased amounts held on deposit have resulted in higher than planned interest income.
- b. Other gains/(losses) were \$2.3m below budget. Other gains/(losses) are detailed in Note 5 of these Financial Statements. The variance between actual and budget was a combination of losses on disposal of assets, revaluation of investment property and library bookstock valuation variances. The unbudgeted loss on disposal of assets resulted in a variance to budget of \$1.4m. This loss arose from the disposal of a number of Council assets during 2011/12. The amount of loss being the difference between the book value of the asset and the disposal value. The losses related to disposal of assets which were renewed, upgraded or surplus to requirements. This classification is also impacted by the annual revaluation of investment property. Investment property valuation resulted in an increase of \$0.4m, which was \$0.8m less than budget. The lower valuation reflects both lower inflation levels and slowed demand in the property market. Following the annual review and valuation, library bookstock decreased in value by \$0.2m.

#### 2.1.2. Expenditure

Total operating expenditure is \$2.7m below budget and \$4.3m above 2010/11 actual outcome. Significant items of variance are as follows:

- a. Depreciation charges were \$1.9m below budget for the year. The most significant variance at \$1.9m below budget, was roading depreciation. As a result of the 2011 revaluation of assets and lower than planned capital expenditure in 2010/11 road assets were \$15.0m below the budget opening net book value at 1 July 2011. Consequent to the revaluation, lives of some assets were also altered nominally. The combined effect of these resulted in a lower depreciation charge for roading than anticipated in the 2011/12 budget. As a result of the revaluation and capital additions depreciation was \$0.6m above the 2010/11 year.
- b. Other expenses are \$0.8m below 2011/12 budget and \$3.4m above 2010/11 year. The variances comprised:
  - Costs for development for residential sections sold were \$0.8m below 2011/12 budget and \$1.4m above 2010/11. The lower actual cost of sales compared to budget is a direct result of lower than budget sales for the 2011/12 year.
  - Insurance premiums were higher than budget by \$0.8m and above 2010/11 by \$1.2m, due to significant increases in insurance premiums as a result of the Canterbury earthquakes. In addition, unbudgeted calls were made on Riskpool contributions for leaky building claims of \$0.3m. These contributions relate to years prior to 2011/12.
  - Refuse costs were \$0.1m below budget for the 2011/12 year and \$0.8 above the 2010/11 year. The variance between the 2 years was the result of a writeback of accrued landfill aftercare costs in 2010/11. This reduced the Napier share of the landfill joint venture operating costs for that year. The difference in this item between the 2 years was \$0.7m.
  - Maintenance expenditure for sewer and water activities were \$0.4m below budget for 2011/12 and \$0.3 below 2010/11 year. A significant amount of the below budget maintenance expenditure related to investigation works for condition assessments of existing pipe assets. It is expected this work will now occur in the 2012/13 year.
  - Operating expenditure for the War Memorial Conference Centre was \$0.2m below budget and \$0.1m below 2010/11 year. This was a result of lower sales for the year than budget and reflects items such as lower costs of catering and equipment hire.
  - Sportsgrounds budget for 2011/12 included \$0.5 for hockey artificial surface. This cost was not incurred in 2011/12 and will be expended in 2012/13. In the 2011/12 year this cost was offset by \$0.4m direct cost of the Rugby World Cup tournament which was not budgeted for in 2011/12. The net effect was that although sportsgrounds costs were \$0.1m below 2011/12 budget, the costs incurred for this activity were \$0.4 above 2010/11 actual costs.

## 2.2. Statement of Financial Position

### 2.2.1. Current Assets

Significant variances in current assets are:

- Cash and cash equivalents were \$2.2m below budget. This variance is due to amounts of cash placed on deposit, being above that anticipated in the budget.
- Debtors and other receivables were below budget by \$0.7m. This variance was in part due to the timing of invoices raised at year end for grant income for the Hawke's Bay Museum & Art Gallery redevelopment project.
- The current asset portion of inventories are \$2.8m above budget and close to the 2010/11 value. This is due to Parklands Residential Development sections sales being lower than anticipated in the budget.
- The current portion of other financial assets consisted of cash on deposit where the deposit is held for more than 3 months and investments in local authority stock. At 30 June 2012 funds held in this classification were \$44.4m above budget and \$16.0m above 2010/11. The budget variance is due to the opening balance at 30 June 2011 being \$27.6m above that forecast in the Annual Plan and due to cashflow for capital purchases 2011/12 being \$16.5 below budget. For discussion regarding below budget property, plant and equipment see 2.2.2a below.

### 2.2.2. Non-current Assets

Significant variances in non-current assets are:

- Property, plant and equipment was \$35.1m below 2011/12 budget at year end. An analysis of the variances between the budget value and the actual year end value of property, plant and equipment is outlined in the top of the table below. The significant variances between property, plant and equipment purchases and budget are outlined in the lower part of the table below.

Item	Budget 2011/12 \$M	Actual 2011/12 \$M	Variance \$M	Comment
2010/11 closing balance actual vs. budget	1,247.3	1,222.9	24.5	2010/11 actual compared to budget forecast value
Depreciation (excl. intangibles)	(21.9)	(20.0)	(1.9)	Reduced depreciation 2011/12 see note 2.1.2a
Asset Disposals	-	(2.5)	2.5	Disposals not budgeted
Asset Revaluations: Roading & Library Bookstock *	-	7.9	(7.9)	Roading revaluation not budgeted
Asset Additions & transfers	49.5	31.5	18.0	Asset addition budget comprises financial year annual plan capital projects & past year capital projects approved but delayed & scheduled to be undertaken in the financial year
<b>Asset Addition Variances:</b>				
Vested Assets	5.7	3.5	2.2	No cash impact from this item – vested assets budgeted each year
BTF Wastewater Plant	6.2	-	6.2	Awaiting resource consent
HB Museum Upgrade	8.3	5.9	2.4	Project in progress
Penguin Exhibit National Aquarium	1.0	0.3	0.7	Project in progress
Ahuriri Vehicle Link	1.5	0.7	0.8	Project in progress
Roading Projects	8.6	8.2	0.4	Work to be completed in future years
Plant & Equipment	2.6	2.5	0.1	Timing variance of item purchases
Park Island Bond Field Extension	2.3	0.1	2.2	Consultation in progress
Westshore Beach Reprofiting	2.1	-	2.1	Delayed awaiting Whakarire Ave Groyne construction
Whakarire Ave Groyne	1.3	-	1.3	Delayed awaiting resource consent
Infrastructure Renewals	4.7	2.7	2.0	Projects in progress
Advanced Wastewater Project	-	1.0	(1.0)	Budget included in future years
Taradale Rd Sewer Pump Station	-	1.4	(1.4)	Budget included in 2010/11 year – project near completion

\*Asset revaluation movements were \$7.9m for the year. This variance arose from changes in value of roading assets which have increased in value since the last revaluation of Council assets (now an annual process) \$8.2m, and library bookstock which were revalued -\$0.3m at year end.

- Investment properties were lower than budget by \$3.5m. This was due to \$1.6m lower than forecast opening balance and \$0.7m variance due to the revaluation gain of \$0.4m instead of the budgeted revaluation gain of \$1.1m. In addition 2 properties were reclassified to leasehold land and 1 property to reserves (see Note 18.) \$1.2m.
- Other financial assets comprise corporate bonds, local authority stock, term deposits and unlisted shares. The increase of \$3.78m between budget for 2011/12 and actual 2011/12 arose from above budget deposits with terms greater than 12 months. Refer also 2.2.1a and 2.2.1d above.

### 2.2.3. Current Liabilities

Significant variances in current liabilities are:

- Creditors and other payables are \$0.8m higher than anticipated in the 2011/12 budget and \$2.4m above 2010/11

actual. This is a result of timing of project expenditure during the year, with expenditure on major projects such as the new penguin enclosure and the Hastings Street upgrade occurring at year end.

#### 2.2.4. Non-current Liabilities

Significant variances in non-current liabilities are:

- a. Revenue received in advance: this relates to McLean Park corporate boxes and naming rights where licences and naming rights are granted for 10 years. Under NZ IAS revenue received for these licences is required to be allocated over the 10 years of the box holder licence or naming rights agreement. The amount included in this classification is for the 7 years from 2012/13 to 2018/19.
- b. Borrowings classified as non-current liabilities are \$2.0m lower than budget for the year. This variance is due to a classification error in the budget process. Current and non-current loans at year end equal non-current loans as per the 2011/12 budget.

#### 2.2.5. Equity

Significant variances in equity are:

- a. Retained earnings are \$4.9m above budget for the 2011/12 year. This is due to opening retained earnings being higher than forecast for the budget \$5.1m. The below budget surplus \$2.3 was significantly offset by the transfer from revaluation reserve on the disposal of property, plant and equipment \$1.3m, transfers from restricted reserves budget variance \$0.8m.
- b. Other reserves are \$6.2m above budget for the 2011/12 year. This variance was due to the roading revaluation gain of \$8.2m not budgeted in the 2011/12 Annual Plan and due to the change in roading from periodic revaluations to annual revaluations. The revaluation movement in the other reserves was offset by the transfer from revaluation reserve on the disposal of property, plant and equipment -\$1.3m, transfers from restricted reserves budget variance -\$0.8m.

### 2.3. Statement of Movements in Equity

Major variations in the statement of movements in equity are the below budget after tax surplus of -\$2.3m, and the above budget gain on revaluation \$8.1m.

The net surplus variance is the result of lower than budget income -\$5.1m offset by lower than budget expenditure \$2.8m. Variances for these items are outlined above under Note 2.1.



*2012 Civic Award recipients Ivan Young, Isabel Morgan, Catharina McNaughton and Pat Benson with Mayor Barbara Arnott*

### 3. Rates Revenue

	Actual 2012 \$000	Actual 2011 \$000
Non-targeted rates	32,689	31,802
<b>Targeted rates attributable to activities</b>		
Water	3,394	3,320
Sewerage	6,703	6,676
Refuse and sanitation	1,731	1,683
Roading	163	163
Marketing	160	155
<b>Total revenue from rates</b>	<b>44,840</b>	<b>43,799</b>
Rates remissions	(273)	(278)
<b>Rates revenue net of remissions</b>	<b>44,567</b>	<b>43,521</b>

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

### 4. Other Revenue

	Actual 2012 \$000	Actual 2011 \$000
User charges	5,255	5,013
NZTA and other government grants	6,476	5,169
Regulatory revenue	2,461	2,474
Rental income from investment properties	1,246	1,106
Other rental income	4,334	4,423
Infringements and fines	999	989
Rendering of services	1,568	1,589
Retail and product sales	7,132	7,243
Omarunui Landfill Joint-Venture	1,622	1,651
Sales residential development	7,137	5,585
Other income	318	481
Grants and donations	3,175	983
Petrol tax	380	398
Vested assets - Parklands Residential Development	2,513	1,085
Vested assets - other	1,037	417
Financial and development contributions - other	2,192	1,728
Dividend income	4	3
<b>Total other revenue</b>	<b>47,849</b>	<b>40,337</b>

#### 4.1. Revenue Received in Advance

In the 2009/10 year Council received funds from the sale of both 10 year licences' to occupy corporate boxes in the Graeme Lowe Stand at McLean Park and naming rights for the same. Further licences' to occupy other McLean Park boxes, with varying lengths of terms, have been added during the current year. Recognition of naming rights and licences to occupy as revenue to Council is spread over the life of each agreement. Consequently the equivalent of 1 year of the funds received are recognised each year as income in user charges. The remainder is included in the Statement of Financial Position within either current liabilities or non-current liabilities. The value recognised in current liabilities is the amount that will be recognised in the following financial year as revenue and any amounts that will be recognised in years later is classified and included in non-current liabilities. This amount, \$1,568,000 (2011: \$1,842,000), is separately disclosed in non-current liabilities, as revenue received in advance.

## 5. Other Gains/(Losses)

	Actual 2012 \$000	Actual 2011 \$000
<b>Non-financial instruments</b>		
Gain/(loss) on revaluation of Library bookstock	(262)	(224)
Gain/(loss) on revaluation of investment properties	441	(323)
Gain/(loss) on sale of assets	206	71
Gain/(loss) on disposal of assets	(1,408)	(1,273)
Fair value gain/(loss) on livestock	(80)	179
<b>Total gains/(losses)</b>	<b>(1,103)</b>	<b>(1,570)</b>

## 6. Employee Benefit Expenses

	Actual 2012 \$000	Actual 2011 \$000
Salaries and wages	24,675	24,012
Employer contributions to multi-employer defined benefit plans	306	298
Increase/(decrease) in employee benefit liabilities	(134)	133
<b>Total employee benefit expenses</b>	<b>24,847</b>	<b>24,443</b>

## 7. Other Expenses

	Actual 2012 \$000	Actual 2011 \$000
Audit fees - financial statement audit	124	115
Audit fees - Ten Year Plan audit	80	-
Donations	24	216
Bad debts written off	12	10
Rental expense on operating leases	267	248
Other operating expenses	30,402	26,883
<b>Total other expenses</b>	<b>30,909</b>	<b>27,472</b>

## 8. Finance Income and Finance Costs

	Actual 2012 \$000	Actual 2011 \$000
<b>Finance income</b>		
<b>Interest income</b>		
Term deposits and call accounts	2,934	2,592
Local authority stock	285	444
Sinking fund	-	-
<b>Total finance income</b>	<b>3,219</b>	<b>3,036</b>
<b>Finance costs</b>		
<b>Interest expense</b>		
Interest on external borrowings	289	394
Interest on internal borrowings	1,732	1,928
<b>Total interest expense</b>	<b>2,021</b>	<b>2,322</b>

	Actual 2012 \$000	Actual 2011 \$000
Discount unwind on provisions	-	-
Finance charges on leased assets	-	-
Internal interest expense	(1,732)	(1,928)
<b>Total finance costs</b>	<b>289</b>	<b>394</b>
<b>Net finance income</b>	<b>2,930</b>	<b>2,642</b>

## 9. Tax

### 9.1. Relationship Between Tax Expense and Accounting Profit

	Actual 2012 \$000	Actual 2011 \$000
Surplus/(deficit) before tax	18,744	13,905
Tax at 28% (2011:30%)	5,248	4,172
Non-taxable income	(5,248)	(4,172)
<b>Tax expense</b>	<b>-</b>	<b>-</b>

### 9.2. Additional Disclosures

A deferred tax asset has not been recognised in relation to unused tax losses of \$1,216,601 (2011: \$1,154,953).

## 10. Cash and Cash Equivalents

	Actual 2012 \$000	Actual 2011 \$000
Cash at bank and in hand	2,943	4,940
Short-term deposits maturing 3 months or less from date of acquisition	-	1,000
Omarunui Landfill	1,669	1,277
<b>Total cash and cash equivalents</b>	<b>4,612</b>	<b>7,217</b>

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

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

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

	Actual 2012 \$000	Actual 2011 \$000
Cash at bank and in hand	2,943	4,940
Short-term deposits maturing within 3 months	-	1,000
Omarunui Landfill	1,669	1,277
<b>Total cash and cash equivalents</b>	<b>4,612</b>	<b>7,217</b>

Omarunui Landfill represents the Napier City Council share of the Omarunui Landfill investments at 30 June 2012.

## 11. Debtors and Other Receivables

	Actual 2012 \$000	Actual 2011 \$000
Rates receivables	736	710
Other receivables	5,295	3,006
Parklands - unconditional contracts subdivision sales	3,937	4,046
NZTA subsidy claims	1,972	1,074
Prepayments	50	85
<b>Total debtors and other receivables</b>	<b>11,990</b>	<b>8,921</b>

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

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

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

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

The Council holds no collateral as security or other credit enhancements over receivables that are past due. Other 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 2012 and 2011 are detailed below:

	Actual 2012 \$000	Actual 2011 \$000
Current	9,913	7,286
Past due 30 days	686	816
Past due 60 days	84	208
Past due 90 days	1,307	611
<b>Total receivables</b>	<b>11,990</b>	<b>8,921</b>

## 12. Inventories

	Actual 2012 \$000	Actual 2011 \$000
<b>Current portion</b>		
Inventory held for distribution	175	176
Inventory held for resale	125	121
Parklands - work in progress	4,866	4,853
<b>Total current portion</b>	<b>5,166</b>	<b>5,150</b>
<b>Non-current portion</b>		
Parklands - land under development	1,322	2,355
Parklands - work in progress	937	801
<b>Total non-current portion</b>	<b>2,259</b>	<b>3,156</b>

Inventory held for distribution and resale decreased in 2012: \$5,212 (2011: \$32,320) as a result of stocktake adjustments. The carrying amount of inventories pledged as security for liabilities is \$nil (2010: \$nil).

The Council is currently developing land for future sale and of the costs to date (including the value of land transferred to inventory) \$7,126,095 are not expected to be recovered until after 30 June 2012.

## 13. Biological Assets

	Actual 2012 \$000	Actual 2011 \$000
<b>Biological assets changes in value</b>		
Opening value 1 July 2011	537	379
Change in value arising from changes in fair value	(80)	179
Increase in value due to natural increase/(decrease)	160	96
Increase in value due to purchases	336	346
Change in value due to sales	(541)	(463)
<b>Closing value 30 June 2012</b>	<b>412</b>	<b>537</b>

Biological Assets comprise 2,572 sheep (2011: 2,375) largely held for breeding and 121 cattle (2011: 160) largely held for trading.

## 14. Other Financial Assets

	Actual 2012 \$000	Actual 2011 \$000
<b>Current portion</b>		
Short-term deposits with maturities of 4-12 months	60,500	46,500
Sinking fund investments	-	-
Local authority stock	2,404	404
Corporate bonds	-	-
<b>Total current portion</b>	<b>62,904</b>	<b>46,904</b>
<b>Non-current portion</b>		
Term deposits with maturities of over 12 months	5,874	6,436
Sinking fund investments	-	-
Unlisted shares	370	246
Local authority stock	1,998	3,992
Corporate bonds	500	500
<b>Total non-current portion</b>	<b>8,742</b>	<b>11,174</b>

There were no impairment provisions for other financial assets.

The carrying amount of term deposits approximates their fair value.

Local authority stock is classified as held to maturity. The fair value of local authority stock is \$4,625,000 (2011: \$4,649,000). Fair value has been determined by discounting cash flows from the instruments using a discount rate derived from relevant market inputs. The discount rates are 3.18% to 3.61% (2011: 3.75% to 4.79%).

### 14.1. Unlisted Shares - Valuation

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

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

### 14.2. 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:

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

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

	Total \$000	Quoted Market Price \$000	Observable Inputs \$000	Significant Non- observable Inputs \$000
<b>30 June 2012</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Shares	370	370	-	-
Term deposits	66,374	66,374	-	-
Sinking fund investments	-	-	-	-
Local authority stock	4,402	4,402	-	-
Corporate bonds	500	500	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-
<b>30 June 2011</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Shares	246	246	-	-
Term deposits	52,936	52,936	-	-
Sinking fund investments	-	-	-	-
Local authority stock	4,649	4,649	-	-
Corporate bonds	534	534	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-

## 15. Non-current Assets Held for Sale

There are no non-current assets held for sale as at 30 June 2012 (2011: \$nil).

## 16. Property, Plant and Equipment

2012

	Cost/ Revaluation 1 July 2011 \$000	Accumulated Depreciation & Impairment Charges 1 July 2011 \$000	Carrying Amount 1 July 2011 \$000	Current Year Additions \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus \$000	Cost/ Revaluation 30 June 2012 \$000	Accumulated Depreciation & Impairment Charges 30 June 2012 \$000	Carrying Amount 30 June 2012 \$000
<b>Council operation assets</b>												
Land	65,796	-	65,796	489	-	-	1,124	-	-	67,409	-	67,409
Leasehold land	6,991	-	6,991	-	(1,189)	-	83	-	-	5,885	-	5,885
Buildings	49,689	-	49,689	7,279	(334)	6	-	(1,194)	-	56,634	(1,188)	55,446
Library books	2,648	-	2,648	603	(84)	261	-	(261)	(514)	2,653	-	2,653
Plant & equipment	27,696	(16,930)	10,766	2,484	(823)	783	-	(1,821)	-	29,357	(17,968)	11,389
Motor vehicles	4,347	(2,282)	2,065	496	(224)	207	-	(454)	-	4,619	(2,529)	2,090
Landfill post closure	225	(225)	-	-	-	-	-	-	-	225	(225)	-
<b>Total operational assets</b>	<b>157,392</b>	<b>(19,437)</b>	<b>137,955</b>	<b>11,351</b>	<b>(2,654)</b>	<b>1,257</b>	<b>1,207</b>	<b>(3,730)</b>	<b>(514)</b>	<b>166,782</b>	<b>(21,910)</b>	<b>144,872</b>
<b>Council infrastructural assets</b>												
Sewerage system	128,834	-	128,834	4,941	(652)	490	-	(3,429)	-	133,123	(2,939)	130,184
Water system	67,590	-	67,590	1,123	(280)	194	-	(1,428)	-	68,433	(1,234)	67,199
Drainage network	103,675	-	103,675	2,546	(137)	56	-	(1,799)	-	106,084	(1,743)	104,341
Roading network	145,925	-	145,925	8,199	(345)	6,900	-	(6,899)	1,275	155,055	-	155,055
Land under roads	420,220	-	420,220	-	-	-	-	-	-	420,220	-	420,220
<b>Total infrastructural assets</b>	<b>866,244</b>	-	<b>866,244</b>	<b>16,809</b>	<b>(1,414)</b>	<b>7,640</b>	-	<b>(13,555)</b>	<b>1,275</b>	<b>882,915</b>	<b>(5,916)</b>	<b>876,999</b>
<b>Council restricted assets</b>												
Sportsgrounds	142,531	-	142,531	1,282	(175)	3	-	(911)	-	143,638	(908)	142,730
Grandstands & halls	19,238	-	19,238	33	-	-	-	(325)	-	19,271	(325)	18,946
Buildings on reserves	33,497	-	33,497	22	-	-	-	(922)	-	33,519	(922)	32,597
Swimming pools	10,703	-	10,703	580	-	-	-	(323)	-	11,283	(323)	10,960
Inner harbour	12,695	-	12,695	215	-	-	-	(263)	-	12,910	(263)	12,647
<b>Total restricted assets</b>	<b>218,664</b>	-	<b>218,664</b>	<b>2,132</b>	<b>(175)</b>	<b>3</b>	-	<b>(2,744)</b>	-	<b>220,621</b>	<b>(2,741)</b>	<b>217,880</b>
<b>Total property plant &amp; equipment</b>	<b>1,242,300</b>	<b>(19,437)</b>	<b>1,222,863</b>	<b>30,292</b>	<b>(4,243)</b>	<b>8,900</b>	<b>1,207</b>	<b>(20,029)</b>	<b>761</b>	<b>1,270,318</b>	<b>(30,567)</b>	<b>1,239,751</b>

Items added to work in progress \$14,952,631 (2011: \$5,104,209). Completed assets transferred from work in progress \$4,289,726 (2011: \$5,432,533). The net carrying amount of plant and equipment held under finance leases is \$nil (2011: \$nil). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

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

## 2011

	Cost/ Revaluation 1 July 2010 \$000	Accumulated Depreciation & Impairment Charges 1 July 2010 \$000	Carrying Amount 1 July 2010 \$000	Current Year Additions \$000	Current Year Disposals Cost \$000	Reversal Accumulated Depreciation \$000	Current Year Transfers & Corrections at Cost \$000	Current Year Depreciation \$000	Revaluation Surplus \$000	Revaluation 30 June 2011 \$000	Accumulated Depreciation & Impairment Charges 30 June 2011 \$000	Carrying Amount 30 June 2011 \$000
<b>Council operation assets</b>												
Land	82,472	-	82,472	215	-	-	(3,406)	-	(13,485)	65,796	-	65,796
Leasehold land	19,682	-	19,682	-	(755)	-	(11,245)	-	(691)	6,991	-	6,991
Buildings	51,730	(2,374)	49,356	2,301	(30)	3,585	(254)	(1,211)	(4,058)	49,689	-	49,689
Library books	2,686	-	2,686	490	(67)	243	-	(243)	(461)	2,648	-	2,648
Plant & equipment	26,247	(15,777)	10,470	1,875	(446)	565	20	(1,718)	27,696	(16,930)	-	10,766
Motor vehicles	3,693	(2,234)	1,459	982	(328)	295	-	(343)	4,347	(2,282)	-	2,065
Landfill post closure	225	(225)	-	-	-	-	-	-	225	(225)	-	-
<b>Total operational assets</b>	<b>186,735</b>	<b>(20,610)</b>	<b>166,125</b>	<b>5,863</b>	<b>(1,626)</b>	<b>4,688</b>	<b>(14,885)</b>	<b>(3,515)</b>	<b>(18,695)</b>	<b>157,392</b>	<b>(19,437)</b>	<b>137,955</b>
<b>Council infrastructural assets</b>												
Sewerage system	114,949	(5,631)	109,318	2,663	(914)	8,480	12	(2,849)	12,124	128,834	-	128,834
Water system	63,019	(2,352)	60,667	805	(226)	3,635	(27)	(1,283)	4,019	67,590	-	67,590
Drainage network	93,232	(2,391)	90,841	1,810	(423)	3,993	1,936	(1,602)	7,120	103,675	-	103,675
Roading network	158,838	(12,863)	145,975	5,230	-	20,595	-	(7,732)	(18,143)	145,925	-	145,925
Land under roads	419,146	-	419,146	1,074	-	-	-	-	-	420,220	-	420,220
<b>Total infrastructural assets</b>	<b>849,184</b>	<b>(23,237)</b>	<b>825,947</b>	<b>11,582</b>	<b>(1,563)</b>	<b>36,703</b>	<b>1,921</b>	<b>(13,466)</b>	<b>5,120</b>	<b>866,244</b>	<b>-</b>	<b>866,244</b>
<b>Council restricted assets</b>												
Sportsgrounds	133,043	(1,767)	131,276	993	(48)	2,649	12,860	(882)	(4,317)	142,531	-	142,531
Grandstands & halls	16,986	(271)	16,715	0	582	582	-	(311)	2,252	19,238	-	19,238
Buildings on reserves	32,529	(1,727)	30,802	35	-	2,611	34	(884)	899	33,497	-	33,497
Swimming pools	10,533	(730)	9,803	56	-	1,095	70	(365)	44	10,703	-	10,703
Inner harbour	13,723	(193)	13,530	224	-	295	-	(102)	(1,252)	12,695	-	12,695
<b>Total restricted assets</b>	<b>206,814</b>	<b>(4,688)</b>	<b>202,126</b>	<b>1,308</b>	<b>(48)</b>	<b>7,232</b>	<b>12,964</b>	<b>(2,544)</b>	<b>(2,374)</b>	<b>218,664</b>	<b>-</b>	<b>218,664</b>
<b>Total property plant &amp; equipment</b>	<b>1,242,733</b>	<b>(48,535)</b>	<b>1,194,198</b>	<b>18,753</b>	<b>(3,237)</b>	<b>48,623</b>	<b>-</b>	<b>(19,525)</b>	<b>(15,949)</b>	<b>1,242,300</b>	<b>(19,437)</b>	<b>1,222,863</b>

Items added to work in progress \$5,104,209 (2010: \$10,924,000). Completed assets transferred from work in progress \$5,342,533 (2010: \$24,539,000). The net carrying amount of plant and equipment held under finance leases is \$nil (2010: \$429). In accordance with Accounting Policies the revaluation loss for Library Books has been taken to profit and loss. There are no restrictions over the title of the Council's Property, Plant and Equipment nor any pledged as security for liabilities.

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

The following amounts of works under construction valued at cost are included above as at 30 June 2012.

	30 June 2012
Buildings	8,121
Buildings on reserves	373
Drainage network	52
Land	858
Plant and equipment	604
Pool	2,678
Roading network	14,237
Sewerage system	564
Sportsgrounds	402
Water system	-
	<b>27,889</b>

The following amounts of works under construction valued at cost are included above as at 30 June 2011.

	30 June 2011
Buildings	1,836
Buildings on reserves	6
Drainage network	1,089
Grandstands and halls	363
Land	226
Plant and equipment	27
Roading network	1,469
Sewerage system	10,868
Sportsgrounds	652
Water system	688
	<b>17,224</b>

## 17. Intangible Assets

### 2012

	Cost/ Revaluation 1 July 2011 \$'000	Accumulated Depreciation & Impairment Charges 1 July 2011 \$'000	Carrying Amount 1 July 2011 \$'000	Current Year Additions \$'000	Current Year Disposals \$'000	Current Year Disposals Accumulated Depreciation \$'000	Current Year Impairment Charges \$'000	Current Year Amortisation \$'000	Net Revaluation Movements \$'000	Cost/ Revaluation 30 June 2012 \$'000	Accumulated Depreciation & Impairment Charges 30 June 2012 \$'000	Carrying Amount 30 June 2012 \$'000
Computer software	1,807	(1,467)	340	185	(50)	50	-	(199)	-	1,942	(1,616)	326

### 2011

	Cost/ Revaluation 1 July 2010 \$'000	Accumulated Depreciation & Impairment Charges 1 July 2010 \$'000	Carrying Amount 1 July 2010 \$'000	Current Year Additions \$'000	Current Year Disposals \$'000	Current Year Disposals Accumulated Depreciation \$'000	Current Year Impairment Charges \$'000	Current Year Amortisation \$'000	Net Revaluation Movements \$'000	Cost/ Revaluation 30 June 2011 \$'000	Accumulated Depreciation & Impairment Charges 30 June 2011 \$'000	Carrying Amount 30 June 2011 \$'000
Computer software	1,628	(1,348)	280	191	(12)	11	-	(130)	-	1,807	(1,467)	340

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

## 18. Investment Property

	Actual 2012 \$000	Actual 2011 \$000
Balance at 1 July	35,661	35,984
Additions from acquisitions	-	-
Reclassification	(1,208)	-
Fair value gains/(losses) on valuation	441	(323)
<b>Balance at 30 June</b>	<b>34,894</b>	<b>35,661</b>

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

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

Reclassifications in 2011/12 included the correction of 2 properties incorrectly classified as investment properties in prior years and 1 property in Pandora Road where the lessees interest was purchased from the leaseholder by Council. This property is adjacent to the Humber Street reserve and has been reclassified as reserves land within property, plant and equipment.

	Actual 2012 \$000	Actual 2011 \$000
Rental income from investment property	1,246	1,106
Expenses from investment property generating income	-	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

## 19. Investments 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.

### 19.1. Movements in the Carrying Amount of Investments in Associates

	Actual 2012 \$000	Actual 2011 \$000
<b>Balance at 1 July</b>	<b>3,922</b>	<b>3,655</b>
New investments during year	-	-
Share of total recognised revenues and expenses	212	267
Share of dividend	-	-
<b>Balance at 30 June</b>	<b>4,134</b>	<b>3,922</b>

### 19.2. Summarised Financial Information of Associate Entities

	Actual 2012 \$000	Actual 2011 \$000
Assets	17,527	17,712
Liabilities	1,627	2,627
Revenues	3,071	2,551
Surplus/(deficit)	816	1,028
Group's interest	26.00%	26.00%

### 19.3. Associated Contingencies

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

## 20. Creditors and Other Payables

	Actual 2012 \$000	Actual 2011 \$000
Trade payables	8,921	5,965
Deposits and bonds	759	1,308
Accrued interest	79	79
Rates in advance	695	684
<b>Total creditors and other payables</b>	<b>10,454</b>	<b>8,036</b>

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

## 21. Employee Benefit Liabilities

	Actual 2012 \$000	Actual 2011 \$000
<b>Current portion</b>		
Accrued pay	300	35
Annual leave	2,843	2,529
Retirement and long service leave	162	60
<b>Total current portion</b>	<b>3,305</b>	<b>2,624</b>
<b>Non-current portion</b>		
Retirement and long service leave	1,731	1,965
<b>Total non-current portion</b>	<b>1,731</b>	<b>1,965</b>
<b>Total employee entitlement</b>	<b>5,036</b>	<b>4,589</b>

## 22. Borrowings

	Actual 2012 \$000	Actual 2011 \$000
<b>Current portion</b>		
Secured loans	2,008	-
Lease liabilities	-	-
<b>Total current portion</b>	<b>2,008</b>	<b>-</b>
<b>Non-current portion</b>		
Secured loans	2,020	4,036
Lease liabilities	-	-
<b>Total non-current portion</b>	<b>2,020</b>	<b>4,036</b>

### 22.1. Fixed Rate Debt

The Council's secured debt of \$4,028,100 (2011: \$4,035,900) is issued at fixed rates of interest.

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

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

### 22.2. 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.

### 22.3. 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 2012 \$000	Actual 2011 \$000
<b>Secured Loans</b>		
Less than one year	2,008	-
Weighted average effective interest rate	6.83%	-
Later than one year but not more than five years	2,020	4,036
Weighted average effective interest rate	7.62%	7.23%
Later than five years	-	-
Weighted average effective interest rate	-	-
	<b>4,028</b>	<b>4,036</b>

### 26.4. Analysis of Finance Lease Liabilities

#### 26.4.1. Description of Material Leasing Arrangements

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

## 23. Provisions

	Financial Guarantees \$000	Landfill Aftercare Provision \$000	Total \$000
<b>2012</b>			
Balance at 1 July 2011	1,094	216	1,310
Additional provisions made	-	4	4
Unused amounts reversed	(98)	(71)	(169)
<b>Balance as at 30 June 2012</b>	<b>996</b>	<b>149</b>	<b>1,145</b>
<b>2011</b>			
Balance at 1 July 2010	1,186	996	2,182
Additional provisions made	-	73	73
Unused amounts reversed	(92)	(853)	(945)
<b>Balance as at 30 June 2011</b>	<b>1,094</b>	<b>216</b>	<b>1,310</b>

#### 23.1. 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.

#### 23.2. 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.

### 23.2.1. Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity	Useful Life of Valley	Remaining Useful Life
Valley A - opened in December 1998, closed 2006	2.6m <sup>3</sup>	17 years	closed
Valley D - opened in December 2006 and currently in operation	1.8m <sup>3</sup>	16 years	10.5 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 2021 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 \$24,000.
- The provision reported is for the Napier City Council's share only (36.32%).

## 24. Equity

	Actual 2012 \$000	Actual 2011 \$000
<b>Retained earnings</b>		
As at 1 July	695,837	681,643
<b>Transfers to:</b>		
Restricted reserves	(722)	(1,445)
<b>Transfers from:</b>		
Asset revaluation reserve on disposal of property, plant & equipment	1,341	1,487
Restricted reserves	1,020	247
Surplus/(deficit) for the year	18,744	13,905
<b>As at 30 June</b>	<b>716,220</b>	<b>695,837</b>
<b>Restricted reserves</b>		
As at 1 July	9,404	8,206
<b>Transfers to:</b>		
Retained earnings	(1,020)	(247)
<b>Transfers from:</b>		
Retained earnings	722	1,445
<b>As at 30 June</b>	<b>9,106</b>	<b>9,404</b>
<b>Restricted reserves consist of:</b>		
Loan redemption reserve	1,392	1,602
Loan funds reserves	(155)	(26)
Trusts and bequests	258	653
Advanced wastewater treatment fund (HBRC)	5,993	6,162
Other restricted reserves	1,619	1,013
<b>Total restricted reserves</b>	<b>9,107</b>	<b>9,404</b>
<b>Asset revaluation reserves</b>		
As at 1 July	620,898	590,807
Revaluation gains/(losses)	8,176	31,578
Asset revaluation reserve Hawke's Bay Airport Limited	-	-
Transfer of revaluation reserve to retained earnings on disposal of property, plant & equipment	(1,341)	(1,487)
<b>As at 30 June</b>	<b>627,733</b>	<b>620,898</b>

	Actual 2012 \$000	Actual 2011 \$000
<b>Asset revaluation reserves consist of:</b>		
<b>Operational assets</b>		
Land	46,578	46,578
Leasehold land	4,842	5,803
Buildings	28,426	28,620
Plant & equipment	176	197
<b>Infrastructural assets</b>		
Sewerage system	110,226	110,384
Water system	50,516	50,584
Drainage network	64,819	64,881
Roading network	180,686	172,511
<b>Restricted reserves</b>		
Sportsgrounds	108,604	108,573
Grandstands and halls	5,441	5,441
Buildings on reserves	11,606	11,606
Swimming pools	4,883	4,790
Inner harbour	9,336	9,336
Hawke's Bay Airport Limited	1,594	1,594
<b>Total asset revaluation reserves</b>	<b>627,733</b>	<b>620,898</b>
<b>Fair Value Through Equity Reserve</b>		
As at 1 July	(107)	111
Valuation gains/(losses) on unlisted shares taken to equity	7	(218)
<b>As at 30 June</b>	<b>(100)</b>	<b>(107)</b>
<b>Total other reserves</b>	<b>636,739</b>	<b>630,195</b>

## 25. Capital Management

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

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

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

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

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

Napier City Council has the following Council created reserves:

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

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

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

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

## 26. Capital Commitments and Operating Leases

### 26.1. Capital Commitments

	Actual 2012 \$000	Actual 2011 \$000
Capital Expenditure contracted for at balance date but not yet incurred for Property, Plant and Equipment	12,896	14,062

### 26.1. Operating Leases as Lessee

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

#### 1. Napier Community House

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

#### 2. Temporary Accommodation HB Museum

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

#### 26.1.1. 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 2012 \$000	Actual 2011 \$000
Not later than one year	149	190
Later than one year and not later than five years	66	200
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>215</b>	<b>390</b>

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance sheet date is \$66,498 (2011: \$40,042).

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.

### 26.2. 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 2012 \$000	Actual 2011 \$000
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year	161	298
Later than one year and not later than five years	89	246
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>250</b>	<b>544</b>

## 27. Contingencies

### 27.1. Contingent Liabilities

	Actual 2012 \$000	Actual 2011 \$000
Financial guarantees	519	571
<b>Total contingent liabilities</b>	<b>519</b>	<b>571</b>

## 27.2. 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 23 Provisions for information on recognised financial guarantees.

## 27.3. Unquantified Claims

In 2011/12, there were 3 (2011: 2) claims against Council which have been notified to Council's Insurers. Because of the uncertainty associated with the claims, an estimate of the financial effect cannot be made. These matters were not recognised in the financial statements because of the uncertainty associated with the outcomes.

## 27.4. Other Contingencies

### 27.4.1. Contingent Assets

The Council reviews annual rentals payable by lessees of its leasehold property portfolio in accordance with the lease arrangements entered into with various lessees. Accordingly, the Council has issued revised rentals payable for various properties as these have fallen due. The lessees of some properties, in accordance with the terms and conditions of the agreement between the parties, have chosen to dispute the new rentals advised by the Council. Depending on the outcome of the disputed reviews, the Council has a contingent asset of \$643,000 (2011: \$547,000), which due to the uncertainty around the value of the final resolution, is not included in rental income as at 30 June 2012.

### 27.4.2. Contingent Liabilities

The Council obtains public liability and professional indemnity insurance cover from New Zealand Mutual Liability Risk Pool. This operates as a mutual fund where each member makes an annual contribution to obtain cover however should claims exceed contributions then calls can be made on the members of that fund year for the shortfall amount. Risk Pool have advised that calls may be required for past pool periods. As the amount and timing is uncertain, provision has been made for future calls to the amount advised by Risk Pool, \$432,000 (2011: \$246,000) however there is uncertainty as to the final amount of contribution required. The increased call requirement is a direct result of the Christchurch earthquakes.

### 27.4.3. Other Contingencies

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.

## 28. Reconciliation of Net Surplus After Tax to Net Cash Flow from Operating Activities

	Actual 2012 \$000	Actual 2011 \$000
Surplus/(deficit) after tax	18,754	13,905
<b>Add/(less) non-cash items</b>		
Share of associate surplus/(deficit)	(212)	(267)
Depreciation and amortisation expense	20,228	19,655
Vested assets	(1,037)	(417)
Vested assets (Parklands)	(2,513)	(1,085)
(Gains)/losses in fair value of investment property	(441)	323
(Gains)/losses on library bookstock	262	224
(Gain)/loss on livestock	80	(179)
Other non-cash Items	12	42
<b>Add/(less) items classified as investing or financing activities:</b>		
(Gains)/losses on disposal of property plant and equipment	1,202	1,202
<b>Add/(less) movements in working capital items:</b>		
Accounts receivable	(3,069)	1,965
Inventories	881	(1,349)
Biological assets	45	(32)
Accounts payable	2,869	(829)
Provisions	(165)	(872)
Revenue received in advance	(274)	(322)
Employee benefits	446	(65)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>37,069</b>	<b>31,899</b>

## 29. Remuneration

### 29.1. Chief Executive

The Chief Executive of the Council, appointed under section 42 of the Local Government Act 2002, received a salary of \$262,500 (2011: \$250,291).

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

#### 29.1.1. Cost During the Financial Year

	Actual 2012 \$	Actual 2011 \$
Subscriptions	261	248
Vehicle allowance (3 years)		-

For the year ended 30 June 2012, the total annual cost including Fringe Benefit Tax to the Council of the remuneration package being received by the Chief Executive is calculated at \$262,761 (2011: \$250,539).

### 29.2. Elected Representatives

#### 29.2.1. Total Remuneration

	Actual 2012 \$000	Actual 2011 \$000
<b>Mayor</b>		
Barbara Arnott	105	97
<b>Councillors</b>		
John Cocking	34	36
Kathie Furlong	43	43
Mark Herbert	39	39
Tony Jeffery	39	39
Rob Lutter	39	39
Dave Pipe	38	39
Faye White	35	36
Tania Wright	39	39
Keith Price	38	36
Maxine Boag	34	33
Bill Dalton	38	36
Michelle Pyke	34	24

## 30. Severance Payments

For the year ended 30 June 2012, the Council made nil (2011: nil) severance payments to employees totalling \$nil (2011: \$nil).

## 31. Events After the Balance Sheet Date

The Omarunui Joint Refuse Landfill (Napier City Council as a 36.32% owner of this joint venture) is required to surrender New Zealand Units (NZU) by 31 May 2014 to match their emissions from 1 January 2013 under the New Zealand Emissions Trading Scheme (NZ ETS). On 8 August 2012 Council approved the purchase of forward contracts to fix the price of NZUs for the calendar years 2013, 2014 and 2015.

There have been no other significant events since balance date.

## 32. Financial Instrument Risks

### 32.1 Financial Instrument Categories

	Actual 2012 \$000	Actual 2011 \$000
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	4,612	7,217
Debtors and other receivables	11,990	8,921
Other financial assets		
Term deposits	66,374	52,936
<b>Total loans and receivables</b>	<b>82,976</b>	<b>69,074</b>
<b>Held to maturity</b>		
<b>Other financial assets</b>		
Local authority stock	4,402	4,396
Sinking fund investments	-	-
Corporate bonds	500	500
<b>Total held to maturity</b>	<b>4,902</b>	<b>4,896</b>
<b>Fair value through equity</b>		
Unlisted shares	370	246
<b>Total fair value through equity</b>	<b>370</b>	<b>246</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	10,454	8,036
Secured loans	4,028	4,036
Finance leases	-	-
<b>Total financial liabilities at amortised cost</b>	<b>14,482</b>	<b>12,072</b>

### 32.2. Financial Instrument Risks

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

### 32.3. Market Risk

#### 32.3.1. Price Risk

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

#### 32.3.2. 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 as well as library book assets, from overseas. These transactions require Napier City Council to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

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

#### 32.3.3. Fair Value Interest Rate Risk

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

### 32.3.4. Cash Flow Interest Rate Risk

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

### 32.4. Credit Risk

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

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

### 32.5. 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 2012 \$000	Actual 2011 \$000
<b>Counterparties with credit ratings</b>		
Cash at bank		
AA- (Others)	4,612	7,217
<b>Total cash at bank</b>	<b>4,612</b>	<b>7,217</b>
<b>Term deposits</b>		
AA- (Others)	66,374	52,936
<b>Total term deposits</b>	<b>66,374</b>	<b>52,936</b>
<b>Counterparties without credit ratings</b>		
Local authority stock	4,402	4,396
<b>Total</b>	<b>4,402</b>	<b>4,396</b>

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

### 32.6. Liquidity Risk

#### 32.6.1. Management of Liquidity Risk

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

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

Napier City Council has an overdraft facility of \$300,000 (2011: \$300,000), and there are no restrictions on the use of this facility. Gross overdraft facility in use at 30 June 2012 was \$nil (2011: \$nil). Napier City Council holds negotiated off-setting arrangements with its bank for all its bank accounts and was \$58,000 in funds as at 30 June 2012 (2011: \$1,520,000).

### 32.7. Contractual Maturity Analysis of Financial Liabilities

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 Year \$000	1-2 Years \$000	2-5 Years \$000	More Than 5 Years \$000
<b>2012</b>						
Creditors and other payables	10,454	10,454	10,454	-	-	-
Secured loans	4,028	4,469	2,297	2,160	12	-
Finance leases	-	-	-	-	-	-
Financial guarantees	1,515	1,515	1,515	-	-	-
<b>Total</b>	<b>15,997</b>	<b>16,438</b>	<b>14,266</b>	<b>2,160</b>	<b>12</b>	<b>-</b>
<b>2011</b>						
Creditors and other payables	8,036	8,036	8,036	-	-	-
Secured loans	4,036	4,766	297	2,297	2,172	-
Finance leases	-	-	-	-	-	-
Financial guarantees	1,560	1,560	1,560	-	-	-
<b>Total</b>	<b>13,632</b>	<b>14,362</b>	<b>9,893</b>	<b>2,297</b>	<b>2,172</b>	<b>-</b>

### 32.8. Contractual Maturity Analysis of Financial Assets

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

	Carrying Amount \$000	Contractual Cash Flow \$000	Less Than 1 year \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
<b>2012</b>						
Cash & cash equivalents	4,612	4,612	4,612	-	-	-
Debtors & other rec'bles	11,990	11,990	11,990	-	-	-
Other financial assets						
Term deposits	66,374	68,424	61,975	6,449	-	-
Local authority stock	4,402	4,802	2,669	2,133	-	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	500	548	548	-	-	-
<b>Total</b>	<b>87,878</b>	<b>90,376</b>	<b>81,794</b>	<b>8,582</b>	<b>-</b>	<b>-</b>
<b>2011</b>						
Cash & cash equivalents	7,217	7,217	7,217	-	-	-
Debtors & other rec'bles	8,921	8,921	8,921	-	-	-
Other financial assets						
Term deposits	52,936	55,898	48,972	6,926	-	-
Local authority stock	4,396	5,053	669	2,251	2,133	-
Sinking fund investments	-	-	-	-	-	-
Corporate bonds	500	596	48	548	-	-
<b>Total</b>	<b>73,970</b>	<b>77,685</b>	<b>65,827</b>	<b>9,725</b>	<b>2,133</b>	<b>-</b>

### 32.9. Sensitivity Analysis

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

#### 32.9.1. Interest Rate Risk

	2012 \$000				2011 \$000			
	-50 bps		100 bps		-50 bps		100 bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
<b>Financial assets</b>								
Cash and cash equivalents	(23)	-	46	-	(36)	-	72	-
<b>Other financial assets</b>								
Term deposits	(332)	-	664	-	(265)	-	529	-
Local authority stock	(22)	-	44	-	(22)	-	44	-
Corporate bonds	(3)	-	5	-	(3)	-	5	-
	<b>(380)</b>	<b>-</b>	<b>759</b>	<b>-</b>	<b>(326)</b>	<b>-</b>	<b>650</b>	<b>-</b>

#### 32.9.2. 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 (2011 -50bps/+100bps).

#### 32.9.3. Term Loans

At 30 June 2012 Napier City Council had \$nil of floating rate debt (2011: \$nil). Therefore a movement in interest rates of plus 100 bps or minus 50 bps has no effect on interest expense.

## 33. Derivative Financial Instruments

As at 30 June 2012, Napier City Council's current and non-current investments and borrowings have all been negotiated at fixed interest rates for fixed terms (2011: \$0).

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 2012 Council's forward foreign exchange contracts totalled US\$140,000 or NZ\$177,000 (2011: US\$521,000 or NZ\$643,000).

## 34. Related Party Transactions

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

#### 34.1. Hawke's Bay Museums Trust

The 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 2012 \$000	Actual 2011 \$000
<b>Hawke's Bay Museums Trust (HBMT)</b>		
Grants paid to HBMT	381	374
Book purchases paid to HBMT	-	-
Conferences expenses paid to HBMT	-	-
Services provided to HBMT	777	764
Accounts receivable from HBMT	247*	64
Accounts payable to HBMT	1,529	31
<b>Hawke's Bay Airport Limited (HBAL)</b>		
Services provided to HBAL	2	4
<b>Omarunui Landfill</b>		
Landfill fees paid to Hastings District Council	973	1,106

\* Includes receivables for pass through project costs

## 34.2. Key Management Personnel - Council

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

- The Council received revenue of \$469 (2011: \$1,356) from Portside Inns Limited and Group in which Mark Herbert, a Councillor, has an equity interest. This revenue, from supplies at normal commercial terms, was for advertising displays at Napier i-Site Visitor Centre and licences related to East Pier Bar and Restaurant.
- Council received revenue of \$2,614 (2011: \$3,566) from Thirsty Whale Bar and Restaurant Limited, in which Keith Price, a Councillor, has an equity interest. This revenue was for licences related to Thirsty Whale Bar and Restaurant and advertising in Napier Life Magazine. The Council purchased goods and services of \$63 (2011: \$55) from Thirsty Whale Bar and Restaurant Limited. All transactions were on normal commercial terms.
- Council received revenue of \$255 (2011: \$249) from Wiseys Pies and Bakehouse Limited, in which Keith Price, a Councillor, has an equity interest. This revenue was for issuance of licences to Wiseys Pies and Bakehouse Limited. The Council also purchased goods and services from Wiseys Pies and Bakehouse Limited of \$13,503 (2011: \$509). Transactions between Council and Wiseys Pies and Bakehouse Limited and between Council and Keith Price were at normal commercial terms. In addition Council received revenue from Keith Price for building alterations \$1,177 (2011: \$687).
- Council received revenue of \$87 (2011: \$87) from Clyde Jeffery Limited, in which Tony Jeffery, a Councillor, has an equity interest. This revenue was for issuance of licences to Clyde Jeffery Limited and was on normal commercial terms.
- Council received revenue of \$678 (2011: \$678) from Jeffery Property Partnership, in which Tony Jeffery, a Councillor, has an equity interest. This revenue was for lease of a carpark at normal commercial terms.
- The Council purchased goods and services of \$2,459 (2011: \$437) from Deco Affair Limited, in which John Cocking, a Councillor, has an equity interest. Council received revenue of \$87 (2011: \$nil). This purchase was for DIY Deco advertising and hire of costumes for Art Deco weekend, which were supplied on normal commercial terms to Deco Affair Limited.
- The Council received \$1,250 (2011: \$1,250) from Michelle Pyke, a Councillor. This revenue was for lease of land on normal commercial terms.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2011: \$nil).

### 34.2.1. Key Management Personnel Compensation

	Actual 2012 \$000	Actual 2011 \$000
Salaries and other short-term employee benefits	1,885	1,794
Post-employment benefits	-	-
Other long-term benefits	69	-
Termination benefits	-	-

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

## 35. Joint Venture

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

	Actual 2012 \$000	Actual 2011 \$000
Current assets	1,669	1,277
Non-current assets	4,454	4,513
Non-current liabilities	149	216
Income	1,945	2,017
Income (NCC sales eliminated)	(323)	(366)
Expenses	975	1,119
Depreciation	455	594

### 35.1. Joint Venture Commitments and Contingencies

There are no capital commitments and contingent liabilities arising from involvement in the joint venture (2011: \$nil).

# Audit New Zealand Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Napier City Council's annual report for the year ended 30 June 2012

The Auditor-General is the auditor of Napier City Council (the City Council). The Auditor-General has appointed me, Mark Maloney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, non-financial performance information and other information required by schedule 10 of the Local Government Act 2002 (other information) of the City Council on her behalf.

We have audited:

- the financial statements of the City Council on pages 22 to 60, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002, and
- the non-financial performance information of the City Council on pages 67 to 117 that includes other information required by schedule 10 of the Local Government Act 2002.

### Opinion on the financial statements, non-financial performance information and other information

In our opinion:

- The financial statements of the City Council on pages 22 to 60:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the City Council's financial position as at 30 June 2012; and
    - the results of its operations and cash flows for the year ended on that date.
- The non-financial performance information of the City Council on pages 67 to 117:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the City Council's levels of service for the year ended 30 June 2012, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and

- the reasons for any significant variances between the actual service and the expected service.
- The other information of the City Council contained in the financial statements and the non-financial performance information, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 16 October 2012. This is the date at which our opinion is expressed.

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

## **Basis of opinion**

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, non-financial performance information and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, non-financial performance information and other information;
- determining the appropriateness of the reported non-financial performance information within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, non-financial performance information and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, non-financial performance information and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and non-financial performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the City Council's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, non-financial performance information and other information that are free from material misstatement, whether due to fraud or error.

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

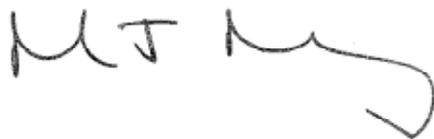
## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, non-financial performance information and other information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and carrying out the audit of the long term plan, we have no relationship with or interests in the City Council.



Mark Maloney  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand

**Matters relating to the electronic presentation of the audited financial statements, non-financial performance information and the other requirements**

This audit report relates to the financial statements, non-financial performance information and the other requirements of Napier City Council (the City Council) for the year ended 30 June 2012 included on the City Council's website. The Council is responsible for the maintenance and integrity of the City Council's website. We have not been engaged to report on the integrity of City Council's website. We accept no responsibility for any changes that may have occurred to the financial statements, non-financial performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, non-financial performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, non-financial performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, non-financial performance information and the other requirements as well as the related audit report dated 16 October 2012 to confirm the information included in the audited financial statements, non-financial performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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# Activity Statements

- Democracy and Governance
- Recreation
- Social and Cultural
- City Promotion
- Planning and Regulatory
- Roading
- Water and Wastes
- Property Assets
- Support Services





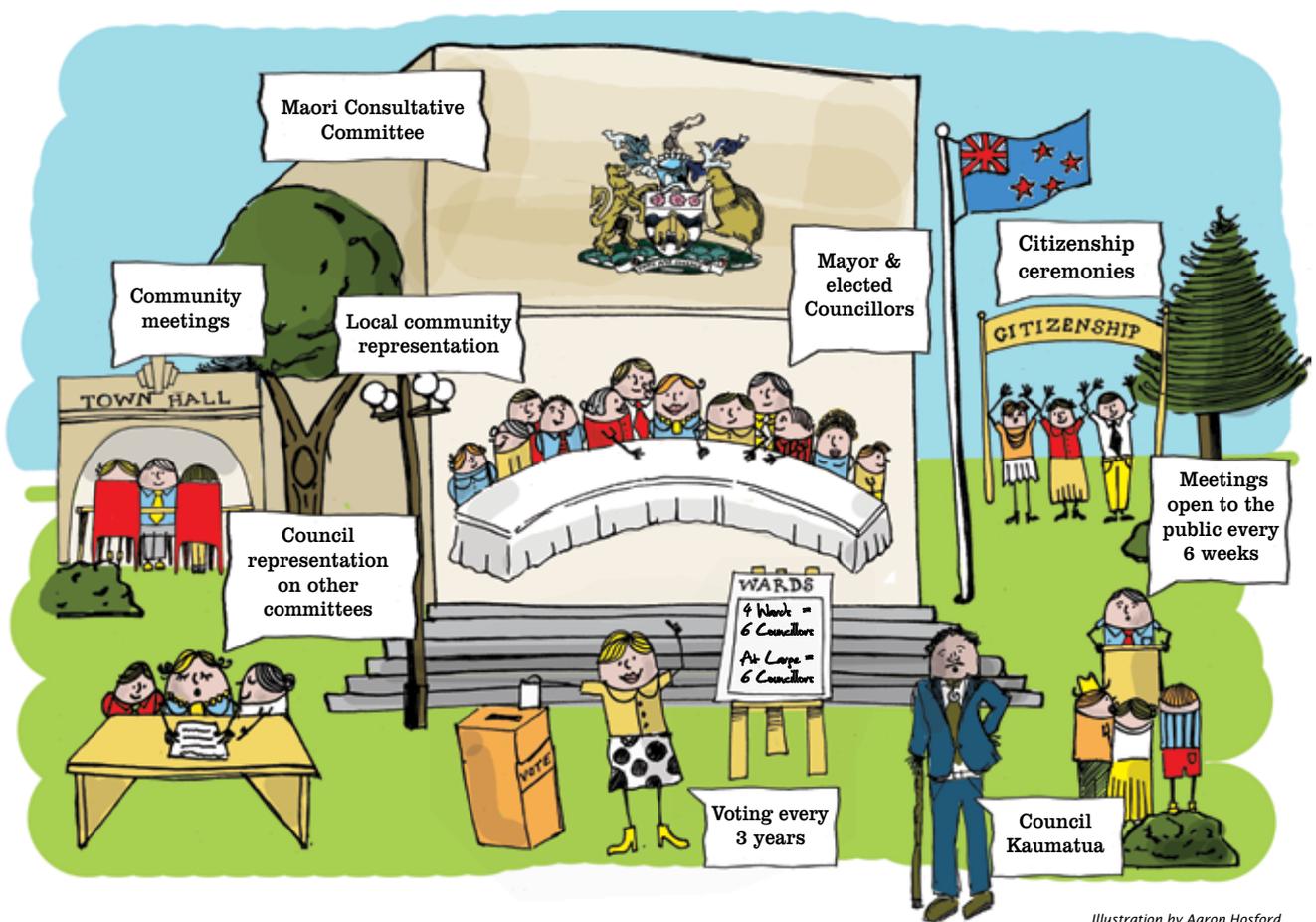
## GROUP 1 – Democracy and Governance

### Scope

#### Democracy and Governance

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

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



## Key Issues

A review of representation arrangements for the election of the Napier City Council commenced in the 2011/12 year. The proposal is to maintain the current arrangements of 6 Councillors voted at large and 6 ward Councillors for the four existing wards and no boundary changes.

## Shared Services

Council is working with Hastings District Council and Hawke's Bay Regional Council to advance collaboration and efficient shared services.

Initiatives	HBRC	WDC	NCC	HDC	CHBDC
<b>Community Services</b>					
Pettigrew Green Arena			✓	✓	
Sport Hawke's Bay	✓	✓	✓	✓	✓
Shared Library Service			✓	✓	
Pathway Development	✓		✓	✓	
Hawke's Bay Museums Trust			✓	✓	
Settlement Support Service			✓	✓	
Youth Transition Service			✓	✓	
Regional Cultural Archives	✓		✓	✓	
Road Safety Initiatives	✓	✓	✓	✓	✓
<b>Corporate Support</b>					
Joint Property Valuation Contract	✓	✓	✓	✓	✓
Joint Insurance and Energy Procurement	✓	✓	✓	✓	✓
<b>Economic</b>					
Hawke's Bay Airport Ltd			✓	✓	
Business Hawke's Bay	✓	✓	✓	✓	✓
Tourism Hawke's Bay	✓	✓	✓	✓	✓
<b>Essential Infrastructure</b>					
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
<b>Strategy and Planning</b>					
Omarunui Joint Landfill			✓	✓	
Stormwater Drainage	✓		✓	✓	
Regional Transportation Strategy	✓	✓	✓	✓	✓
Heretaunga Plains Urban Growth	✓		✓	✓	
Napier / Hastings Joint District Plan	✓		✓	✓	
Solid Waste Management Plan			✓	✓	
Regional Community Outcomes	✓	✓	✓	✓	✓
Community Outcome Monitoring	✓	✓	✓	✓	✓
Regional Strategic Coordination Group	✓	✓	✓	✓	✓
Civil Defence Group	✓	✓	✓	✓	✓
Policy Sharing	✓	✓	✓	✓	✓
Joint Alcohol Strategy			✓	✓	

## Amalgamation

Hastings District Council is leading a push for amalgamation. Napier City does not have enough information that outlines benefits for this City.

## Performance Targets For 2011/12

### Democracy and Governance

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of Council Meeting cycles.	8 cycles	8 meeting cycles were held in 2011/12 with the following number of Council and Standing Committee Meetings: Council (incl. Extraordinary) 10 City Services 8 Finance Audit & Risk 6 Major Projects 5 Regulatory 6 Maori Consultative 8 Tourism & Economic Development 6 LTCCP & Annual Plan 1
2. Percentage of residents satisfied with 'Sufficiency of Public Information Supplied' in the NRB Public Opinion Survey.	75%	The NRB Survey carried out in July 2012 showed 75% resident satisfaction with Sufficiency of Public Information Supplied: More than enough 9% Enough 66% Not enough 17% Nowhere near enough 5% Don't know / not sure 3%
3. All significant issues, as defined by the significance policy, are subject to public consultation.	Report on all consultation carried out.	Public consultation was carried out for the following in the 2011/12 year: <ul style="list-style-type: none"> <li>▪ Jervoistown Draft District Plan change.</li> <li>▪ Napier Hill Plan Change 5 - hearing held December 2011.</li> <li>▪ Te Awa Plan Change 6 hearing held January 2012.</li> <li>▪ 2012/13 to 2021/22 Ten Year Plan.</li> </ul>

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Democracy and Governance	1,910	2,049	2,041
	<b>1,910</b>	<b>2,049</b>	<b>2,041</b>
<b>Net cost of service</b>	<b>1,910</b>	<b>2,049</b>	<b>2,041</b>
<b>Capital expenditure</b>			
Democracy and Governance	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding required</b>	<b>1,910</b>	<b>2,049</b>	<b>2,041</b>
<b>Funded by:</b>			
Non-targeted rates	1,910	2,049	2,041
	<b>1,910</b>	<b>2,049</b>	<b>2,041</b>

## GROUP 2 – Recreation

### Scope

#### Sportsgrounds

- 15 sports parks (211 hectares)
- Major facilities – McLean Park Complex, Park Island, Nelson Park and Tareha Park

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

#### Napier Aquatic Centre

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

A comprehensive aquatic facility providing educational and recreational programmes, and a range of non-aquatic outdoor activities.

#### Marine Parade Pools

- 4 heated outdoor pools, 5 spa pools

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

#### Reserves

- 46 greenbelt reserves, 36 neighbourhood parks, 9 foreshore reserves and 9 public gardens

A range of passive recreation facilities providing an open space network and formal gardens of a high standard throughout the city.

#### Inner Harbour

- 95 berths

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

### Key Issues

#### Sportsgrounds

##### HB Hockey Artificial Surface

The Annual Plan provided for a \$500,000 grant to the Hawke’s Bay Artificial Surfaces Trust, funded from a special fund, to be made available once the project is underway. This was not uplifted during the 2011/12 financial year.

##### Park Island – Bond Field Extension

The project was put on hold until the Park Island Master Plan is completed. The plan will prioritise future development works at Park Island.

#### Napier Aquatic Centre

Redevelopment of the Olympic pool area into a Zero Depth Spray Park is progressing.

#### Reserves

##### Whakarire Avenue Breakwater and Westshore Beach Reprofiling

Council has a resource consent lodged with Hawke’s Bay Regional Council for a breakwater at Whakarire Avenue. This resource consent was subsequently put ‘on hold’ while a number of technical and legal issues were being addressed. The outcome of these issues may require some modifications to the resource consent application.

This project, if granted consent and constructed, would stabilise the southern end of the beach and enable subsequent reprofiling of Westshore Beach to enhance the aesthetics of the beach and make it more user friendly. The construction of the breakwater will also enable more houses to be taken out of the coastal hazard zone.

#### Inner Harbour

Budget for works carried out on the West Quay Welcoming Point were provided in past years. Unspent budget for Inner Harbour Renewals will be carried forward to the 2012/13 financial year.

## Performance Targets For 2011/12

### Sportsgrounds

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Parks and Sportsfields' in the NRB Public Opinion Survey.	92%	The NRB Survey carried out in July 2012 showed 90% resident satisfaction with Sportsfields: Very satisfied 49% Fairly satisfied 41% Not very satisfied 2% Don't know 8% (This result does not include Parks)
2. Sportsground area per 1,000 residents.	3.129 ha	3.589 ha per thousand residents for 2011/12.

### Napier Aquatic Centre

Performance Measures	2011/12 Targets	2011/12 Results
1. Napier Aquatic Centre accredited as meeting Poolsafe standards.	100%	100% compliance with Poolsafe for 2011/12.
2. Water quality adherence rate to NZ Water Treatment Standards 5826:2000	95%	100% water quality adherence rate for 2011/12.
3. Number of users.	204,000	188,577 users for 2011/12. The target was not achieved.
4. Percentage of users satisfied with 'Swimming Pools' in the NRB Public Opinion Survey.	82%	The NRB Survey carried out in July 2012 showed 68% user satisfaction with Swimming Pools: Very satisfied 23% Fairly satisfied 45% Not very satisfied 27% Don't know 5% The target was not achieved. User satisfaction has dropped since the closure of the outdoor pool.

### Marine Parade Pools

This activity is managed by an external contractor. There are no non-financial performance measures.

## Reserves

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Public Gardens and Street Beds' in the NRB Public Opinion Survey.	97%	The NRB Survey carried out in July 2012 showed 98% resident satisfaction with Public Gardens and Street Beds: Very satisfied 67% Fairly satisfied 31% Not very satisfied 1% Don't know 1%
2. Annuals propagated and planted throughout the city to achieve aesthetic appeal.	180,000	179,340 annuals for 2011/12. The target was not achieved.
3. Recreational land per residential lot.	75m <sup>2</sup>	The designation of Council's recreational land is currently under review as part of the preparation of the new Management Plan for Recreation Reserves. Until this work is completed it is not possible to accurately report against this target.

## Inner Harbour

Performance Measures	2011/12 Targets	2011/12 Results
1. Maximum time between dredges of the Inner Harbour.	4 years	Last dredging was completed February 2009. Soundings are being taken August 2012 to ascertain the need for dredging early 2013.
2. Maximum time between Depth Soundings of the Inner Harbour.	18 months	Last soundings were taken September 2011. Further soundings being taken in August 2012.
3. Number of berths provided.	95 berths (29 commercial 66 recreational)	95 berths provided during 2011/12.



*Tree planting along Bay View foreshore as part of the Greening of Napier project*

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Sportsgrounds	2,924	3,028	2,504
Napier Aquatic Centre	1,862	1,862	1,781
Marine Parade Pools	41	39	44
Reserves	2,957	2,693	2,661
Inner Harbour	222	355	198
	<b>8,006</b>	<b>7,977</b>	<b>7,188</b>
<b>Interest</b>			
Sportsgrounds	96	162	109
Napier Aquatic Centre	7	11	8
Marine Parade Pools	8	13	9
Reserves	122	389	136
Inner Harbour	18	30	20
	<b>251</b>	<b>605</b>	<b>282</b>
<b>Depreciation</b>			
Sportsgrounds	933	1,022	919
Napier Aquatic Centre	183	269	237
Marine Parade Pools	181	177	171
Reserves	283	298	255
Inner Harbour	263	108	102
	<b>1,843</b>	<b>1,874</b>	<b>1,684</b>
<b>Total operating costs</b>	<b>10,100</b>	<b>10,456</b>	<b>9,154</b>
<b>Income [1]</b>			
Sportsgrounds	(1,259)	(1,024)	(1,027)
Napier Aquatic Centre	(770)	(782)	(775)
Marine Parade Pools	(50)	(50)	(50)
Reserves	(295)	(564)	(249)
Inner Harbour	(224)	(220)	(190)
	<b>(2,598)</b>	<b>(2,640)</b>	<b>(2,291)</b>
<b>Net cost of service</b>	<b>7,502</b>	<b>7,816</b>	<b>6,863</b>
<b>Capital expenditure</b>			
Sportsgrounds	513	1,415	190
Napier Aquatic Centre	616	120	159
Reserves [2]	435	3,900	727
Inner Harbour	216	109	224
	<b>1,780</b>	<b>5,544</b>	<b>1,300</b>
<b>Funding required</b>	<b>9,282</b>	<b>13,360</b>	<b>8,163</b>
<b>Funded by:</b>			
Non-targeted rates	6,346	6,794	6,135
Loans - rates	-	170	-
Loans - growth	-	441	-
Loans - non-rates	-	2,768	-
Non-funded items	419	460	286
Special funds	2,777	3,002	2,023
Financial and capital contributions	(260)	(275)	(281)
	<b>9,282</b>	<b>13,360</b>	<b>8,163</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>[1] Group Activity income includes:</b>			
Vested assets	-	(313)	(63)
Financial and capital contributions	(264)	(366)	(193)
<b>[2] Capital expenditure</b>			
<b>Sportsgrounds</b>			
Install automatic irrigation systems	9	170	-
Park Island - Bond field extension	111	740	57
Guppy Rd sports village	86	129	-
RGC Events Centre	-	118	4
Sportsgrounds I.A.R.	7	258	87
McLean Park scoreboard	295	-	5
Sportsgrounds minor capital	5	-	36
<b>Napier Aquatic Centre</b>			
Napier Aquatic Centre I.A.R.	197	120	45
Demolish and restore Olympic pool	419	-	114
<b>Reserves</b>			
Reserves I.A.R.	172	411	270
Resurface Soundshell area	-	125	10
Reserves vested assets	-	313	63
Tree planting programme	35	65	121
Playground equipment	59	52	-
Botanical Gardens restoration	19	-	108
Whakarire Ave groyne and Westshore Beach reprofiling [3]	4	2,768	10
Planting and landscaping	116	166	63
Reserves minor capital	30	-	83
<b>Inner Harbour</b>			
Inner Harbour facilities renewals	46	109	213
West Quay welcoming point	170	-	11
	<b>1,780</b>	<b>5,544</b>	<b>1,300</b>

[3] Funding was provided in prior years.

## GROUP 3 – Social and Cultural

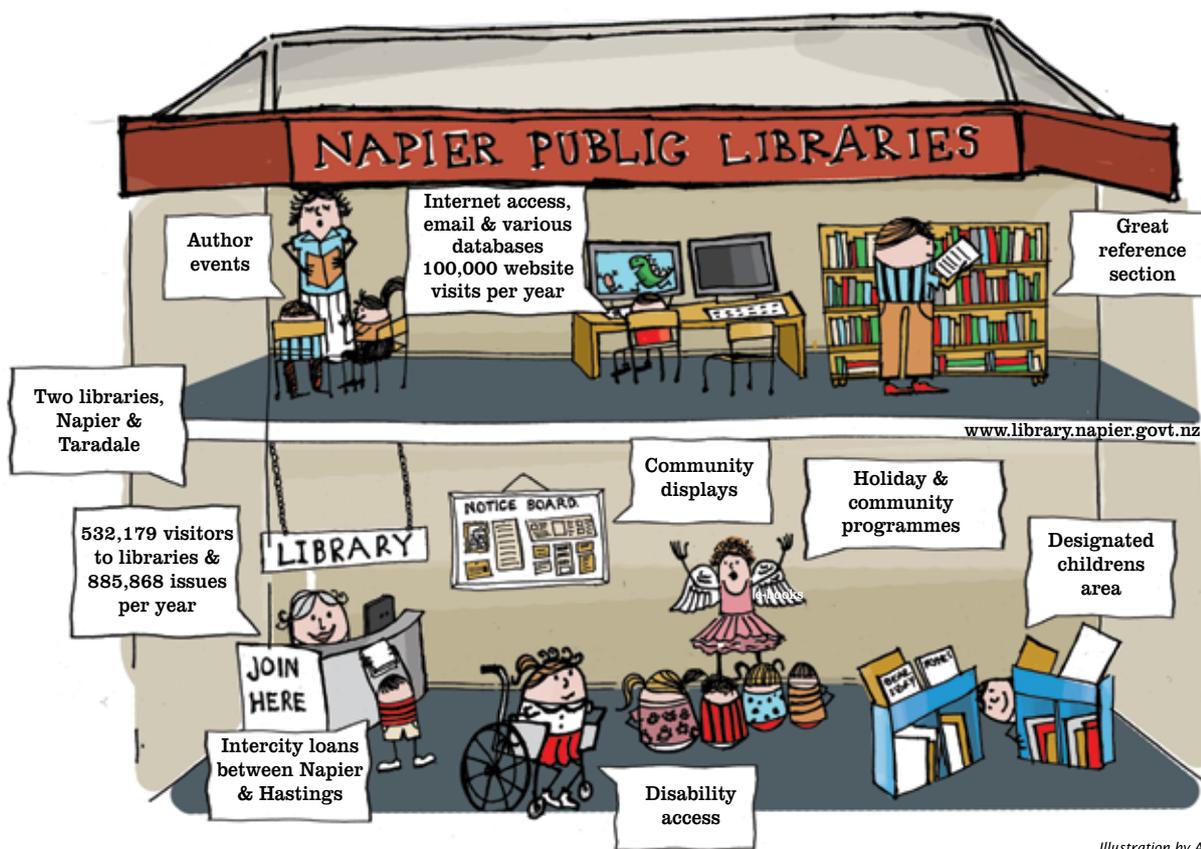


Illustration by Aaron Hosford

### Scope

#### Libraries

- 2 Libraries – Napier and Taradale
- 38,000 members

Libraries offer free-to-all services and a stimulating and pleasant environment. Services include recreational, educational, historical, genealogical, cultural and current affairs lending and reference material in multi-media formats, together with on-line facilities, reading and outreach programmes.

#### War Memorial Conference Centre

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

#### 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. The auditorium has a seating capacity of 993, and a ticketing agency is situated in the front foyer.

#### Hawke's Bay Museum and Art Gallery

Arts, cultural and museum facilities are provided by the Hawke's Bay Museum and Art Gallery, the Century Theatre/Cinema and the Faraday Centre – Technology Museum and Science Centre.

Note: The Hawke's Bay Museum and Art Gallery closed for building redevelopment on 25 July 2010.

#### Community Advice

Community facilitation, administration of community grants, youth development and Settlement Support are the main components of Community Advice. Community facilitation and grants support and encourage voluntary and community based organisations to address social issues in the City through self-help processes. Youth development supports and fosters the role of young people in our community, providing opportunities

for young people to participate and engage in decision making.

Settlement Support ensures migrants, refugees and their families access appropriate information and responsible services that are available in the wider community.

## Safer Community

The purpose of this activity is to develop community based crime prevention initiatives, promote safety in the community, and provide coordination and liaison between community groups and organisations. The Safer Napier Board, formerly the Safer Community Council, was established as a Central Government initiative (subsidised by the Ministry of Justice Crime Prevention Unit) with the aim of supporting community solutions to reduce crime and antisocial behaviour.

## Halls

- 6 casual hire facilities, 2 leased facilities

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

## Retirement and Rental Housing

- 303 retirement flats in 9 villages – all one bedroom
- 72 rental flats in 3 villages – mostly two bedrooms

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

## Cemeteries

- 6 cemeteries – 4 operational and 2 historic

Comprehensive areas for burials, ash interments, and ash scattering. The historic cemeteries have been restored to ensure the 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

- 43 toilet facilities

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

## Emergency Management

- 1 Emergency Management Operations Centre
- 9 Civil Defence Centres

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

## Key Issues

### Libraries

The changing ratio between physical and virtual products and services and the issue of ownership of Library items versus access to Library items has been identified as a major issue in 2011/12 and this will continue to be critical in the future.

### Hawke's Bay Museum and Art Gallery

The \$18 million redevelopment of the Hawke's Bay Museum and Art Gallery site is progressing well. The redevelopment is due for builder's completion March 2013. The buildings will then have the collection moved back, exhibitions and displays assembled ready for opening September 2013.

### Community Advice

Funding available through Central Government and private sources (Trusts etc.) for voluntary and community sector organisations was reduced this financial year due to a number of factors including the economic downturn and the Canterbury Earthquake rebuilding requirements. Council offered fundraising workshops that provided information on making the most of fundraising efforts, tapping into non-traditional funding sources and developing organisational fundraising plans. Just under 20 organisations participated in the workshops in 2011/12.

A CPTED assessment on the Maraenui Shopping Centre and its surrounds recommended upgrading the area

to give it better amenities and address current safety concerns. The upgrade commenced in May 2012 and will continue as funding becomes available.

### **Safer Community**

Safety remains a key concern for Napier citizens. The Safer Napier programme supports collaborative work across the following priority areas:

- Crime prevention (including family violence, youth offending, graffiti and vandalism)
- Injury prevention
- Alcohol related harm
- Road Safety

### **Retirement and Rental Housing**

The first stage of an exterior refurbishment at Greenmeadows East was carried out with 30 flats having the exterior walls repaired and roof repainted. The second stage of the project, the remaining flats and house, will commence in 2012/13. In addition, a bathroom upgrade project is underway with 36 flats at Henry Charles Terrace and Riverbend Road having new vanities and extractor fans installed.

### **Public Toilets**

The Public Toilet replacement programme provides for one large replacement every second year. Budget will be carried forward to the 2012/13 year for this replacement.

### **Emergency Management**

Due to influences beyond Council control the siren installation at the HB Airport has taken a considerable amount of time. With all Department of Conservation Concessions now approved work will commence at the beginning of August 2012.



*Skate Zone on Marine Parade from above  
(Photo courtesy Peter Scott)*

## Performance Targets For 2011/12

### Libraries

Performance Measures	2011/12 Targets	2011/12 Results
1. Library stock refreshment rate per 1,000 people.	350	450 Refreshment Rate for 2011/12.
2. Items issued per annum.	850,000	885,868 items issued for 2011/12.
3. Total visitors.	Door and Web 530,000	532,179 visitors for 2011/12.
4. Number of members who have used the libraries (based on issues).	20,000	19,335 members used the libraries, based on issues for 2011/12. The target was not achieved. The shortfall can be attributed to increasing competition from Amazon.com.
5. Each library open at least 45 hours per week.	45 hours	Both libraries open 48.5 hours each per week for 2011/12.
6. Website services available and improvement programme in place.	90,100 website visits Report on web improvements.	97,320 website visits for 2011/12. Website information is regularly updated.
7. Summer reading programmes provided.	200	177 programmes for 2011/12. The target was not achieved due to lack of appropriate staff resource.

### War Memorial Conference Centre (WMC)

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of days WMC is in use.	280	256 days in use for 2011/12. The target was not achieved due to lower activity levels and shorter bookings.
2. Number of community hires.	31	86 community hires for 2011/12. Result higher than target due to education programmes normally held at the Museum, increased Art Deco activities, increased weddings and bookings around the Rugby World Cup.
3. Number of National and International hires.	296	283 National and International hires for 2011/12. The target was not achieved due to lower activity levels.
4. Customer satisfaction rate.	94%	90% Customer satisfaction for 2011/12. (In house survey.) The target was not achieved.
5. Maintain Qualmark Venue 4 Star rating.	Rating maintained.	Rating maintained for 2011/12.
6. Days the eternal flame memorial operating.	365	364 days of a possible 366 (leap year) for 2011/12. The target was not achieved due to two days out due to power cut in November 2011.

## Napier Municipal Theatre

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of hire days for theatrical and cultural events.	162	141 hire days for 2011/12. The target was not achieved due to lack of number of shows being toured around NZ by promoters and the economic conditions.
2. Number of hire days for non-performance events e.g. conferences, meetings, exhibitions.	46	47 hire days for 2011/12.

## Hawke's Bay Museum and Art Gallery

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of workshops and educational programmes.	10	38 workshops and educational programmes for 2011/12. With the museum site being closed for redevelopment, more workshops have been carried out in the community.

**Note:** The Hawke's Bay Museum and Art Gallery closed for building redevelopment on 25 July 2010.

## Community Advice

Performance Measures	2011/12 Targets	2011/12 Results
1. Community Services and Property Grants and Community Development Funding distributed in accordance with Council policy (including follow up of funds expended).	100%	100% of Community Services Grant and Community Services Property Grants distributed for 2011/12.
2. Service Agreements and Purchase Contracts meet reporting requirements (i.e. contract requirements).	90%	100% of service agreements and purchase contracts met the reporting and contract requirements for 2011/12.
3. Number of community organisations receiving information via email four times per year.	120	121 community organisations received information per quarter for 2011/12.
4. Number of Youth forums coordinated per year.	18	19 forums coordinated for 2011/12.
5. Number of Youth alcohol and drug free events and activities.	9	17 events for 2011/12.

## Safer Community

Performance Measures	2011/12 Targets	2011/12 Results
1. Minimum number of community based crime reduction strategies supported.	4	5 community based crime reduction strategies supported for 2011/12.

## Halls

Performance Measures	2011/12 Targets	2011/12 Results
1. Total hours hired in Greenmeadows East Hall, and Memorial Square Rooms.	Greenmeadows East 1,500  Memorial Square 1,900	2011/12 hours hired: Greenmeadows East      970 Memorial Square      1,406 The targets were not achieved (see note below).
2. Customer satisfaction that the service provided meets acceptable standards.	95%	96% customer satisfaction for 2011/12. (Inhouse survey.)

**Note:** A Halls feasibility study is currently being conducted.

## Retirement and Rental Housing

Performance Measures	2011/12 Targets	2011/12 Results
1. Occupancy Retirement and Rental Flats.	97%	Occupancy rates: Retirement Flats      98% Rental Flats      99%
2. Village coordinators are available during normal working hours and on call for emergencies 24 hours/7 days.	100%	Village coordinators available 100% of the time for 2011/12.

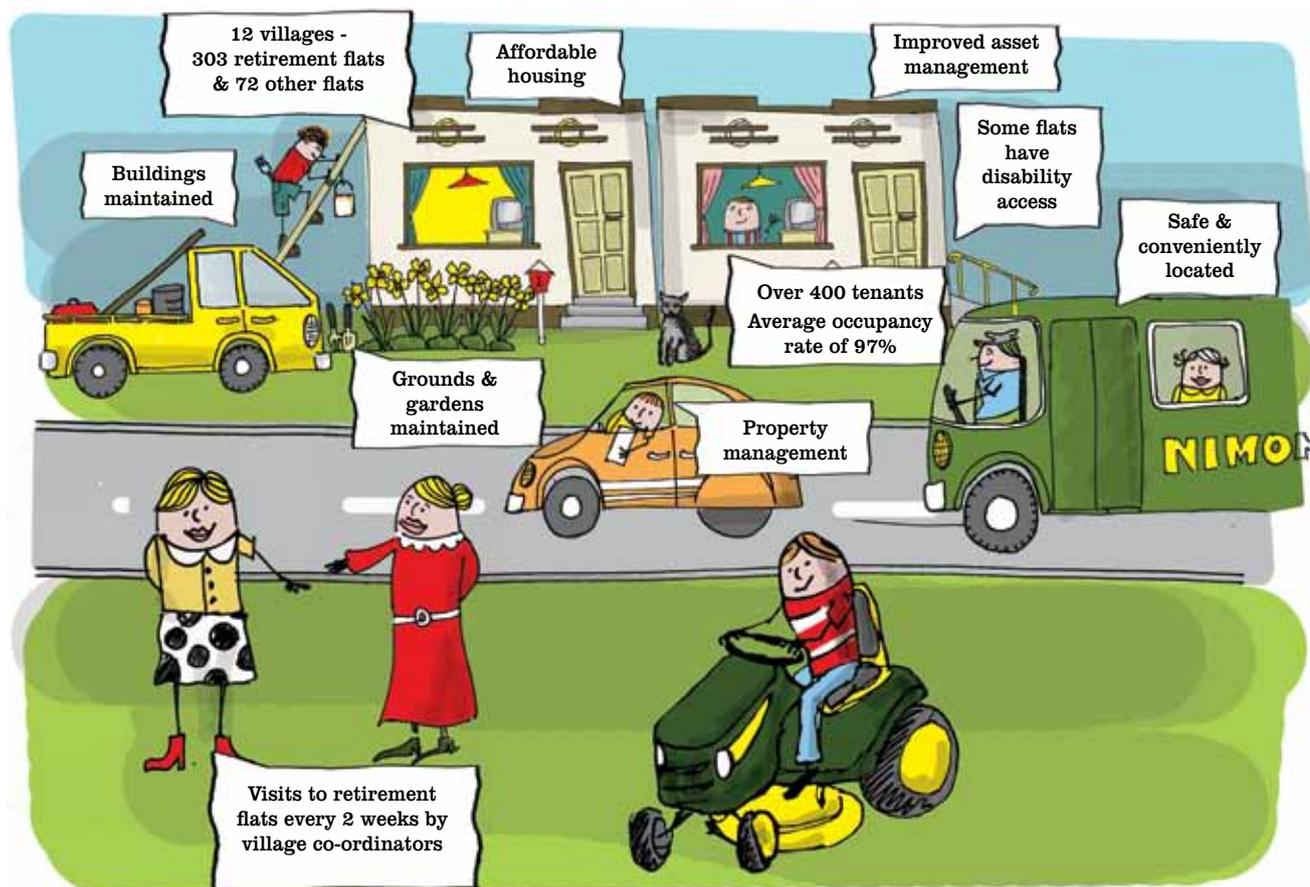


Illustration by Aaron Hosford

## Cemeteries

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Cemeteries' in the NRB Public Opinion Survey.	95%	The NRB Survey carried out in July 2012 showed 76% resident satisfaction with Cemeteries: Very satisfied 42% Fairly satisfied 34% Not very satisfied 1% Don't know 23%

## Public Toilets

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Public Toilets' in the NRB Public Opinion Survey.	80%	The NRB Survey carried out in July 2012 showed 75% resident satisfaction with Public Toilets: Very satisfied 28% Fairly satisfied 47% Not very satisfied 11% Don't know 14%
2. Toilets inspected and cleaned daily.	100%	100% of toilets were inspected and cleaned daily for 2011/12.

## Emergency Management

Performance Measures	2011/12 Targets	2011/12 Results
1. Emergency Operations Centre training activities.	30	26 training activities for 2011/12. The target was not achieved (see note below).
2. Radio Communications operative during weekly checks. <i>Note: this ensures the radios will be operative in an emergency.</i>	100%	100% operative for 2011/12.
3. Proportion of national warnings responded to within 30 minutes.	100%	100% of relevant national warnings test messages responded to within 30 minutes for 2011/12.

**Note:** The Civil Defence Volunteers are now required to complete NZQA unit standards, these courses take a lot longer to complete than in the past. This will reduce the amount of courses delivered in the year but all training is competency based and independently assessed.

Volunteers have a clear training pathway ensuring all complete NZQA unit standards and are assessed competent in all areas such as Core Knowledge, Communications and particularly Welfare. Experience in Christchurch demonstrated that training in these areas to a high standard is vital. If these teams are deployed to anywhere in the country there will be an expectation that they can deliver the service when they arrive.

Napier is confident that the Emergency Management Volunteers will respond effectively to an event, this was demonstrated in 2009 during the Napier Siege where the volunteers ran a welfare centre for 4 days ensuring the community's needs were addressed.

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Libraries	2,708	2,695	2,562
War Memorial Centre	1,158	1,378	1,133
Municipal Theatre	726	759	703
HB Museum & Art Gallery	2,335	2,178	2,990
Community Advice	1,484	1,352	1,184
Safer Community	255	212	242
Halls	211	214	197
Retirement & Rental Housing	1,434	1,435	1,234
Cemeteries	491	503	503
Public Toilets	576	670	611
Emergency Management	355	356	364
	<b>11,733</b>	<b>11,752</b>	<b>11,723</b>
<b>Interest</b>			
Libraries	10	17	12
War Memorial Centre	7	12	8
Municipal Theatre	13	22	15
HB Museum & Art Gallery	-	360	-
Community Advice	-	-	1
Halls	6	10	7
Retirement & Rental Housing	90	128	107
Cemeteries	5	8	5
Public Toilets	4	7	4
Emergency Management	1	1	1
	<b>136</b>	<b>565</b>	<b>160</b>
<b>Depreciation</b>			
Libraries	393	507	344
War Memorial Centre	146	119	120
Municipal Theatre	302	303	292
HB Museum & Art Gallery	127	130	127
Community Advice	21	3	2
Halls	55	55	53
Retirement & Rental Housing	425	534	487
Cemeteries	38	42	37
Public Toilets	57	65	56
Emergency Management	24	24	25
	<b>1,588</b>	<b>1,782</b>	<b>1,543</b>
<b>Total operating costs</b>	<b>13,457</b>	<b>14,099</b>	<b>13,426</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Income [1]</b>			
Libraries [4]	84	(288)	26
War Memorial Centre	(935)	(1,190)	(959)
Municipal Theatre	(385)	(540)	(439)
HB Museum & Art Gallery [5]	(5,825)	(7,900)	(3,389)
Community Advice	(271)	(291)	(321)
Safer Community	(79)	(50)	(171)
Halls	(55)	(70)	(57)
Retirement & Rental Housing	(2,121)	(1,987)	(2,054)
Cemeteries	(208)	(221)	(195)
Public Toilets	(13)	(14)	(13)
Emergency Management	-	-	2
	<b>(9,808)</b>	<b>(12,551)</b>	<b>(7,570)</b>
<b>Net cost of service</b>	<b>3,649</b>	<b>1,548</b>	<b>5,856</b>
<b>Capital expenditure [2]</b>			
Libraries	686	590	717
War Memorial Centre	22	18	234
Municipal Theatre	8	28	34
HB Museum & Art Gallery	5,899	15,692	842
Community Advice	49	-	126
Retirement & Rental Housing	150	104	117
Cemeteries	11	117	62
Public Toilets	60	141	17
Emergency Management	102	-	-
	<b>6,987</b>	<b>16,690</b>	<b>2,149</b>
<b>Funding required</b>	<b>10,636</b>	<b>18,238</b>	<b>8,005</b>
<b>Funded by:</b>			
Non-targeted rates	6,803	7,444	6,479
Loans - rates	-	5,000	36
Loans - growth	-	-	91
Non-funded items	970	607	879
Special funds	2,844	5,186	506
Financial and capital contributions	19	1	14
	<b>10,636</b>	<b>18,238</b>	<b>8,005</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>[1] Group Activity income includes:</b>			
Grants and fundraising	(2,850)	(5,000)	(803)
Financial and capital contributions	(32)	(45)	(23)
<b>[2] Capital expenditure</b>			
<b>Libraries</b>			
Library stock	672	590	617
Minor capital items	14	-	100
<b>War Memorial Conference Centre</b>			
Air conditioning upgrade	19	-	225
WMC minor capital	3	18	9
<b>Napier Municipal Theatre</b>			
NMT minor capital	8	28	34
<b>HB Museum &amp; Art Gallery</b>			
Museum building [3]	5,879	15,666	842
HBMAG minor capital	20	26	-
<b>Community Advice</b>			
Crime Prevention through Environmental Design	49	-	95
Other Community Advice projects	-	-	31
<b>Retirement &amp; Rental Housing</b>			
Retirement flats minor capital	119	83	71
Rental flats minor capital	31	21	46
<b>Cemeteries</b>			
Cemeteries I.A.R.	11	66	52
Western Hills Cemetery extension	-	40	-
Other Cemeteries projects	-	11	10
<b>Public Toilets</b>			
Public Toilets I.A.R.	60	105	17
New toilet programme	-	36	-
<b>Emergency Management</b>			
Emergency public warning system	92	-	-
Emergency Management minor capital	10	-	-
	<b>6,987</b>	<b>16,690</b>	<b>2,149</b>

[3] Funding was provided in prior years.

[4] Includes \$262,000 loss on revaluation of Library bookstock.

[5] The timing of grant and donation receipts for the redevelopment project have varied from the timing anticipated when the 2011/12 budget was prepared.

## GROUP 4 – City Promotion

### Scope

#### City and Business Promotion

- Business advisory and facilitation services.
- Business re-focus.
- Business start up facilitation.  
The Enterprise Unit facilitates and assists existing and new businesses in the City to develop, expand and create employment.
- “Time of Your Life” campaign.  
Council promotes Napier via the “Time of Your Life” city marketing programme – an ongoing major media advertising programme aimed at informing national and international audiences about Napier to attract migrants and visitors to Hawke’s Bay.
- Sister City relations - Tomakomai (Japan), Lianyungang (China), Victoria (Canada).

#### City Promotion Grants

- Grants to key local tourism organisations.

Art Deco is an important tourism feature of the City and Council assists the Art Deco Trust in its promotion of Art Deco in Napier by way of a contract for service. Council also provides assistance for the marketing of the Central Business District.

#### Marineland of New Zealand

Marineland has been closed to the public by decisions of Council dated 2 July 2008 and 9 December 2010.

#### National Aquarium of New Zealand

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

#### Napier i-SITE Visitor Centre

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

#### Par 2 MiniGolf

Two 18 hole themed miniature golf courses and a club house situated next to the Napier i-SITE Visitor Centre on Marine Parade providing entertainment for all ages. Services include group rates and coaching for schools, Big Day Out Programme incorporating Marine Parade Heritage Features, and corporate business house competitions.

#### Kennedy Park Top 10 Resort

Kennedy Park Top 10 Resort is one of the busiest holiday parks in New Zealand set in spacious park like surroundings. Facilities include 91 rooms, 170 powered and non-powered sites, as well as a restaurant, bar, conference facility, children’s playground, commercial laundry, service buildings, shop and a pool complex.

## Key Issues

### City and Business Promotion

#### Ahuriri/CBD Transport Link

The Annual Plan included funding for the Ahuriri/CBD Transport Link. Council resolved on 15 June 2011:

- a. That the design concept for the Ahuriri / CBD Transport Link be approved; and
- b. That the placement of an order for the two Art Deco buses with final design to be confirmed through GHD to the contractor in California be approved.

Construction of the two Art Deco buses has progressed during the financial year. The buses are due to be delivered in September 2012 and service expected to start during the summer.

### National Aquarium of New Zealand

#### Move of Marineland Penguins to National Aquarium of New Zealand

The Annual Plan included funding for the relocation of the Blue Penguins housed at Marineland to be moved to a new facility for permanent display at the National Aquarium of New Zealand. The move was originally to be completed by November 2011. Delays in commencement of the project were due to Captive Management Plans, permit applications and preparation of plans and relevant approvals. Construction is now well under way and the facility is expected to open October/November 2012.

### Kennedy Park Top 10 Resort

#### Major Capital Expenditure for 2011/12

Council allocated a budget of \$400,000 for heating and extending the swimming pool. Work on the project has commenced since 30 June 2012.



*Two Cruise ships docked at Port of Napier  
(Photo courtesy Peter Scott)*

## Performance Targets For 2011/12

### City and Business Promotion

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of Economic Monitoring reports produced.	4	5 reports for 2011/12.
2. 'Be Your Own Boss' clients served.	100	85 clients served for 2011/12. The target was not achieved due to slowing economy. This was offset by the number of business mentor requests, business focus requests and restructure/closures.
3. Percentage of residents satisfied with 'Council's Policies to Promote Job Opportunities' in the NRB Public Opinion Survey. (Excluding "Don't Know".)	80%	The NRB Survey carried out in July 2012 showed 75% resident satisfaction with Council's policies to promote job opportunities excluding "Don't Know". (52% responded "Don't Know")

### City Promotion Grants

Performance Measures	2011/12 Targets	2011/12 Results
1. Art Deco and Inner City Marketing comply with contract agreement for grants.	100%	100% compliance contract agreement for grants for 2011/12.

### National Aquarium of New Zealand

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of visitors.	96,000	107,870 visitors for 2011/12.
2. Non-standard admission numbers (includes friends revisits, functions, behind the scenes tours, diving, sleepovers and birthday parties).	8,316	10,619 non-standard admissions for 2011/12. Higher number of evening functions than anticipated with larger number of attendees.
3. Maintain ARAZPA and Qualmark visitor activity endorsements.	Endorsements maintained.	Endorsements maintained for 2011/12.
4. Average visitor satisfaction grading of the exhibits (1 to 5 where 5 is excellent).	At least 4	4+ average visitor satisfaction for 2011/12. (In house survey.)
5. Number of school children.	7,300	5,826 school children for 2011/12. The target was not achieved due to economic conditions there was a lower number of schools and therefore lower number of children.
6. Number of schools.	170	164 schools for 2011/12. The target was not achieved due to economic conditions.

### Napier i-SITE Visitor Centre

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of information packs and e-mails distributed.	7,500	8,650 information packs and e-mails distributed for 2011/12.
2. Number of visitors through the centre.	275,000	306,582 visitors for 2011/12.
3. Opening hours per days.	Minimum 8 hours per 364 days	Open for a minimum of 8 hours for 365 days in 2011/12.
4. Maintain i-SITE membership.	Membership maintained.	Membership maintained for 2011/12.

### Par 2 MiniGolf

Performance Measures	2011/12 Targets	2011/12 Results
1. Admission numbers.	40,000	39,265 admissions for 2011/12. The target was not achieved due to the impact of a wet summer season.
2. Customer satisfaction rating.	90%	93% customer satisfaction for 2011/12. (In house survey.)

### Kennedy Park Top 10 Resort

Performance Measures	2011/12 Targets	2011/12 Results
1. Overall number room nights booked.	33,000	25,534 room nights booked for 2011/12. The target was not achieved due to less visitors staying overnight because of the impact of high petrol prices, a wet summer and tight economy.
2. Percentage of users who are young children family groups.	27%	25% young children family groups for 2011/12. The target was not achieved due to less families travelling and staying overnight.
3. Maintain "Top 10" and Qualmark 5 Star Holiday Park and 4+ Star self contained and serviced ratings.	Ratings maintained.	Ratings maintained for 2011/12.

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
City and Business Promotion	564	602	561
City Promotion Grants	392	365	421
City Promotion	8	-	-
Marineland of NZ	531	538	504
National Aquarium of NZ	1,592	1,673	1,503
Napier i-SITE Visitor Centre	935	986	998
Par 2 MiniGolf	226	274	218
Kennedy Park	2,012	2,180	1,963
	<b>6,260</b>	<b>6,618</b>	<b>6,168</b>
<b>Interest</b>			
Marineland of NZ	-	-	1
National Aquarium of NZ	99	128	124
Napier i-SITE Visitor Centre	1	2	1
Par 2 MiniGolf	-	1	1
Kennedy Park	69	96	45
	<b>169</b>	<b>227</b>	<b>172</b>
<b>Depreciation</b>			
Marineland of NZ	15	24	23
National Aquarium of NZ	410	411	393
Napier i-SITE Visitor Centre	36	32	30
Par 2 MiniGolf	15	21	19
Kennedy Park	229	252	222
	<b>705</b>	<b>740</b>	<b>687</b>
<b>Total operating costs</b>	<b>7,134</b>	<b>7,585</b>	<b>7,027</b>
<b>Income [1]</b>			
City and Business Promotion	(6)	(6)	(7)
City Promotion Grants	(160)	(160)	(155)
Marineland of NZ	(20)	(9)	(19)
National Aquarium of NZ	(1,445)	(1,440)	(1,380)
Napier i-SITE Visitor Centre	(671)	(647)	(690)
Par 2 MiniGolf	(295)	(337)	(288)
Kennedy Park	(2,921)	(3,123)	(2,868)
	<b>(5,518)</b>	<b>(5,722)</b>	<b>(5,407)</b>
<b>Net cost of service</b>	<b>1,616</b>	<b>1,863</b>	<b>1,620</b>
<b>Capital expenditure [2]</b>			
City Promotion	680	1,500	95
Marineland of NZ	-	6	-
National Aquarium of NZ	390	1,046	59
Napier i-SITE Visitor Centre	31	11	37
Par 2 MiniGolf	-	6	-
Kennedy Park	261	234	272
	<b>1,362</b>	<b>2,803</b>	<b>463</b>
<b>Funding required</b>	<b>2,978</b>	<b>4,666</b>	<b>2,083</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Funded by:</b>			
Non-targeted rates	1,137	1,327	1,254
Loans - rates	-	-	-
Non-funded items	710	739	691
Special funds	1,131	2,600	138
	<b>2,978</b>	<b>4,666</b>	<b>2,083</b>
<b>[1] Group Activity income includes:</b>			
CBD contributions	(127)	(127)	(125)
Taradale promotion levy	(33)	(33)	(31)
<b>[2] Capital expenditure</b>			
<b>City Promotion</b>			
Ahuriri/CBD transportation link	680	1,500	95
<b>Marineland of NZ</b>			
Marineland minor capital	-	6	-
<b>National Aquarium of NZ (NANZ)</b>			
Move Marineland Penguins to Aquarium	290	1,000	-
NANZ minor capital	100	13	6
NANZ plant and equipment	-	33	-
Other NANZ projects	-	-	53
<b>Par 2 MiniGolf</b>			
Par 2 MiniGolf minor capital	-	6	-
<b>Napier i-SITE Visitor Centre</b>			
i-SITE minor capital items	31	11	2
i-SITE minor capital projects	-	-	35
<b>Kennedy Park</b>			
Kennedy Park renewals	65	120	160
Kennedy Park minor capital	196	114	112
	<b>1,362</b>	<b>2,803</b>	<b>463</b>

## GROUP 5 – Planning and Regulatory

### Scope

These activities are legislative requirements, with the exception of Parking Services.

### Planning Policy

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

### Regulatory Consents

Council ensures that development of the City is within the Resource Management Act 1991 and the policies of the District Plan through Regulatory Consents. This includes processing non-notified Resource Consents and Land Information Memorandum, preparing resource applications for land subdivisions and an annual environmental programme to gauge the effectiveness of Council's environmental management policies. Also covered is enforcement work to ensure compliance with Resource Consent approvals and the operative District Plans.

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

### Building Consents

The Council ensures that building development within the City is in accordance with the Building Act 2004 through the process of the Building Consents. Services include counter advisory service, processing building consent applications, providing codes of compliance and building warrants of fitness, and investigating complaints.

### Environmental Health

Council deals with the environmental problems of noise, smoke, smell and refuse pollution through its Environmental Health Services through investigation and enforcement under a range of Acts. Licences are processed and premises inspected for food premises, hairdressers, offensive trades, camping grounds, skin piercing, mobile shops, funeral directors and street occupation. Also covered is the administration of matters relating to the Sale of Liquor Act, monitoring compliance with household swimming pool regulations, and investigations and advice on environmental and any other health matters and nuisances such as vermin, pests and fire hazards.

### Animal Control

Animal Control ensures that all animals within the City are under proper control. Dogs are the primary animal and these must all be registered. Emphasis is placed on responsible dog ownership, education and classification of dogs and owners in line with the provisions of the Dog Control Act 1996.

### Parking Services

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

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

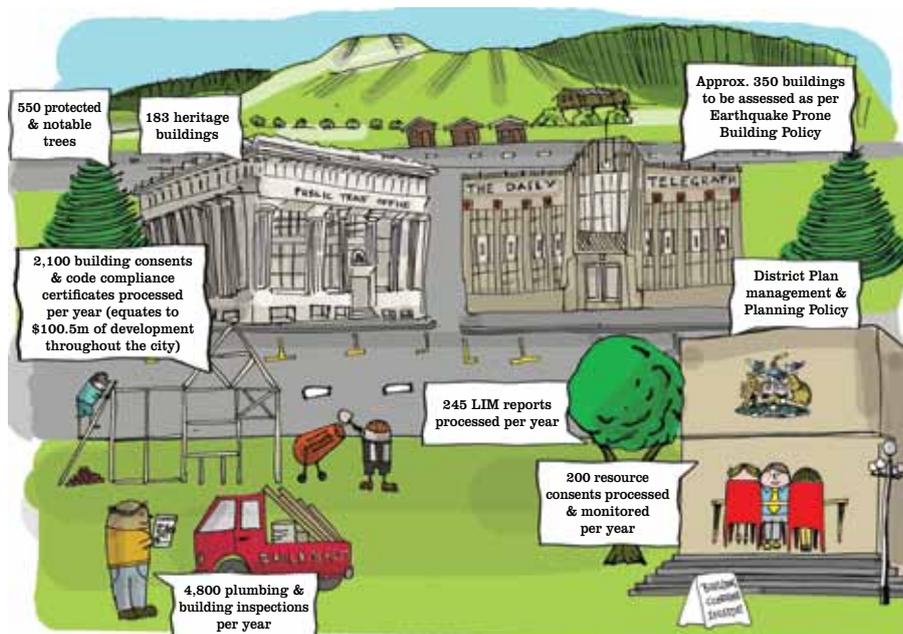


Illustration by Aaron Hosford

## Key Issues

### Planning Policy

#### Earthquake Prone Buildings

Napier City Council adopted its revised Dangerous, Earthquake Prone and Insanitary Building Policy on 16 May 2012. Within this policy every owner of a building two or more stories or a single story building with an eave height greater than four meters and classified as a place of assembly is required to submit a written assessment of the earthquake proneness of their building with twelve months of the policy becoming operative.

Heritage buildings will be assessed in the same way as other buildings but Council may vary requirements where there is an unacceptable intervention in heritage fabric or heritage value. The assessment outcomes in regard to Napier's heritage buildings is a significant concern for the owners, occupiers, Council and the wider community.

Council's detailed policy is available on the Council website [www.napier.govt.nz](http://www.napier.govt.nz).

#### Heretaunga Plains Urban Growth Study

The Heretaunga Plains Urban Growth Study was adopted on 11 August 2010. This sets a framework for growth in the Heretaunga Plains until 2045. Within this, Napier City Council and Hastings District Council will be advising of plan changes over the years to reflect the outcomes of the study.

#### Urban Design

Our Planning Department will be working hard to ensure the City remains the great place it is today with an emphasis on human needs, green spaces and the aesthetics of our City. Specific consultation will occur throughout the life of the plan. Many residents have asked for more trees in the City and the Greening Project continues to fund both the trees and the expertise to put them in the right place.

#### Sustainability

Sustainability for Napier and all its residents is about enduring value in whatever the City is doing. Vigilance and consistency needs to be applied to all our service and capital works so that we get value for money - just a few examples of this being programmes for the provision of low wattage bulbs, recycling and education regarding water usage and waste minimization. Intergenerational funding (drawing funds across generations for capital projects that will benefit many generations) has long had success in Napier and Council continues to apply these values when choosing funding options for significant capital works.

#### Climate Change

Napier is a coastal city with a port that is integral to the region's economy. We are vitally interested in the evolving science of climate change, as much of our important infrastructure would be affected if the sea level rises. The airport, our residential developments and stormwater disposal methods are all impacted by changes in our climate. As information improves, the Council will continually review operations and policy in this important area.

### Environmental Health

The current review of food safety legislation and the introduction of voluntary food control plans has placed additional demand on Environmental Health staff.

### Animal Control

Identification of unregistered dogs has been a major focus for Animal Control in the 2011/12 year. This has resulted in record numbers of registrations and a large number of infringement notices to non-compliant owners. The aim is to minimise the cost of registration to compliant owners.

#### Major Capital Expenditure for 2011/12

Several projects were initiated to upgrade the Dog Pound to comply with the new Animal Welfare (Dogs) Code of Welfare and increase on site security and safety measures for staff.

### Parking Services

Income from the new Taradale parking precinct was close to predicted budget (\$220,000 budget, \$207,000 actual). A reduction of paid parking hours in Symons Lane contributed to the shortfall.

A change in the format of infringement notices by Central Government may necessitate a review of Council's infringement notice issuing hardware.

#### CBD Parking Building

Work was initiated on developing the footprint of final area needed to develop the CBD parking building. Given the current economic climate and the current usage levels for inner city parking a conservative approach has been taken by developing ground level parking only at this point. This project is under on-going review to ensure supply meets demand but does not overreach it.

## Performance Targets For 2011/12

### Planning Policy

Performance Measures	2011/12 Targets	2011/12 Results
<p>1. Ensure the integrity of the District Plan is maintained through strategic reviews.</p>	<p>Report on progress.</p>	<ul style="list-style-type: none"> <li>▪ The joint Heretaunga Plains Urban Growth Study (NCC, HDC and HBRC) has now been adopted by all the participating Council's and an implementation committee has been established with an agreed terms of reference. Work is ongoing.</li> <li>▪ Phase 1 &amp; 2 of the strategy "Greening Napier: A Framework for Street &amp; Pathway Greening Initiatives", have been completed. Planning for Phase 3 is underway with Wellesley Rd, McGrath St and Carlyle St being the main focus for this year's planting season.</li> <li>▪ A district plan harmonisation project is underway between NCC and HDC with the aim of harmonising plan provisions where practicable while retaining a place based planning approach within the district plans. A consultant with expertise in noise has been engaged to review all relevant noise provisions in both district plans and to make recommendations on ways to improve these. Regular meetings are also being held between officers of both the HDC and NCC to establish areas where District Plan provisions may be harmonised. Work is ongoing.</li> <li>▪ A scoping study has been initiated to review the appropriate permitted baseline for various land use activities applying within the Rural Environments. Consideration is being given as to the suitability of adopting plan provisions that are consistent with the recently amended provisions of the Hastings District Plan.</li> <li>▪ Following completion of the CPTED assessment on all residential walkways (to identify any problems and determine whether these can be overcome through physical works or redesign) a review is underway as to the appropriate changes to the District Plan necessary in order to provide clarity on the process and policy to be followed when stopping public walkways. The plan change will be notified for submissions shortly.</li> <li>▪ A report has been sent through to Council recommending that a plan change be initiated to update zonings to recognise approved subdivisions comprising 60 properties in 3 distinct areas that allow uses on them that would not otherwise be permitted by the underlying zone.</li> </ul>

<p>2. Manage District Plan modifications within legal requirements.</p>	<p>Report on progress.</p>	<ul style="list-style-type: none"> <li>▪ Hearings have been held in relation to submissions for PM1 &amp; PM2 (LFR Zone and Business Park), decisions issued with no appeals being received. Due to substantial additional modelling work that was required post submission period however, these plan changes were not processed within the statutory time frames.</li> <li>▪ Decisions on submissions on the review of multi-unit developments and subdivision standards on Napier Hill have been issued within the statutory time frames. An appeal on those decisions has now been received.</li> <li>▪ A hearing has been held in relation to submissions received in relation to the preferred Structure Plan for the Te Awa rezoning proposal along with a NOR for designations for critical infrastructure by independent commissioners. The recommendations of the independent commissioners have been referred to Council for confirmation of the recommendations and the recommendations have been adopted as decisions of Council without amendment. The Te Awa rezoning and structure plan was processed within the statutory time frames, however technically the NOR for designations was not, but being Council initiatives that are integrally associated with the rezoning itself were intentionally held back so that the rezoning and the NOR for designations could be heard at the same time and considered holistically. The appeal period on the decisions is currently open.</li> <li>▪ A plan change for Jervoistown has been publicly notified in line with Council recommendations following consideration of comments lodged on the Draft Plan Change and the submission period has now closed.</li> </ul>
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### Regulatory Consents

Performance Measures	2011/12 Targets	2011/12 Results
<p>1. Process non-notified resource consents and all subdivision consents to approval stage, within the statutory time frame of 20 working days.</p>	<p>100%</p>	<p>97% non-notified resource consents processed within 20 working days (166 out of 172, with an average processing time of 8.44 working days) for 2011/12. The target was not achieved.</p>
<p>2. Process notified consents within the statutory time frame of 70 working days.</p>	<p>100%</p>	<p>50% notified resource consents processed within 70 working days (1 out of 2) for 2011/12. The target was not achieved due to the complexity of the application and also due to some statutory time frames which were exceeded.</p>
<p>3. Land Information Memorandums to be processed within the statutory time frame of 10 working days.</p>	<p>100%</p>	<p>99.6% Land Information Memorandums processed within 10 working days (244 out of 245, with an average of processing time of 4 working days) for 2011/12. The target was not achieved.</p>
<p>4. Response rate to complaints.</p>	<p>All urgent complaints investigated within 3 days.</p>	<p>A total of 21 complaints were received and 100% were investigated within 3 days for 2011/12.</p>

## Building Consents

Performance Measures	2011/12 Targets	2011/12 Results
1. Process building consents within the statutory time frame of 20 working days.	100%	99.82% processed within 20 working days (1,102 out of 1,104). The target was not achieved.
2. Process Code Compliance Certificates within the statutory time frame of 20 working days.	100%	91.8% processed within 20 working days (908 out of 988). The target was not achieved.
3. Audit 20% of all buildings requiring building warrants of fitness registered from owners of buildings, subject to code of compliance schedule.	20%	22.85% audited for 2011/12 (165 out of 722).
4. Maintain Building Consent Authority (BCA) and International Organisation for Standardisation (ISO).	Accreditations maintained.	Accreditations maintained.

## Environmental Health

Performance Measures	2011/12 Targets	2011/12 Results
1. Proportion of all food premises inspected twice per year (including re-checking) and non-food premises inspected once per year.	100%	100% inspected for 2011/12.
2. Number of water samples taken compared to number of the National Standard.	165%	194.8% for 2011/12. A higher number of samples were undertaken to address potentially non-conforming results and ensure water was compliant.
3. Requests for swimming pool fencing inspections initiated within 10 working days.	100%	100% inspections initiated within 10 working days for 2011/12.
4. Percentage of residents satisfied with 'Noise Control' in the NRB Public Opinion Survey.	80%	The NRB Survey carried out in July 2012 showed 86% resident satisfaction with Noise Control: Very satisfied                    32% Fairly satisfied                    54% Not very satisfied                7% Don't know                         7%

## Animal Control

Performance Measures	2011/12 Targets	2011/12 Results								
1. Complaint investigations initiated within 5 working days.	100%	99.44% complaints investigated within 5 working days for 2011/12. The target was not achieved.								
2. Number of licensed dog owners (to become licensed an owner must demonstrate that they are responsible).	18%	23.46% of dog owners licensed for 2011/12. (1,314 licenced dog owners.)								
3. Percentage of residents satisfied with 'Animal Control' in the NRB Public Opinion Survey.	75%	The NRB Survey carried out in July 2012 showed 85% resident satisfaction with Animal Control: <table border="0"> <tr> <td>Very satisfied</td> <td>28%</td> </tr> <tr> <td>Fairly satisfied</td> <td>57%</td> </tr> <tr> <td>Not very satisfied</td> <td>12%</td> </tr> <tr> <td>Don't know</td> <td>3%</td> </tr> </table>	Very satisfied	28%	Fairly satisfied	57%	Not very satisfied	12%	Don't know	3%
Very satisfied	28%									
Fairly satisfied	57%									
Not very satisfied	12%									
Don't know	3%									

## Parking Services

Performance Measures	2011/12 Targets	2011/12 Results								
1. CBD parking occupancy rate (off street and on street).	Range 50-85% *	64% on street, 46% off street for 2011/12. 58.1% total average occupancy for 2011/12. Assessed annually.								
2. Taradale parking occupancy rate (off street and on street).	Range 50-85% *	62.5% on street, 44.6% off street for 2011/12. 55.3% total average occupancy for 2011/12. Assessed annually.								
3. Percentage of residents satisfied with 'Parking in the Inner City' in the NRB Public Opinion Survey.	60%	The NRB Survey carried out in July 2012 showed 75% resident satisfaction with Parking in the Inner City: <table border="0"> <tr> <td>Very satisfied</td> <td>20%</td> </tr> <tr> <td>Fairly satisfied</td> <td>55%</td> </tr> <tr> <td>Not very satisfied</td> <td>21%</td> </tr> <tr> <td>Don't know</td> <td>4%</td> </tr> </table>	Very satisfied	20%	Fairly satisfied	55%	Not very satisfied	21%	Don't know	4%
Very satisfied	20%									
Fairly satisfied	55%									
Not very satisfied	21%									
Don't know	4%									
4. Percentage of residents satisfied with 'Parking in the Suburbs' in the NRB Customer Satisfaction Survey.	80% **	The NRB Survey carried out in July 2012 showed 67% resident satisfaction with Parking in the Suburbs: <table border="0"> <tr> <td>Very satisfied</td> <td>26%</td> </tr> <tr> <td>Fairly satisfied</td> <td>41%</td> </tr> <tr> <td>Not very satisfied</td> <td>24%</td> </tr> <tr> <td>Don't know</td> <td>9%</td> </tr> </table>	Very satisfied	26%	Fairly satisfied	41%	Not very satisfied	24%	Don't know	9%
Very satisfied	26%									
Fairly satisfied	41%									
Not very satisfied	24%									
Don't know	9%									

\* The Range specified above is consistent with good parking practice nationally. In any area maintaining the balance between sufficient use (which provides income) and not overloading an area (which would cause frustration) is important. Accordingly, a single figure target is not appropriate for this work.

\*\* The satisfaction with parking in the suburbs has been adversely affected by the introduction of meters in Taradale. The target has been adjusted in the Ten Year Plan to 75% for future years.

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Planning Policy	674	648	653
Regulatory Consents	939	1,040	849
Building Consents	1,281	1,274	1,161
Environmental Health	542	547	560
Animal Control	659	614	625
Parking Services	1,220	1,301	1,189
	<b>5,315</b>	<b>5,424</b>	<b>5,037</b>
<b>Interest</b>			
Planning Policy	1	2	1
Building Consents	-	1	1
Animal Control	-	11	11
Parking Services	123	188	79
	<b>124</b>	<b>202</b>	<b>92</b>
<b>Depreciation</b>			
Planning Policy	2	-	2
Building Consents	-	3	-
Environmental Health	1	1	1
Animal Control	13	11	11
Parking Services	170	395	131
	<b>186</b>	<b>410</b>	<b>145</b>
<b>Total operating costs</b>	<b>5,625</b>	<b>6,036</b>	<b>5,274</b>
<b>Income</b>			
Planning Policy	-	(5)	(11)
Regulatory Consents	(270)	(399)	(283)
Building Consents	(866)	(889)	(892)
Environmental Health	(230)	(222)	(227)
Animal Control	(644)	(507)	(573)
Parking Services	(2,232)	(2,689)	(2,515)
	<b>(4,242)</b>	<b>(4,711)</b>	<b>(4,501)</b>
<b>Net cost of service</b>	<b>1,383</b>	<b>1,325</b>	<b>773</b>
<b>Capital expenditure [1]</b>			
Building Consents	15	-	-
Animal Control	72	-	36
Parking Services	246	6,557	107
	<b>333</b>	<b>6,557</b>	<b>143</b>
<b>Funding required</b>	<b>1,716</b>	<b>7,882</b>	<b>916</b>
<b>Funded by:</b>			
Non-targeted rates	2,227	2,181	1,902
Non-funded items	507	-	141
Special funds	(1,018)	5,701	(1,127)
	<b>1,716</b>	<b>7,882</b>	<b>916</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>[1] Capital expenditure</b>			
<b>Building Consents</b>			
Property Information Electronic Data Management	15	-	-
<b>Animal Control</b>			
Minor capital items	72	-	36
<b>Parking Services</b>			
CBD parking building	55	6,432	-
Alternate transport parking	104	-	3
Minor capital items	3	21	-
Parking equipment replacement	84	104	26
Add/replace meter/pay and display machines	-	-	78
	<b>333</b>	<b>6,557</b>	<b>143</b>

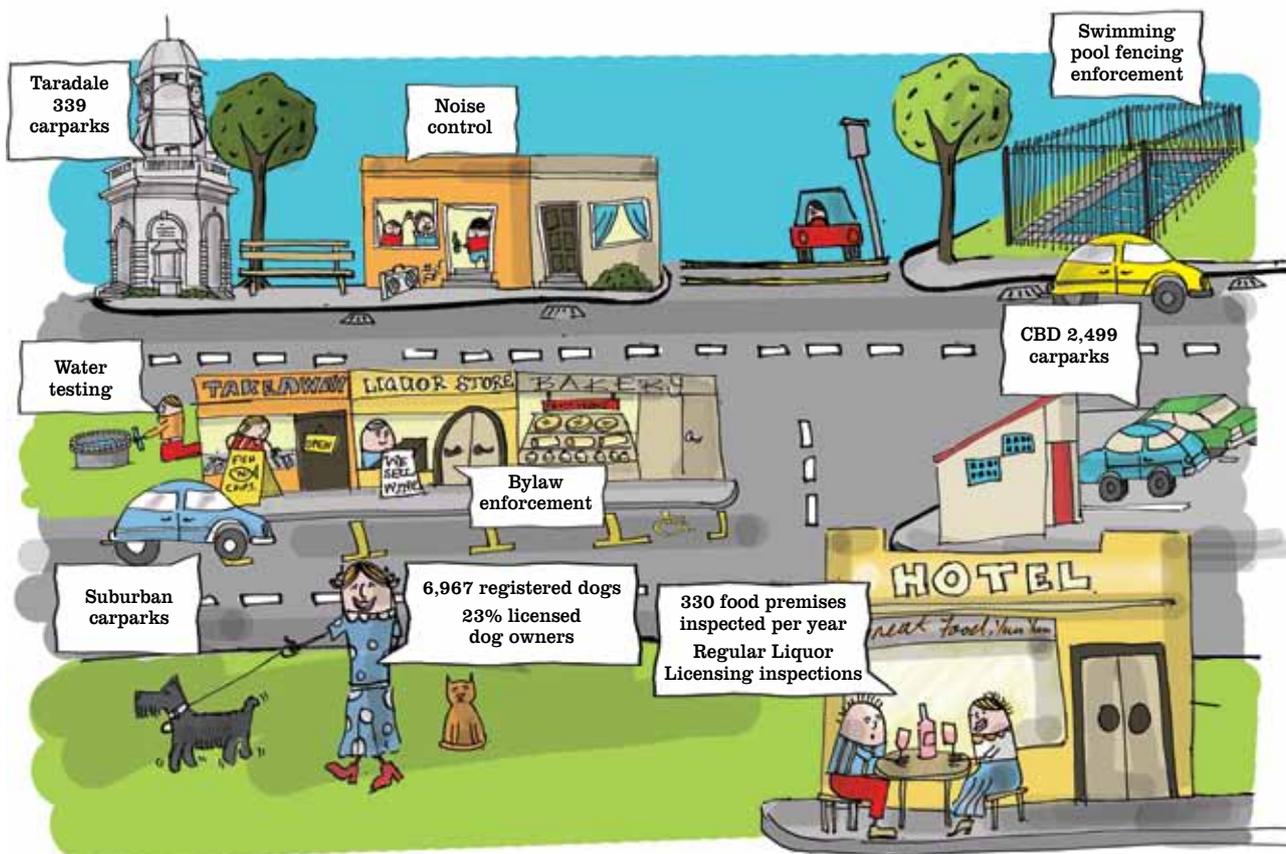


Illustration by Aaron Hosford

## GROUP 6 – Roothing

### Scope

#### Roothing

- 363km of roads (100% sealed)
- 306km urban standard roads (approx. 10% not constructed to Council's current urban standards)
- 57km rural roads (70% requiring widening to cope with current traffic volumes)
- 46.4km state highways
- 5,441 sumps and manholes to be cleaned
- 480km of kerb and channel to be swept

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

### Key Issues

#### Roothing

##### Roothing Projects

Key works for 2011/12:

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

Roothing Capital Projects (Bulk Funded):

- Ongoing projects throughout the City. Work during 2011/12 included Golding Road reconstruction, Puketapu Road, Hill Road, Park Road, and Stafford Street.

Transportation Proposals:

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

Prebensen Drive Four Laning:

- Council's share of the funding for this has been carried forward from past plans. NZTA has not as yet approved the subsidy for this project.

Cycleway Projects:

- Water Trail Pathway joining Ahuriri and Bay View. Plantation Drain cycleway, Prebensen Drive linkages and various short sections of path to provide improved connectivity with the overall cycling network have also been completed.

##### Reduced NZTA Funding

As a result of the Government's revised targets for the Land Transport Programme, subsidy levels for maintenance and renewal works for the three years from 2009/10 to 2011/12 were reduced by approximately 10%. The Council decided to "fund" the shortfall in the 2009/10 year from outturn surplus from the 2008/09 year so there was no impact on the level of service in that year. For 2010/11 and 2011/12 careful reprioritisation of works, particularly between renewal and maintenance, has been required to minimise any adverse affect of this shortfall in funding.

##### Increase in Mass and Dimensions for Trucks

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

## Performance Targets For 2011/12

### Roading

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Footpaths' in the NRB Public Opinion Survey.	82%	The NRB Survey carried out in July 2012 showed 88% resident satisfaction with Footpaths: Very satisfied 32% Fairly satisfied 56% Not very satisfied 12% Don't know 0%
2. Percentage of residents satisfied with 'Roads' in the NRB Public Opinion Survey.	87%	The NRB Survey carried out in July 2012 showed 94% resident satisfaction with Roads: Very satisfied 32% Fairly satisfied 62% Not very satisfied 5% Don't know 1%
3. Average roughness of sealed roads. (NAASRA - National Association of Australian State Road Authorities Ratings: 70 considered smooth, 150 considered rough.)	Less than 100 NAASRA	100.4 NAASRA counts per km for 2011/12.
4. Number of injury crashes in Napier City.	Reduce by 4% on previous year (2010/11 actual = 149)	135 injury crashes. This is a 9% reduction. Note: crash statistics are published for the calendar year.

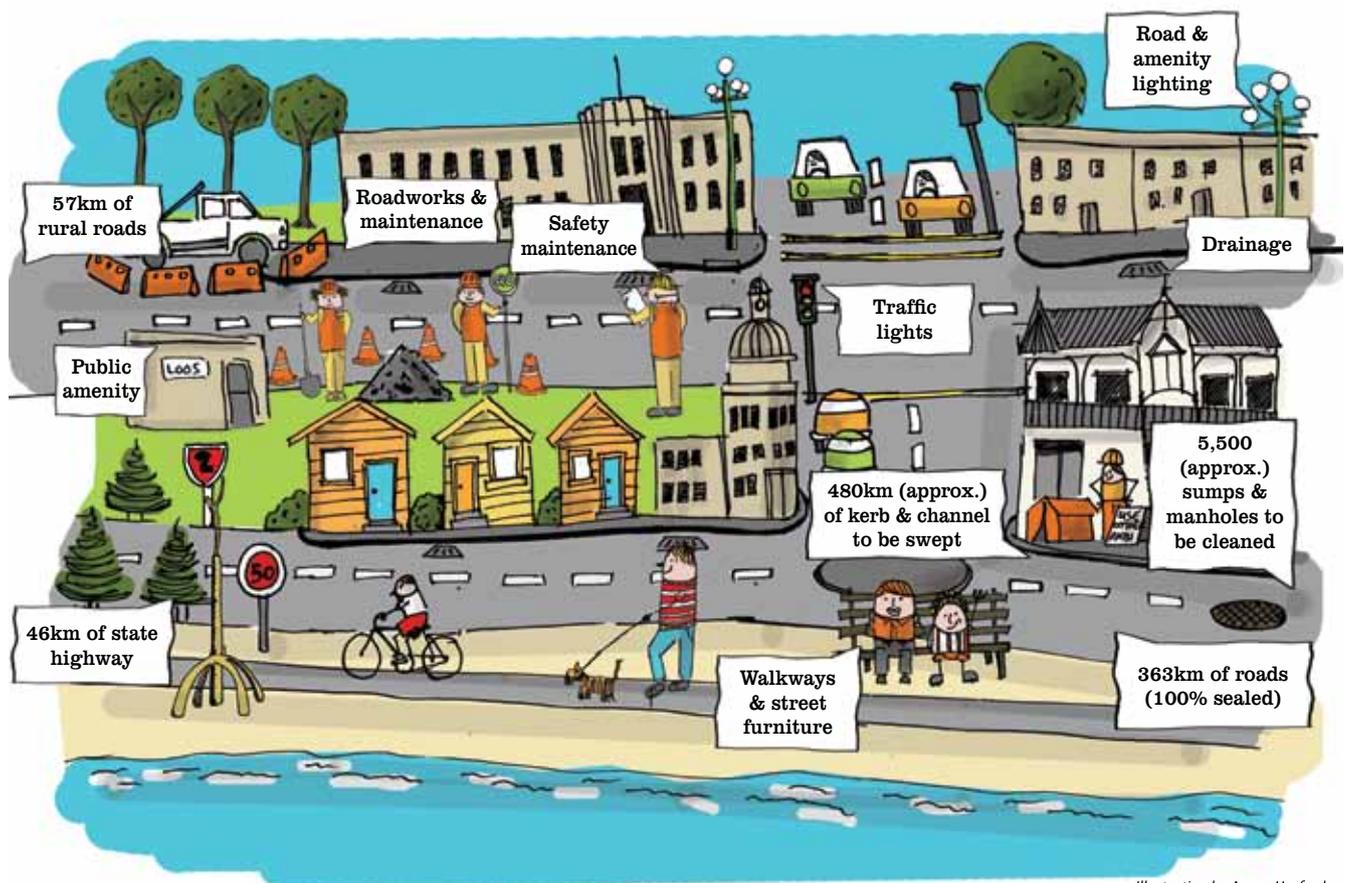


Illustration by Aaron Hosford

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Roading	7,056	6,379	6,129
	<b>7,056</b>	<b>6,379</b>	<b>6,129</b>
<b>Interest</b>			
Roading	785	1,309	924
	<b>785</b>	<b>1,309</b>	<b>924</b>
<b>Depreciation</b>			
Roading	6,902	8,842	7,733
	<b>6,902</b>	<b>8,842</b>	<b>7,733</b>
<b>Total operating costs</b>	<b>14,743</b>	<b>16,530</b>	<b>14,786</b>
<b>Income [1]</b>			
Roading	(6,676)	(8,997)	(4,794)
	<b>(6,676)</b>	<b>(8,997)</b>	<b>(4,794)</b>
<b>Net cost of service</b>	<b>8,067</b>	<b>7,533</b>	<b>9,992</b>
<b>Capital expenditure</b>			
Roading	8,774	12,653	7,055
	<b>8,774</b>	<b>12,653</b>	<b>7,055</b>
<b>Funding required</b>	<b>16,841</b>	<b>20,186</b>	<b>17,047</b>
<b>Funded by:</b>			
Non-targeted rates	9,745	10,775	9,067
Loans - rates	113	194	-
Loans - non-rates	-	-	1,225
Non-funded items	2,351	1,478	1,237
Special funds	5,961	7,258	7,041
Financial and capital contributions	(1,329)	481	(1,523)
	<b>16,841</b>	<b>20,186</b>	<b>17,047</b>
<b>[1] Group Activity income includes:</b>			
Targeted rates	(163)	(163)	(163)
Vested assets	(1,422)	(4,037)	(393)
NZTA subsidies	(3,922)	(3,228)	(3,065)
Petrol tax	(380)	(385)	(398)
Financial and capital contributions	(917)	(1,147)	(727)
Miscellaneous income	128	(37)	(48)

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>[2] Capital expenditure</b>			
<b>Roading</b>			
Roading I.A.R.	4,356	4,098	2,769
Roading gifted vested assets	1,422	4,037	393
Roading capital projects (bulk funded)	1,062	1,822	1,045
Pandora developments	81	-	1
CBD development	666	-	1
Taradale traffic projects	195	-	-
Cycleway projects	325	-	208
Transportation proposals	23	2,283	42
Transport study projects	177	413	48
Prebensen Drive 4 laning	84	-	1,229
Roading minor capital	383	-	75
Taradale town centre upgrade	-	-	1,244
	<b>8,774</b>	<b>12,653</b>	<b>7,055</b>



*Redevelopment of Hastings St from above  
(Photo courtesy Peter Scott)*

## GROUP 7 – Water and Wastes

### Scope

#### Solid Waste

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

- Residential Properties – once per week
- Commercial / Suburban Shops – twice per week
- Commercial / Central Business District – three times per week

A kerbside recycling service for residential properties is provided fortnightly. Litter bins and drums are located throughout the City and serviced on a daily basis. Council's Refuse Transfer Station at Redclyffe accepts most domestic, garden and building waste. In 2011/12 Napier disposed 15,500 tonnes of refuse at the landfill from domestic collection, kerbside recycling, litter collection and the transfer station. Omarunui Landfill is the final disposal point for waste generated by the combined populations of Napier City and Hastings District. It is jointly owned by both the Napier City and Hastings District Councils and is managed on a day to day basis by the Hastings District Council.

#### Stormwater

- 216km stormwater mains
- 58km open drains
- 13 pump stations (Napier City Council and Hawke's Bay Regional Council managed)

Council provides and maintains a stormwater disposal system for the 13 separate drainage areas or catchments in the City 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.

#### Wastewater

- 40 pump stations
- 365km wastewater mains
- Milliscreen plant (Awatoto)
- 1,607m marine outfall
- 93% of Napier's population serviced by reticulation system

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

#### Water Supply

- 9.8 million m<sup>3</sup> water consumed annually
- 10 wells
- 10 ground water and 8 booster pump stations
- 8 reservoir sites
- 30 million litres storage facilities
- 463km mains
- 95.5% of Napier's population serviced by reticulation system

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

## Key Issues

### Solid Waste

In 2007 a target was set to increase the percentage of solid waste diverted from landfill from 15% in 2007 to 25% by 2012. Napier residents are embracing waste minimization and especially recycling, and tonnages diverted are increasing while tonnages delivered to landfill by the community are declining. The result is that Napier reached the targeted 25% by mid 2009, and currently the diversion rate averages 33%.

The Waste Minimization Education programme, Waste Aware, has been trialled successfully and its popularity is increasing with local schools. The Waste Aware programme is being integrated with other education programmes delivered through the National Aquarium of NZ.

Reductions in volumes of waste and increases to costs, in particular landfill costs, have significantly impacted on the cost of operating the Redclyffe Transfer Station. During the current year a second weighbridge was installed at Redclyffe to ensure that customers are charged fairly for the waste they drop off. The cost increases however are significant and despite these measures increases in charges are required for the 2012/13 year.

The Solid Waste Bylaw was reviewed in 2012. The Green Waste Transitional Provision was removed and two clauses were added to allow Council to better manage refuse from multi-unit developments.

Development on Valley D was under spent due to a particularly wet summer last year. This delayed construction of the liner, which is scheduled for the summer of 2012/13.

Development of Valleys B and C is awaiting a full report from the consultant in regards to options.

### Stormwater

73% of our stormwater is pumped over the lip of our Napier basin to the sea. Two issues are putting demand on our current system:

1. Changing climate patterns mean we are experiencing 'rain bombs'. We have had three in the last eight years which in their isolated areas (two in Taradale/Greenmeadows, one in the CBD) overwhelm the system by the ferocity of the downpour in a short space of time; and
2. Growth in the city, with people living on smaller sections with more sealed areas and less lawn and garden.

\$1.2 million is budgeted annually for stormwater upgrades.

Council has identified specific major stormwater projects in the CBD and Taradale areas to address flooding problems experienced in recent years as a result of severe weather conditions. The combined projects are estimated at \$10 million. The bulk of the works will be carried out in 2012 to 2015.

### Wastewater

An additional \$6.4 million has been provided for the Biological Trickling Filter (BTF) Treatment Plant. This is additional to funding already provided for the Advanced Primary Treatment Plant. The total cost of implementing this project is \$32 million. Funding of \$26.3 million has been provided in previous years.

An application for resource consent to discharge wastewater treated in a Biological Trickling Filter (BTF) Treatment Plant was lodged with the Hawke's Bay Regional Council in December 2009 and resource consent application was granted in November 2011. One appeal was received which was disallowed by the Environment Court because it was received late. An appeal to the Environment Court's decision was subsequently lodged with the High Court. A hearing has not been held at year end.

The Milliscreen was shut down from 26 March to 5 June 2012 for major repairs and modifications.

### Water Supply

The Heretaunga Plains Aquifer allows us to supply high quality water to your homes free of any additives. Water is not an infinite resource though, factors such as climate change have an impact on managing our water supply. Continued restraint in the use of water in summer will keep our reservoirs replenished, so keep it up.

The new Awatoto Well and the Awatoto Water Trunk Main have been rescheduled to 2013/14 pending other water related activities required as a prerequisite for these projects.

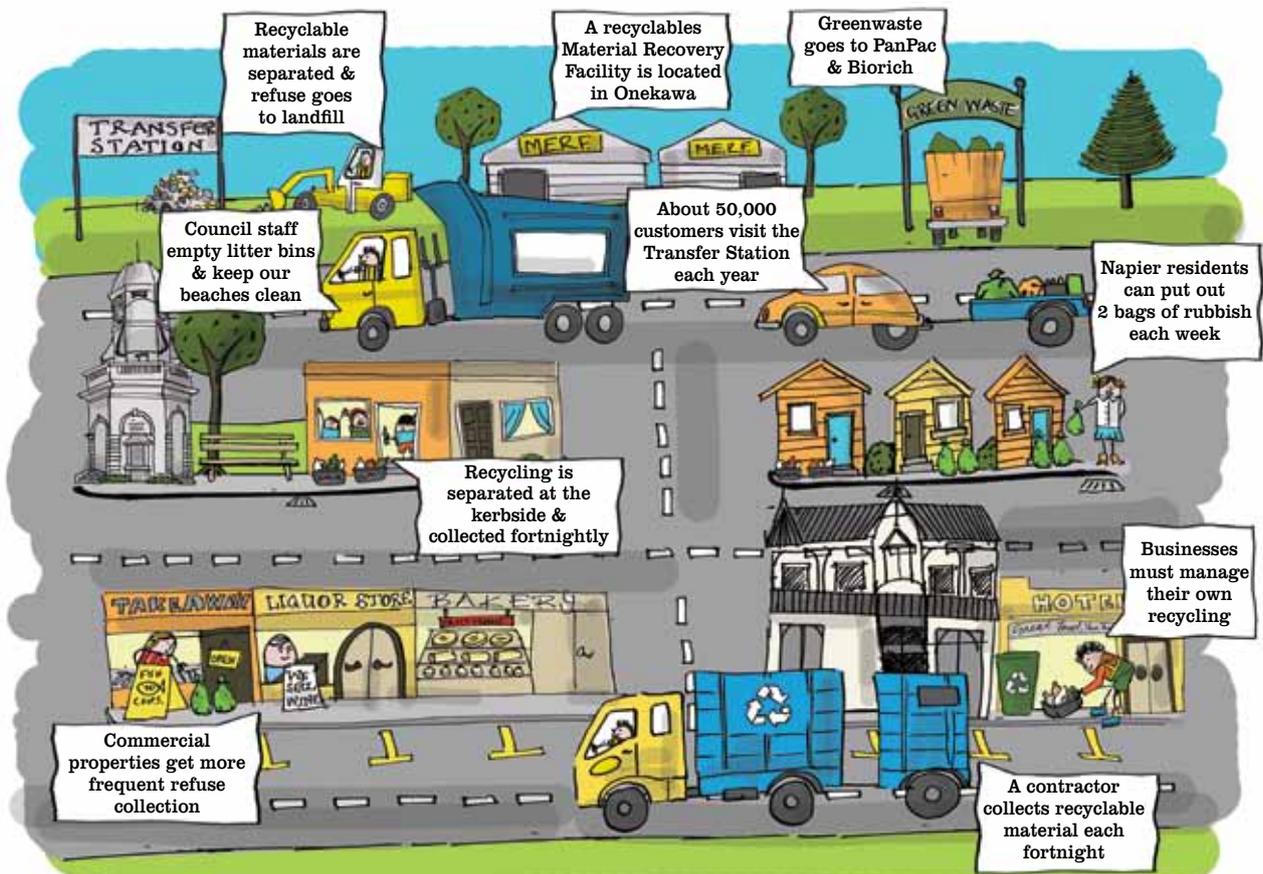
A minor adjustment of the Water Supply Area boundaries was made by update of the Water Supply Bylaw to accommodate the final stages of the Te Awa Estates development.

A number of projects had budget carried forward from the 2010/11 year which offset the costs incurred in the 2011/12 year.

## Performance Targets For 2011/12

### Solid Waste

Performance Measures	2011/12 Targets	2011/12 Results
1. Provide kerbside collection of refuse.	Weekly household collection.	92% of weekly household collection achieved in 2011/12.
2. Percentage of residents satisfied with 'Refuse Collection' in the NRB Public Opinion Survey.	92%	The NRB Survey carried out in July 2012 showed 94% resident satisfaction with Refuse Collection: Very satisfied 57% Fairly satisfied 37% Not very satisfied 5% Don't know 1%
3. Total waste to Landfill.	18,000 tonnes	15,500 tonnes to Landfill for 2011/12, an improvement on the target.
4. Waste to Landfill per capita.	Less than 428kg	264kg per capita for 2011/12, an improvement on the target.
5. Refuse diversion rate.	25%	33% diversion rate for 2011/12, an improvement on the target due to reduced tonnes to the landfill and efforts to increase the diversion of useful material.
6. Compliance with resource consent parameters.	100%	100% compliance for 2011/12.
7. Operate education and waste reduction promotion programmes.	Programmes in place.	Waste Aware, an environmental education programme for school children is in place.



## Stormwater

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Stormwater' in the NRB Public Opinion Survey.	85%	The NRB Survey carried out in July 2012 showed 87% resident satisfaction with Stormwater: Very satisfied 35% Fairly satisfied 52% Not very satisfied 9% Don't know 4%
2. Percentage time total pumping capacity available to prevent flooding.  <i>Note: Pumping capacity maintained at an average of 95% arising from pumps being out of service for maintenance.</i>	97%	95.95% pumping capacity available for 2011/12. The target was not achieved.
3. Compliance with requirements of resource consents for quality and volume.	100%	100% compliance for 2011/12.

## Wastewater

Performance Measures	2011/12 Targets	2011/12 Results
1. Urban Main Residential and Rural Settlement population served by reticulated system as proportion of total city population.	93%	94.53% served by reticulated system as proportion of total city population for 2011/12.
2. Percentage of residents satisfied with 'Wastewater' in the NRB Public Opinion Survey.	85%	The NRB Survey carried out in July 2012 showed 90% resident satisfaction with Wastewater: Very satisfied 40% Fairly satisfied 50% Not very satisfied 5% Don't know 5%
3. Compliance with requirements of resource consents for quality and volume.	100%	100% compliance for 2011/12.
4. Number of reticulated properties that are unable to dispose of wastewater, due to stormwater infiltration, for longer than 6 hours.	Zero	Four properties for 2011/12. The target was not achieved.

## Water Supply

Performance Measures	2011/12 Targets	2011/12 Results
1. Percentage of residents satisfied with 'Water Supply' in the NRB Public Opinion Survey	90%	The NRB Survey carried out in July 2012 showed 96% resident satisfaction with Water Supply: Very satisfied 58% Fairly satisfied 38% Not very satisfied 2% Don't know 2%
2. Compliance with requirements of resource consents for volume and rate of extraction.	100%	100% compliance for 2011/12.
3. Compliance with NZ Drinking Water Standards.	100%	100% compliance for 2011/12. However, there were two transgressions, one in Napier and one in the Taradale Distribution Zone. The drinking water standards allow some transgressions within compliance limits (compliance requires 95% safety within 95% confidence). The NCC Laboratory has maintained its NZ drinking standards laboratory registration.
4. Percentage of Distribution Mains cleaned.	20%	19.9% mains cleaned for 2011/12. The target was not achieved.
5. The number of planned and unplanned mains shutdowns, summarised by the reason for shutdown.	Report on the number of shutdowns	* See table below.
6. Operate community education and conservation promotion programme.	Programme in place	Basic programme in place.

### \* Shutdown Summary Table

Summary of Mains Shutdowns by Reason		Type	
Reason	Planned	Unplanned	Total
Maintenance - Mains	3	21	24
Maintenance - Service Connections	16	66	82
Maintenance - Hydrants	13	10	23
Maintenance - Valves	1	-	1
Construction - New Service Connections	2	2	4
Construction - NCC Works	14	6	20
Construction - Subdivision or Development	1	1	2
Construction - Other Utility	1	16	17
Other	-	3	3
<b>Total</b>	<b>51</b>	<b>125</b>	<b>176</b>

**Note:** Unplanned shutdowns includes shutdowns for minor repairs where less than 24 hours notice is given. These shutdowns are short duration, affect only a few residents and are carried out in off peak hours. There were no outages due to significant issues with the water system.

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Solid Waste	4,180	4,213	3,415
Stormwater	1,107	1,199	1,402
Wastewater	2,410	2,615	2,591
Water Supply	2,005	2,226	2,049
	<b>9,702</b>	<b>10,253</b>	<b>9,457</b>
<b>Interest</b>			
Solid Waste	39	50	51
Stormwater	146	239	167
Wastewater	170	273	192
Water Supply	80	134	95
	<b>435</b>	<b>696</b>	<b>505</b>
<b>Depreciation</b>			
Solid Waste	675	733	643
Stormwater	1,818	1,726	1,617
Wastewater	3,438	3,071	2,859
Water Supply	1,446	1,381	1,299
	<b>7,377</b>	<b>6,911</b>	<b>6,418</b>
<b>Total operating costs</b>	<b>17,514</b>	<b>17,860</b>	<b>16,380</b>
<b>Income [1]</b>			
Solid Waste	(4,729)	(4,739)	(4,714)
Stormwater	(1,729)	(1,009)	(963)
Wastewater	(7,771)	(7,843)	(6,946)
Water Supply	(4,303)	(4,264)	(3,935)
	<b>(18,532)</b>	<b>(17,855)</b>	<b>(16,558)</b>
<b>Net cost of service</b>	<b>(1,018)</b>	<b>5</b>	<b>(178)</b>
<b>Capital expenditure [2]</b>			
Solid Waste	426	398	822
Stormwater	2,599	2,686	1,810
Wastewater	4,943	9,462	2,663
Water Supply	1,124	1,046	811
	<b>9,092</b>	<b>13,592</b>	<b>6,106</b>
<b>Funding required</b>	<b>8,074</b>	<b>13,597</b>	<b>5,928</b>
<b>Funded by:</b>			
Non-targeted rates	376	5,486	(358)
Loans - rates	1,166	1,476	31
Non-funded items	1,021	-	1,629
Special funds	4,726	7,019	4,312
Financial and capital contributions	785	(384)	314
	<b>8,074</b>	<b>13,597</b>	<b>5,928</b>

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>[1] Group Activity income includes:</b>			
Targeted rates	(11,828)	(11,722)	(11,679)
Vested assets	(2,128)	(1,440)	(1,046)
Financial and capital contributions	(979)	(723)	(785)
User charges and other income	(3,597)	(3,970)	(3,048)
<b>[2] Capital expenditure</b>			
<b>Solid Waste</b>			
Omarunui development - Valley D	350	157	196
Omarunui development - Plant	39	3	13
Omarunui development - Forestry	-	1	-
Omarunui development - Valleys B and C	6	117	6
Solid Waste I.A.R.	24	120	232
Minor capital items	7	-	374
<b>Stormwater</b>			
Upgrading stormwater catchments	94	786	500
Stormwater I.A.R.	23	436	3
Stormwater gifted vested assets	1,157	518	509
Overland drain	121	-	160
Georges Drive drain	-	12	-
Purimu replacement pump	-	571	-
Plantation drain widening	-	84	11
Bay View - upgrade stormwater	176	223	92
Dalton Street pump replacement	75	-	-
Drain improvements	-	56	-
Saltwater Creek culvert duplication	200	-	17
Ford Road stormwater main	103	-	78
Te Awa stormwater pond	649	-	-
Severn Street upgrade	-	-	211
Stormwater minor capital	-	-	228
<b>Wastewater</b>			
Sewerage I.A.R.	250	1,016	1,153
Milliscreen I.A.R.	808	241	111
Sewerage pump station I.A.R.	97	218	18
Sewerage gifted vested assets	663	669	420
Western pumping main	738	412	6
Riverbend Road trunk main	-	682	-
Advanced sewerage treatment	981	-	249
Taradale Road pump station and main	1,406	-	620
BTF treatment plant	-	6,224	-
Other Wastewater projects	-	-	88
<b>Water Supply</b>			
Water pipes I.A.R.	650	572	432
Water pump stations I.A.R.	103	85	156
Water meters I.A.R.	-	21	1
Capital upgrade associated with I.A.R.	1	115	-
Water Supply gifted vested assets	308	253	116
Awatoto water trunk main	58	-	92
Water Supply minor capital	5	-	14
	<b>9,092</b>	<b>13,592</b>	<b>6,106</b>

## GROUP 8 – Property Assets

### Scope

#### Lagoon Farm

The 310 hectare farm is situated on the south side of the Ahuriri Estuary. It currently runs cattle, sheep, and has some Kiwi Fruit plantings. A quarter of the area acts as a flood ponding area during unusual and extreme weather events. Approximately 40ha has been rezoned as a Business Park. As residential or business park development occurs, farming operations will reduce. The farming operation has already been impacted upon by construction of the Prebensen Drive extension, which bisects the farm. As these activities progressively impact on the farm operations, it is likely that Council will cease to operate Lagoon Farm as a commercial farm.

#### Parklands Residential Development

The Council's Parklands Residential Development on 120 hectares of former Lagoon Farm land will provide up to 800 residential sections and includes land for sportsgrounds. The rate of development will be driven by market demand.

#### Property Holdings

Leasehold Properties:

- Commercial 80
- Residential 36

This business unit is responsible for the management of leases and licences which have been established for parks, reserves, commercial, industrial and residential properties. The majority of leases are perpetually renewable. It is also responsible for the management, including maintenance and renewal, of all Council buildings not specifically allocated to other activities.

### Key Issues

#### Lagoon Farm

##### Lagoon Farm Business Park

The Business Park Zone is proposed to meet an identified regional need for a zone where industry/business interests could establish on larger sites in a high quality environment. This zone will compliment and not compete with the established industrial zones.

The sensitive nature of the site and its proximity to the Hawke's Bay Airport and the ecologically significant Ahuriri Estuary mean that any activities must be low impact and environmentally aware.

The District Plan change, to allow the development of the business park, has been completed and work has started on the design of the project.

#### Parklands Residential Development

The rate of development of Parklands has been reduced to reflect the slowing of the housing market in the last few years. Council has continued to offer sections for sale with good uptake, however it does monitor supply and demand carefully.

#### Property Holdings

##### Major Capital Expenditure for 2011/12

Budget for air conditioning and minor capital items was provided in prior years.

Property purchases are funded from special funds.

#### Infrastructure – Te Awa

Council has reached a preliminary agreement to provide a financial 'bank' facility for the integrated infrastructure required to service residential growth in this area of the city. This agreement is subject to a resource consent application. The future funding for this infrastructure would be recouped via development contributions from all of the property owners that develop incrementally in this area.

## Performance Targets For 2011/12

### Lagoon Farm

There are no non-financial performance measures for the operation of Lagoon Farm.

### Parklands Residential Developments

Performance Measures	2011/12 Targets	2011/12 Results
1. Number of lots created.	64	71 lots created in 2011/12.

### Property Holdings

Performance Measures	2011/12 Targets	2011/12 Results
1. Occupancy rate of Council owned commercial buildings subject to availability of lettable space and market demand and conditions.	100%	Two half floors of the Library Building are currently vacant. The target was not achieved.
2. Buildings maintained to a satisfactory level and complying with the Building Act and Health and Safety Act and hold current Warrant of Fitness certificates where required by statute.	100%	100% buildings comply with regulatory requirements for 2011/12. Maintenance is continuing.
3. All leases renewed within the statutory time frame in accordance with individual registered lease documents.	100%	Target achieved. The renewal process has commenced on a number of leases due for renewal in future periods. Ground rentals on some leases relating to prior periods are still being negotiated.
4. All freeholding requests handled in accordance with Council policy.	100%	100% freeholding requests handled in accordance with Council policy for 2011/12.

## Financial Summary

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Operating costs</b>			
Lagoon Farm	740	516	755
Parklands Residential Development	4,742	5,894	3,775
Property Holdings	(42)	35	81
	<b>5,440</b>	<b>6,445</b>	<b>4,611</b>
<b>Interest</b>			
Property Holdings	126	161	191
	<b>126</b>	<b>161</b>	<b>191</b>
<b>Depreciation</b>			
Lagoon Farm	31	34	33
Parklands Residential Development	2	2	2
Property Holdings	307	329	301
	<b>340</b>	<b>365</b>	<b>336</b>
<b>Total operating costs</b>	<b>5,906</b>	<b>6,971</b>	<b>5,138</b>
<b>Income</b>			
Lagoon Farm	(523)	(565)	(931)
Parklands Residential Development	(7,137)	(8,436)	(5,585)
Property Holdings	(3,103)	(3,707)	(2,143)
	<b>(10,763)</b>	<b>(12,708)</b>	<b>(8,659)</b>
<b>Net cost of service</b>	<b>(4,857)</b>	<b>(5,737)</b>	<b>(3,521)</b>
<b>Capital expenditure [1]</b>			
Lagoon Farm	-	-	2
Property Holdings	746	104	9
	<b>746</b>	<b>104</b>	<b>11</b>
<b>Funding required</b>	<b>(4,111)</b>	<b>(5,633)</b>	<b>(3,510)</b>
<b>Funded by:</b>			
Non-targeted rates	(1,146)	(1,136)	(1,165)
Non-funded items	31	66	939
Special funds	(2,996)	(4,563)	(3,284)
	<b>(4,111)</b>	<b>(5,633)</b>	<b>(3,510)</b>
<b>[1] Capital expenditure</b>			
Property Assets			
Asset Purchases	-	-	2
Property Holdings			
Building air conditioning	64	-	9
Lagoon Farm Business Park	-	104	-
Property purchases	482	-	-
Minor capital items	200	-	-
	<b>746</b>	<b>104</b>	<b>11</b>

## Support Services

Council has a number of Cost Centres of a corporate or support nature. These cost centres provide the technical and support services necessary for the function of Council's activities.

Costs of the support services are reallocated to activities either as overheads based on the support each activity receives, or recharged direct on a usage basis.

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

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
<b>Capital expenditure</b>			
Develop Geographic Info System (GIS)	28	-	83
Replacement of mobile plant and vehicles	769	980	944
Software replacement and upgrades	42	38	10
PC and printer replacements	84	66	144
Corporate IT network	10	12	18
Booking system	20	-	43
Technology equipment renewals	340	548	353
General provision minor capital	119	65	123
<b>Capital expenditure</b>	<b>1,412</b>	<b>1,709</b>	<b>1,718</b>



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**Appendices**

Council Controlled Organisations  
Glossary of Terms



## Council Controlled Organisations

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

### 1. Hawke's Bay Airport Limited

#### 1.1. 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.

#### 1.2. 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 its objectives 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 pro actively develop and secure innovative opportunities for property development on its land.

#### 1.3. Performance Targets

Performance targets for Hawke's Bay Airport Limited for the year ended 30 June 2012. The key objectives, performance targets and performance results (as reflected in the Company's Annual Report for 2011/12) are:

##### 1.3.1. Objective 1 - Deliver sustainable growth in revenue and earnings.

Financial Performance Targets	Target	Actual
Landing Charges	1,198,900	1,458,346
Other Revenue	1,523,300	1,612,411
<b>Total Revenue</b>	<b>2,722,200</b>	<b>3,070,757</b>
Other Revenue % of Total	56.0%	52.5%
Profit Before Income Tax	791,000	1,134,232
<b>Profit After Tax</b>	<b>550,700</b>	<b>815,617</b>
Dividend	0	0

##### 1.3.2. Objective 2 - Present strategic plan to shareholders.

**Target:** Business plan update, due 15 March 2010, to be presented to shareholders.

**Result:** A business plan update was presented to shareholders in 2010.

##### 1.3.3. Objective 3 - Provide appropriate infrastructure to meet future needs.

**Target:** Performance to be measured against strategic plan.

- Result:**
- Runway extension completed July 2011.
  - Additional aircraft parking completed September 2011.
  - New car park operating system installed June 2011. This has provided additional customer features.
  - Following adoption of the 2010 strategic plan, a Business Development Manager was appointed in July 2011. The key focus of the Business Development Manager was to progress development of the Business Park, the first tenant for which was successfully signed in July 2012.

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

**Target:** Customer satisfaction survey undertaken in 2010.

**Result:** A comprehensive customer survey was carried out to ascertain satisfaction levels and development requirements. The next survey will be undertaken in 2012.

### 2. Hawke's Bay Museums Trust

#### 2.1. Policies and Objectives Regarding Ownership and Control

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

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

#### 2.2. Nature and Scope of Activities

The objectives of the Trust are:

- To hold and protect the regional collection for the people of Hawke's Bay and to provide storage and protection for the collection.
- To advance and promote the Arts in New Zealand and particularly in Hawke's Bay.
- To promote a sense of history and an awareness of the importance of the nation's heritage in New Zealand and particularly in Hawke's Bay.
- To provide an exhibition policy and to oversee the maintenance, risk management and quality of the regional collection through a contract for services with the Napier City Council.
- To regulate and approve the disposal of collection items.
- To administer the bequests held by the HBMT.

The nature and scope of activities to be undertaken for the regional collection are:

##### 1. Protection

- a. Storage - appropriate storage to accepted Museum Industry Standards (MIS).
  - i. Pest Control
  - ii. Storage Media
  - iii. Shelving
  - iv. Air Quality
- b. Security - appropriate security to accepted MIS.
  - i. Alarm Systems (Burglary, fire)
  - ii. Alarm Monitoring

- iii. Access Systems
  - iv. Insurance (Loan Items, Owed Items)
  - c. Records Management - appropriate records management to accepted MIS.
    - i. Vernon Database
    - ii. Other Records
- 2. Quality**
- a. Conservation - appropriate conservation to accepted MIS and consistent with HBMT collection policies.
  - b. Accessioning - appropriate accessioning to accepted MIS and consistent with HBMT collection policies.
  - c. De-accessioning - appropriate de-accessioning to accepted MIS and consistent with HBMT collection policies.
- 3. Access**
- a. Exhibitions - collection available to Hastings City Art Gallery (HCAG) and Hawke's Bay Museum & Art Gallery (HBMAG) and other institutions as appropriate within accepted MIS.
  - b. Research - collection made available through HBMAG as appropriate within accepted MIS.
  - c. Archives - archives made available through HBMAG as appropriate within accepted MIS.
- 4. Development**
- a. Bequests - to actively foster bequests.
  - b. Fundraising - to work with the Trust foundation to provide funding.
  - c. Reserves - to appropriately manage accession reserves.
  - d. Relationships - to appropriately manage relationships to allow the collection to develop appropriately.
    - i. Funding Councils
    - ii. Te Rōpū Kaiawhina Taonga
    - iii. Friends of Hawke's Bay Museum & Art Gallery

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

### 2.3. Performance Targets

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2011/12) are:

Key Result Area	Performance Indicator	Target 11/12	Actual 11/12
<b>Protection</b>	Number of incidents of damage to collection items from pests.	0	0
	Air quality meeting predefined standards for each area.	98%	100%
	Insurance cover as percentage of total collection value.	100%	100%
<b>Quality</b>	Collection policies are amended.	Ongoing	Ongoing
	Collection policies are reviewed.	Triennially 1/3	To be completed in 2012/13 financial year

Key Result Area	Performance Indicator	Target 11/12	Actual 11/12
	Collection strategy is reviewed.	Triennially 1/3	Completed
<b>Access</b>	Items on exhibition HBMAG/HCAG	Total listed in Annual Report	3
	Collection items on exhibition at museums and galleries external to Hawke's Bay	Total listed in Annual Report	0
<b>Development</b>	Annual questionnaire and seminar with funding councils to determine priorities.	1 per triennial 1/3	Completed in July - August 2011
	Percentage of bequest funds income used for acquisition.	100%	5%
	Te Rōpū Kaiawhina Taonga hui held.	3 per annum	4 hui were held during this period

#### 2.3.1. Performance Targets Narrative

##### Protection

HBMT achieved or exceeded Protection Performance Indicators.

##### Quality

HBMT achieved Quality Performance Indicators.

##### Access

The HBMAG was closed for redevelopment during the year ended 30 June 2012. There was a moratorium on loans to all other institutions except HCAG. HCAG borrowed 3 works for exhibition during this period.

##### Development

The percentage of bequest funds income used for acquisition, and conservation funds income used for collection care, was significantly below target in this financial period. The Trust used the bequest funds income to cover its ongoing operating expenses including administration and audit costs. The HBMT Board recognised that it was untenable to continue to use bequest income in this manner and submitted a request to both its funding Councils to rectify this situation. This issue has now been addressed for the 2012/13 financial year.

## Glossary of Terms

### Activities and Activity Groups

The main elements of the Council's services offered to the Napier community are divided into Activities. These Activities are described in detail in the Activity Statements section of the Report, including the financial and non-financial performance measures and results for 2011/12.

### Allocation of Overheads

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

### Carrying Amount

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

### Community Outcomes

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

### Council Controlled Organisations

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

### Derecognition

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

### Derivative

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

### Financial and Development Contributions

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

### Impairment

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

### Infrastructural Assets

Stationary systems forming a network and serving whole communities, where the system as a whole is intended to be maintained indefinitely at a particular level of service potential by the continuing

replacement and refurbishment of its components. The network may include normally recognised ordinary assets as components. These include roads, water, sewerage and stormwater systems.

### Infrastructural Asset Renewal

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

### Levels of Service

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

### Non-targeted Rates

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

### NRB Customer Satisfaction Survey (Communitrak™)

A wide ranging customer satisfaction survey prepared for the Napier City Council by the National Research Bureau Ltd. The survey is of public perceptions and interpretations of Council services and representation with comparisons to National and Peer Group averages. Interviews were carried out in July 2012 with 450 residents of Napier, throughout the City. Weightings were applied to the sample data to reflect the actual male/female/age/ethnic proportions in the area as determined by the Department of Statistics Census data. The Communitrak Survey is a scientifically prepared service based on a random probability sample. For the sample size of 455 the margin of error is plus or minus 6.5%.

### Restricted Assets

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

### Targeted Rate

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