

PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FORECAST FOR YEAR ENDING 30 JUNE 2023

	AP 2022/23 \$000	LTP 2022/23 \$000	LTP/AP 2021/22 \$000
Revenue			
Rates revenue	76,279	74,670	69,382
Finance revenue	-	-	-
Development and financial contributions	7,296	7,296	7,090
Subsidies and grants	7,204	7,204	5,249
Other revenue	55,590	65,347	59,099
Other gains/(losses)	2,668	2,151	2,094
Total revenue	149,037	156,668	142,914
Expenditure			
Employee Benefit Expense	50,004	44,565	43,309
Depreciation and Amortisation	35,796	38,150	35,247
Finance Costs	1,076	626	339
Other Operating Expenses	62,520	72,308	62,770
Total expenditure	149,396	155,649	141,665
Operating surplus/(deficit) before tax	(359)	1,019	1,249
Share of associate surplus/(deficit)	121	165	(69)
Surplus/(deficit) before tax	(238)	1,184	1,180
Income tax expense	-	-	-
Surplus/(deficit) after tax	(238)	1,184	1,180
Other comprehensive revenue			
Valuation gains/(losses) taken to equity	58,821	40,983	24,229
Fair value gains/(losses) through comprehensive revenue on investments	-	-	-
Total comprehensive revenue and expenses	58,583	42,167	25,409

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

FORECAST FOR YEAR ENDING 30 JUNE 2023

	AP 2022/23 \$000	LTP 2022/23 \$000	LTP/AP 2021/22 \$000
Assets			
Current assets			
Cash and cash equivalents	5,760	5,584	5,220
Debtors and other receivables	22,400	21,379	19,834
Prepayments	1,596	851	821
Inventories	10,949	8,065	11,904
Biological assets	289	256	249
Other financial assets	-	-	-
Total current assets	40,994	36,135	38,028
Non-current assets			
Property, plant and equipment	2,032,009	1,973,497	1,897,051
Intangible assets	1,256	1,147	1,438
Inventories	14,873	12,675	17,147
Investment property	80,866	62,930	61,097
Investment in associates	8,906	9,045	8,880
Other financial assets	6,303	5,541	4,896
Total non-current assets	2,144,213	2,064,835	1,990,509
Total assets	2,185,207	2,100,970	2,028,537
Liabilities			
Current liabilities			
Trade payables and other accruals	20,376	18,704	17,444
Employee benefit liabilities	5,877	5,201	4,895
Total current liabilities	26,253	23,905	22,339
Non-current liabilities			
Employee benefit liabilities	899	852	797
Borrowings	80,695	103,755	74,960
Provisions	1,499	1,312	1,462
Total non-current liabilities	83,093	105,919	77,219
Total liabilities	109,346	129,824	99,558
Total net assets	2,075,861	1,971,146	1,928,979
Net assets / equity			
Accumulated revenue & expenses	831,131	813,703	812,013
Other reserves	1,244,730	1,157,443	1,116,966
Total net assets / equity	2,075,861	1,971,146	1,928,979

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS / EQUITY

FORECAST FOR THE YEAR ENDING 30 JUNE 2023

	AP 2022/23 \$000	LTP 2022/23 \$000	LTP/AP 2021/22 \$000
Total net equity balance at 1 July	2,017,278	1,928,979	1,903,570
Total comprehensive revenue for the period	58,583	42,167	25,409
Total net equity balance at 30 June	2,075,861	1,971,146	1,928,979
Total comprehensive revenue and expenses attributable to:			
Napier City Council	58,583	42,167	25,409
Total comprehensive revenue and expenses	58,583	42,167	25,409



PROSPECTIVE STATEMENT OF CASH FLOWS

FORECAST FOR THE YEAR ENDING 30 JUNE 2023

	AP 2022/23 \$000	LTP 2022/23 \$000	LTP/AP 2021/22 \$000
Cash flows from operating activities			
Receipts from rates revenue	73,170	74,405	66,683
Interest received	-	-	-
Dividends received	-	-	-
Receipts from other revenue	71,017	77,355	60,599
Goods and services tax (net)	1,859	(19)	(1,406)
Payments to suppliers and employees	(109,505)	(107,543)	(114,029)
Interest paid	(1,076)	(626)	(339)
Net cash from operating activities	35,465	43,572	11,508
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	250	250	250
Proceeds from withdrawal of investments	89	-	-
Purchase of property, plant and equipment	(86,349)	(71,262)	(61,390)
Purchase of intangible assets	(530)	(530)	(515)
Acquisition of investments	(2,489)	(461)	(1,199)
Net cash from investing activities	(89,029)	(72,003)	(62,854)
Cash flows from financing activities			
Proceeds from borrowings	53,795	28,795	52,960
Net cash from financing activities	53,795	28,795	52,960
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	231	364	1,614
Cash, cash equivalents and bank overdrafts at 1 July	5,529	5,220	3,606
Cash, cash equivalents and bank overdrafts at 30 June	5,760	5,584	5,220

CAPITAL EXPENDITURE BY ACTIVITY GROUP





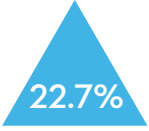
	AP 2022/23 \$000	LTP 2022/23 \$000	Variance
City Strategy	167	1,094	(927)
Community and Visitor Experiences	25,682	17,574	8,108
Other Infrastructure	2,777	2,778	(1)
Property Assets	5,747	3,379	2,368
Stormwater	11,908	9,212	2,696
Transportation	11,709	11,709	0
Wastewater	13,393	10,849	2,544
Water Supply	13,966	9,941	4,025
Support Units	4,552	6,720	(2,168)
Total	89,901	73,256	16,645

DEPRECIATION EXPENDITURE BY ACTIVITY GROUP

	AP 2022/23 \$000	LTP 2022/23 \$000	Variance
City Strategy	311	428	(117)
Community and Visitor Experiences	9,315	10,383	(1,068)
Other Infrastructure	1,183	1,121	62
Property Assets	689	811	(122)
Stormwater	4,297	4,307	(10)
Transportation	8,335	8,489	(154)
Wastewater	6,389	6,089	300
Water Supply	3,627	3,480	147
Support Units	1,650	3,043	(1,393)
Total	35,796	38,151	(2,355)

KEY CHANGES FROM THE 2022/23 YEAR OF THE LONG TERM PLAN

BY THE NUMBERS

 <p>2.3%</p>	<p>RATES REVENUE to \$76.3m, up from \$74.6 ,or an increase to current ratepayers of 9.8%, up from 7.3% forecast</p>	<p>MAIN REASONS FOR CHANGE The rates increase is driven by increased inflation , insurance costs, phased rates funding of waste collection contract, additional funding approved for Napier Assist and Regional Economic Development</p>
 <p>15%</p>	<p>OTHER REVENUE to \$55.6m, down from \$65.4m</p>	<p>MAIN REASONS FOR CHANGE A change in the expected timing of Parklands Residential Development section sales has resulted in \$8.7m being moved to future years. Reduced tourism and business activity due to Covid-19 is expected to further reduce revenue in our Community and Visitor Experiences group by \$1.5m compared to the LTP.</p>
 <p>12.2%</p>	<p>EMPLOYEE BENEFIT EXPENSE to \$50.0m, up from \$44.6m</p>	<p>MAIN REASONS FOR CHANGE Pressures in the employment market together with an increased capital programme have driven increases across Council. This also includes the effect of taking on the operations of Ocean Spa which is offset by higher revenue.</p>
 <p>13.4%</p>	<p>OTHER OPERATING EXPENSES to \$62.6m, down from \$72.3m</p>	<p>MAIN REASONS FOR CHANGE The change in timing of Parklands Residential Development sales is offset by the reduction in cost of sales which have also transferred to future years. Depreciation is reduced due to the capital plan from previous years not being capitalised and therefore not depreciated.</p>
 <p>22.7%</p>	<p>CAPITAL EXPENDITURE to \$89.9m, up from \$73.3m</p>	<p>MAIN REASONS FOR CHANGE The capital works programme outlined in the LTP includes a substantial investment in a variety of projects. For the Annual Plan 2022/23, there have been several changes where projects have been re-phased - either to later years, or brought forward. There have also been new requirements that have been identified since the LTP and some projects which are no longer required.</p>

STATEMENT OF ACCOUNTING POLICIES

In accordance with the Local Government Act 2002 Section 95a, Napier City Council (the Council) will adopt the 2020/21 Annual Plan on 27 August 2020. As the authorising body, the Council is responsible for the Annual Plan presented along with the underlying assumptions and all other required disclosures.

The principal accounting policies adopted in the presentation of the Annual Plan's prospective financial statements are set out below. The prospective financial statements comprise the financial statements for the Council as an individual entity. The main purpose of the prospective financial statements outlined in the Annual Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much the Council requires by way of rates to fund the intended levels of service.

REPORTING ENTITY

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

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

- Hawke's Bay Museum Trust classified as an investment;
- Hawke's Bay Airport Limited (26% share of voting rights) equity accounted;

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

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

Functional and Presentation Currency

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

CHANGES IN ACCOUNTING STANDARDS

The impact of the new and/or amended standards, PBE IPSAS 41 Financial Instruments, PBE IPSAS 2 Statement of Cash Flows, and PBE FRS 48 Service Performance Reporting, are detailed below. All other standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to Council or are not expected to have a material impact on the financial statements of Council and, therefore, have not been disclosed.

PBE IPSAS 41 Financial Instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments which is an interim standard meant to replace PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2022, with early application permitted. In March 2019, NZASB issued PBE IPSAS 41 Financial Instruments which is mandatory for application in January 2022. The NZASB subsequently deferred the effective date of PBE IFRS 9 to 1 January 2022 so that PBE IFRS 9 did not become mandatorily effective before PBE IPSAS 41. When applied, PBE IPSAS 41 supersedes PBE IFRS 9.

The Council intends to apply PBE IPSAS 41 in the year of this plan, the financial year beginning 1 July 2022.

The initial consideration of the impacts the implementation of PBE IPSAS 41 is expected to have in the Council's financial statements are described below.

a) Classification and measurement

Previously, the Council classified its investment in listed and non-listed equity shares and listed debt instruments as available-for-sale (AFS) financial assets. For the equity shares currently classified as AFS, the Council expects to continue measuring them at fair value through other comprehensive revenue and expense. For the purposes of this annual plan we have not budgeted for any fair value gains or losses on these financial instruments.

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Council has analysed the contractual cash flow characteristics of those instruments and concluded they meet the criteria for amortised cost measurement under PBE IPSAS 41. Therefore, reclassification for these instruments is not required.

b) Impairment

PBE IPSAS 41 requires the Council to record expected credit losses on all of its debt instruments classified at amortised cost or fair value through other comprehensive revenues and expenses. For all of such assets, except receivables, the Council expects to apply the simplified approach and record lifetime expected losses on all receivables. The Council does not expect the application of PBE IPSAS 41 to result in a significant impairment of its term deposits, or debt instruments.

PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of the financial statements to evaluate

changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Council intends to apply the amendment in the year of this plan.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The Council intends to apply the amendment in the year of this plan. The Council does not expect the application of PBE FRS 48 will affect its statement of service performance.

OTHER CHANGES IN ACCOUNTING POLICIES

There have been no other changes in accounting policies.

PROSPECTIVE FINANCIAL INFORMATION

These are prospective financial statements and have been prepared in accordance with the requirements of the Local Government Act 2002 and may not be appropriate for other purposes. The main purpose of the prospective financial statements in the Annual Plan is to provide users with information about Council's plans for the next 12 months and the rates that will be required to fund this plan.

As a forecast, the Annual Plan has been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with the actions the Council reasonably expects to take, as at the date the information was prepared. The Significant Forecasting Assumptions are included in the Annual Plan and outline assessed potential risks that may impact future results. Actual results achieved for the Annual Plan period covered are likely to vary from the information presented and the variation may be material.

The Annual Plan is based on the forecast for the year ended 30 June 2023 included in the Long Term Plan 2021 - 2031. The prospective financial statements have been prepared by using the best information available at the time for the Annual Plan.

Council reserves the right to change the statements should circumstances change.

Principles of Consolidation

The prospective financial statements comprise of the Council and its equity accounted investments.

INVESTMENTS

INVESTMENT IN ASSOCIATES

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

surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

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

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

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

SUBSIDIARIES

Subsidiaries are all entities over which the Council has control. The Council controls an entity if all three of the following elements are present: power over the entity, exposure to variable returns from the entity, and the ability of the Council to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Council has no subsidiaries during the periods presented in the financial statements.

JOINT ARRANGEMENTS

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

JOINT OPERATION

The Council has an interest in a joint arrangement that is jointly controlled asset. The Council recognises its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit of the Statement of Comprehensive Revenue and Expenses.

REVENUE RECOGNITION

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

NON-EXCHANGE REVENUE

Rates Revenue

The following policies for rates have been applied:

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

Grants and Subsidies

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

Donated, Subsidised or Vested Assets

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

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

Parking and Traffic Infringement

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

EXCHANGE REVENUE

Licences and Permits

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

Residential Developments

Sales of sections in residential developments are recognised when contracts for sale are unconditional as control is deemed to have been transferred.

Development and Financial Contributions

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

Sales of Goods (Retail)

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

Sales of Services

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

Rental Revenue

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

Interest Revenue

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

Dividend Revenue

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

Building and Resource Consent Revenue

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

INCOME TAX

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

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

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

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

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

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

Goods and Services Tax (GST)

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

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

LEASES

THE COUNCIL IS THE LESSEE

Leases of Property, Plant and Equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

THE COUNCIL IS THE LESSOR

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

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 under current liabilities in the Statement of Financial Position.

TRADE RECEIVABLES

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

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

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

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

INVENTORIES

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

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

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

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

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

Land held for development and future resale

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

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

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 expenses. 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.

OTHER FINANCIAL ASSETS EXCLUDING DERIVATIVES

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

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

Financial assets are classified into the categories below:

Loans and Receivables

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

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

Held to Maturity Investments

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

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

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

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

FAIR VALUE CHANGES

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consist of:

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

Restricted assets - Restricted assets are mainly parks and reserves owned by the Council that provide a

benefit or service to the community and cannot be disposed of because of legal or other restrictions.

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

ADDITIONS

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

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

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

DISPOSALS

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

REVALUATIONS

Assets which are revalued are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation (except land which is not depreciated). The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Roading infrastructure assets and Library Collections are valued at depreciated replacement cost and revalued annually. Other infrastructural assets (except land under roads), Land and Buildings and Council Restricted Reserves are revalued on a three yearly valuation cycle.

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

Subsequent costs are included in the asset's

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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

DEPRECIATION

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

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

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

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

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

WASTEWATER	
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.

INVESTMENT PROPERTY

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

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

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

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

INTANGIBLE ASSETS

TRADEMARKS AND LICENCES

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

COMPUTER SOFTWARE

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

TRADE AND OTHER PAYABLES

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

BORROWINGS

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

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

BORROWING COSTS

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

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.

FINANCIAL GUARANTEE

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

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and

- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

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. Any funds that are not spent for the approved purpose are returned to the Council by 30 June of the same financial year.

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.

EMPLOYEE BENEFITS

WAGES AND SALARIES, ANNUAL LEAVE AND SICK LEAVE

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

LONG SERVICE LEAVE AND GRATUITIES

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

RETIREMENT BENEFIT OBLIGATIONS

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

DEFINED CONTRIBUTION SCHEMES

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

BONUS PLANS

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

BIOLOGICAL ASSETS

LIVESTOCK

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. Changes in fair value are recognised in surplus or deficit in the Statement of Comprehensive Revenue and Expense.

NET ASSETS / EQUITY

Net Assets/Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities.

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 requirements 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.

BUDGET FIGURES

The Annual Plan and Long Term Plan comparatives in the prospective financial statements are those approved by the Council and adopted as a part of the Council's 2021 -2031 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.

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

LANDFILL AFTERCARE PROVISION

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

Closure responsibilities:

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

Post-closure responsibilities:

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

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

Capacity of the Site:

The landfill is divided into four valleys as below:	Total Capacity (million)	Useful Life of Valley
Valley A - opened in December 1998, closed 2006	2.6m ³	17 years
Valley D - opened in December 2006 and currently in operation	2.1m ³	18 years
Valleys B & C - not yet in operation		

The cash outflows for landfill post-closure are expected to occur in 2025 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 2.3%.

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 \$201,500
- The provision reported is for the Napier City Council's share only (36.32%).

INFRASTRUCTURAL ASSETS

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

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are underground such as stormwater, wastewater and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimating the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth.

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

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

CRITICAL JUDGEMENTS IN APPLYING NAPIER CITY COUNCIL'S ACCOUNTING POLICIES

CLASSIFICATION OF PROPERTY

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



RESERVE FUNDS

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2022	Deposits	Expenditure	Closing Balance 30 June 2023
COUNCIL CREATED RESERVES						
Aquarium Expansion	Derived from grants and donations for the Aquarium Expansion Project	Aquarium	(23)	-	-	(23)
Bay View Targeted Rate Fund	Established to recover the cost of connection to the Bay View Sewerage Scheme for properties connecting where the lump sum payment option was not elected. Income is derived from the Bay View Connection rate, and is used to recover loan servicing costs.	Wastewater	(49)	23	(10)	(36)
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	2,158	439	(1,379)	1,218
CBD and Taradale Promotional Levy Funds	Funds from the targeted rates for CBD and Taradale Promotion. The funds collected are paid in full to Napier Inner City Marketing and Taradale Marketing Association.	City and Business Promotion	(7)	217	(216)	(6)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/ Walkways	Roading	-	4,172	(4,172)	-
Robson Collection Fund	This fund was set up by the Napier Pilot City Trust in memory of John Robson. Revenue is derived from community donations for the Robson Collection on restorative justice.	Libraries	12	-	(1)	11
Dog Control Fund	This fund is a requirement under the Dog Control Act 1996. All transactions related to the dog owner's share of the costs of Animal Control, both operating and capital, flow to this account. Amounts include dog related fees received and the operating and capital costs of the dog related activity of Animal Control.	Animal Control	-	832	(832)	-
Development Contributions	Collected from development contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	51	210	-	261
Financial Contributions	Collected from financial contributions from developers on the subdivision of land and various land use activities. Used to fund capital works and services. Note: Council is itself a developer (Parklands) and contributions are transferred as internal charges.	Roading, Stormwater, Water, Wastewater, Reserves, Sportsgrounds, Libraries	17,489	8,146	(9,296)	16,339

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
Infrastructural Asset Renewal and Upgrade Funds	Collected from the annual rate funded allocation as per the Capital Plan. Used for capital expenditure on infrastructural asset renewals and associated upgrades.	Water Supply, Stormwater, Wastewater, Solid Waste, Sportsgrounds, Reserves, Public Toilets, Cemeteries, Napier Aquatic Centre	49,462	56	(5,036)	44,482
Plant & Equipment Renewals	This fund is derived from the depreciation and interest on capital portions of plant hire charges and profit on plant sold. The fund is used for the purchase of new and replacement plant and vehicles.	All Activities	3,203	1,502	(1,966)	2,739
Mayor's Discretionary Fund	Interest on the fund is used for charitable purposes to assist the needy, including contributions to purposes such as the Christmas Cheer Appeal.	Community Planning	2	-	-	2
Pensioner Housing Upgrade Reserve	Established from a contribution from rates equivalent to the annual depreciation on pensioner flats and houses owned by Council. The reserve is available to provide capital upgrade of these facilities.	Retirement & Rental Housing	353	-	-	353
Parking Contributions Account	Funds derived for the provision of parking facilities.	Parking	3,113	207	(41)	3,279
Parking Account	Funds are derived from the surplus revenue from the Parking Business Unit and are used to provide for parking facilities generally.	Parking	6,374	-	-	6,374
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	2,545	-	111	2,656
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(11)	-	(124)	(135)
Parklands Residential Development Fund	Derived from proceeds of section sales of the Parklands Residential Development project less development expenditure.	Parklands Residential Development, Property Holdings, Sportsgrounds, Reserves, Napier Skate Park	14,356	13,119	(11,848)	15,627
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roothing property purchases and improvements.	Roothing	52	1	(1)	52

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	3,568	60	(515)	3,113
McLean Park Property Reserve Account	Derived from rental income from the McVay Street and Vigor Brown Street houses less current loan servicing costs. As per Council resolution dated 15 May 2002, the fund may be used to fund future McLean Park property purchases or loan servicing costs on future purchases.	Sportsgrounds	445	217	(122)	540
Hawke's Bay Harbour Board Endowment Land Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land. The Hawke's Bay Endowment Land Empowering Act 2002 provides an unrestricted use of proceeds from leasehold land freeholded after 30 March 2002.	Property Holdings, Parklands Residential Development, Marine Parade Pools, Reserves	21,224	-	1	21,225
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	4,299	77	1	4,377
Solid Waste Disposal Income Account	Amount is derived from returns from the Joint Regional Landfill Committee for the operation of the Omarunui Regional Landfill and is used to fund capital development of the landfill and the net operating costs including loan servicing, of the Transfer Station.	Solid Waste	3,298	5,792	(5,928)	3,162
Reserve Subdivision of Land	Derived from contributions on the subdivision of land towards the development of reserves and subject to Council approval as part of the annual budget process.	Reserves	27	1	1	29
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	184	629	(707)	106
Subdivision and Urban Growth Fund	To service all borrowing in relation to Council's share of subdivision and urban growth projects, and to meet any servicing costs on financing the developer's share of projects where expenditure requirements precede the receipt of financial contributions. A part of the surplus is also used to reduce the general rate requirement.	All Activities	6,422	-	(2,415)	4,007
Total Council Created Reserves			138,547	35,700	(44,495)	129,752

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
RESTRICTED RESERVES						
Endowment Land Account	Derived from the sale of BCP Faraday Street land and the transfer of the Criterion Account capital sum previously advanced to the Land Development Account. This account is now used for the sale and purchase of other endowment land.	Property Holdings	1,862	17	(1,854)	25
Hawke's Bay Harbour Board Endowment Land Income Account	Derived from proceeds from the sale of former Harbour Board leasehold properties up to 30 March 2002. To be used to fund maintenance and capital improvements of the Inner Harbour and any other future capital expenditure related to Napier Harbour as defined by the Act.	Inner Harbour, Reserves, Lagoon Farm, Property Holdings	5,103	-	(10)	5,093
Total Restricted Reserves			6,965	17	(1,864)	5,118

BEQUESTS AND TRUST FUNDS

Colenso Bequest	Bequest is invested and the income derived used to: i) Provide a fund for the assistance of poor families. (Capital \$2500) ii) Provide assistance for prisoners released from Napier jail. (Capital \$500) iii) Provide a fund for the assistance of distressed seamen and strangers. (Capital \$1000) iv) Provide prizes for senior scholars at Napier Boys, Napier Girls & Colenso High Schools. (Capital \$1000)	Community Planning	28	-	-	28
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	175	3	-	178
Eskdale Cemetery Trust	This Trust fund, comprising a number of bequests totalling \$1,400, was taken over from the former Hawke's Bay County Council, and is available for the maintenance and upkeep of the Eskdale Cemetery.	Cemeteries	26	-	-	26
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	6	-	-	6

RESERVE FUNDS CONTINUED

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening 1 July 2020 \$000	Deposits \$000	Expenditure \$000	Closing Balance 30 June 2021 \$000
John Close Bequest	Bequest is invested and income used in two ways: i) Cemetery Trust - for upkeep and maintenance of the Close burial plot, with surplus income to provide ham and ale at Christmas to the poor, old and needy. ii) Coal Trust - provided wood and coal to the needy. A scheme for arrangement for the disposition of income in terms of the Charitable Trusts Act 1957 was to have been initiated in 1993.	Community Planning	48	1	-	49
Morecroft Bequest	To provide a Municipal gymnasium or gymnasium equipment, either as a separate building or as part of any memorial or centennial hall which Napier City Council may decide to erect.	Sportsgrounds	15	-	-	15
Napier Christmas Cheer	For community fundraising through the HB Today for the preparation of Christmas parcels to be distributed to disadvantaged individuals and families within the Napier District.	Community Planning	15	-	-	15
Total Bequests Trust Funds			315	5	(3)	317



BORROWING PROGRAMME

FORECAST FOR THE YEAR ENDING 30 JUNE 2023

	AP 2022/23 \$000	LTP 2022/23 \$000	LTP/AP 2021/22 \$000
New loans			
Rates funded	53,898	40,853	37,691
Total new loans	53,898	40,853	37,691
Less repayments (net)	(5,339)	(4,827)	(3,699)
Movement in debt	48,559	36,026	33,992
Opening public debt	120,895	114,246	80,255
Gross public debt	169,454	150,272	114,247
Internal funding	(88,759)	(46,517)	(39,287)
Net public debt	80,695	103,755	74,960

FUNDING SOURCES

	AP 2022/23 \$000	LTP 2022/23 \$000
Rates Funded Loans	52,145	39,133
Waka Kotahi Subsidy	4,172	4,172
Infrastructural Asset Renewal and Upgrade Funds	10,887	9,372
Other Reserve Funds	22,697	20,579
Total Capital Programme	89,901	73,256

FINANCIAL OVERVIEW: SUMMARY OF REVENUE AND FINANCING MECHANISMS

FUNDING IMPACT STATEMENT (WHOLE OF COUNCIL)

	AP 2022/23 \$'000	LTP 2022/23 \$'000	LTP/AP 2021/22 \$'000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	50,240	44,822	42,995
Targeted rates	26,038	29,847	26,387
Subsidies and grants for operating purposes	2,646	2,646	2,608
Fees and charges	25,100	25,151	23,833
Interest and dividends from investments	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	29,268	38,973	34,078
Total operating funding (A)	133,292	141,439	129,901
Applications of operating funding			
Payments to staff and suppliers	112,511	116,859	106,066
Finance costs	1,076	626	339
Other operating funding applications	13	13	13
Total applications of operating funding (B)	113,600	117,498	106,418
Surplus/(deficit) of operating funding (A - B)	19,692	23,941	23,483
Sources of capital funding			
Subsidies and grants for capital expenditure	4,558	4,558	2,641
Development and financial contributions	7,296	7,296	7,090
Increase/(decrease) in debt	53,060	28,795	52,960
Gross proceeds from sale of assets	250	250	250
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	65,164	40,899	62,941
Application of capital funding			
Capital expenditure			
- to meet additional demand	21,496	17,673	12,589
- to improve the level of service	26,583	21,348	20,535
- to replace existing assets	40,598	33,011	30,069
Increase (decrease) in reserves	(3,821)	(7,192)	23,231
Increase (decrease) of investments	-	-	-
Total application of capital funding (D)	84,856	64,840	86,424
Surplus/(deficit) of capital funding (C - D)	(19,692)	(23,941)	(23,483)
Funding balance ((A-B) + (C-D))	-	-	-

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

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

The FIS links the Council's Revenue and Financing Policy, the annual setting of rates, fees, development contributions and annual borrowing requirements. The FIS sets out the revenue and financing mechanisms that will be used, along with an indicative level of rates, together with examples of the impact of rating proposals for 2020/21 over a range of different categories of property and a range of different values.