Prospective Financial Statements

Supporting documentation for the
2021-31 Long Term Plan Consultation Document

NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

STATEMENT OF ACCOUNTING POLICIES

In accordance with the Local Government Act 2002 Part 6 Section 93, Napier City Council (the Council) adopted for consultation the Consultation Document for Napier's 2021 – 2031 Long Term Plan document on [date tbc]. The final 2021 – 2031 Long Term Plan (LTP) was authorised and adopted by the Council on [date tbc] following public consultation. As the authorising body, the Council is responsible for the LTP presented along with the underlying assumptions and all other required disclosures. The principal accounting policies adopted in the preparation of the LTP financial statements are set out below. The financial statements comprise the financial statements for the Council as an individual entity. The main purpose of the prospective financial statements outlined in the LTP 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.

Basis of Preparation

Statement of Compliance

The prospective financial statements are for the Council as a separate legal entity and have been prepared in accordance with the Section 93 of the LGA which requires local authorities to prepare and adopt a Long Term Plan before the commencement of the first year to which it relates, and continues in force until the close of the third consecutive year to which it relates.

These prospective financial statements have been prepared in accordance with the requirements of the Act Part 6, Section 98 and Part 1 of Schedule 10, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The accounting policies set out below have been applied consistently to all periods in these prospective financial statements.

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

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 2021, 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 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.

Classification and measurement

Currently the Council classifies 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.

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.

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.

Amendment to 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 does not intend to early adopt the amendment.

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 2021. 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 LTP is to provide users with information about Council's plans for the next 10 years and the rates that will be required to fund these plans.

As a forecast, the LTP 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 LTP and outline assessed potential risks that may impact future results. Actual results achieved for the LTP periods covered are likely to vary from the information presented and the variation may be material.

The LTP is based on actual results reported in the financial statements for the year ended 30 June 2020. The prospective financial statements have been prepared by using the best information available at the time for the 10 years of the LTP. The final adopted LTP will be updated no later than [date tbc].

In accordance with the Local Government Act 2002 Part 6 Section 93, the Council adopted and authorised for issue the Consultation Document on 10 April 2018. As the authorising body, the Council is responsible for the LTP presented along with the underlying assumptions and all other required disclosures. The prospective financial statements contained in this LTP are in full compliance with PBE Financial Reporting Standards 42 Prospective Financial Statements (PBE FRS 42).

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 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.

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 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 leachgate collection and monitoring
- Completing facilities for monitoring and recover 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	2.6m3	17 years
Valley D - opened in December 2006 and currently in operation	2.1m3	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.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Revenue										
63,854	Rates revenue	69,379	74,466	79,903	85,704	93,612	102,248	111,684	122,002	133,283	144,260
216	Finance revenue	-	-	-	-	-	-	-	-	-	-
3,391	Financial contributions	7,090	7,296	7,478	7,665	7,857	8,053	8,262	8,485	8,714	8,941
4,911	Subsidies and grants	5,249	6,818	6,865	7,031	7,045	6,871	7,140	9,671	7,115	6,594
47,631	Other revenue	59,099	65,347	59,194	60,280	64,254	63,705	49,366	50,700	51,782	53,013
1,564	Other gains/(losses)	2,094	2,151	1,947	1,989	2,101	2,077	2,266	2,305	2,424	2,323
121,567	**Total revenue**	**142,911**	**156,078**	**155,387**	**162,669**	**174,869**	**182,954**	**178,718**	**193,163**	**203,318**	**215,131**
	Expenditure										
40,727	Employee Benefit Expense	43,309	44,565	45,783	46,929	48,157	49,417	50,701	52,071	53,477	54,869
28,392	Depreciation and Amortisation	35,247	38,150	41,667	43,240	47,679	52,565	54,765	58,119	61,398	63,747
275	Finance Costs	336	617	837	1,619	3,031	4,449	5,394	6,157	6,656	6,871
52,721	Other Operating Expenses	61,771	72,144	68,726	69,097	74,474	76,562	66,615	69,749	71,816	74,409
122,115	**Total expenditure**	**140,663**	**155,476**	**157,013**	**160,885**	**173,341**	**182,993**	**177,475**	**186,096**	**193,347**	**199,896**
(548)	**Operating surplus/(deficit) before tax**	**2,248**	**602**	**(1,626)**	**1,784**	**1,528**	**(39)**	**1,243**	**7,067**	**9,971**	**15,235**
310	Share of associate surplus/(deficit)	(69)	165	1,209	1,239	1,270	1,302	1,336	1,372	1,409	1,330
(238)	**Surplus/(deficit) before tax**	**2,179**	**767**	**(417)**	**3,023**	**2,798**	**1,263**	**2,579**	**8,439**	**11,380**	**16,565**
-	Income tax expense	-	-	-	-	-	-	-	-	-	-
(238)	**Surplus/(deficit) after tax**	**2,179**	**767**	**(417)**	**3,023**	**2,798**	**1,263**	**2,579**	**8,439**	**11,380**	**16,565**
	Other comprehensive revenue										
5,640	Valuation gains/(losses) taken to equity	24,229	40,983	7,508	55,394	60,056	8,165	63,958	73,892	9,840	71,629
-	Fair value gains/(losses) through comprehensive income on investments	-	-	-	-	-	-	-	-	-	-
5,402	**Total comprehensive revenue and expenses**	**26,408**	**41,750**	**7,091**	**58,417**	**62,854**	**9,428**	**66,537**	**82,331**	**21,220**	**88,194**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

Forecast for ten years ending 30 JUNE 2020 TO 30 JUNE 2031

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Assets										
	Current assets										
6,758	Cash and cash equivalents	5,136	5,623	5,761	5,749	5,556	4,735	4,276	3,835	3,603	3,368
15,789	Debtors and other receivables	19,834	21,310	20,632	21,025	22,152	22,637	20,912	22,150	22,543	23,276
297	Prepayments	821	851	875	896	917	938	959	980	1,002	1,024
5,821	Inventories	11,904	8,065	7,488	8,126	8,172	470	480	491	502	513
354	Biological assets	249	256	263	269	276	283	291	299	307	315
-	Other financial assets	-	-	-	-	-	-	-	31	156	161
29,019	**Total current assets**	**37,944**	**36,105**	**35,019**	**36,065**	**37,073**	**29,063**	**26,918**	**27,786**	**28,113**	**28,657**
	Non-current assets										
1,712,724	Property, plant and equipment	1,897,051	1,972,728	2,015,957	2,165,333	2,296,843	2,325,363	2,409,106	2,496,598	2,512,993	2,588,738
550	Intangible assets	1,438	1,147	922	802	815	829	852	884	919	954
19,570	Inventories	17,147	12,675	8,723	4,391	-	-	-	-	-	-
58,791	Investment property	61,097	62,930	64,566	66,244	68,033	69,802	71,756	73,766	75,905	77,954
9,367	Investment in associates	8,880	9,045	10,255	11,060	11,886	12,732	13,600	14,492	15,408	16,232
3,452	Other financial assets	4,880	5,519	6,255	7,881	9,163	9,575	10,059	10,350	10,379	10,403
1,804,454	**Total non-current assets**	**1,990,493**	**2,064,044**	**2,106,678**	**2,255,711**	**2,386,740**	**2,418,301**	**2,505,373**	**2,596,090**	**2,615,604**	**2,694,281**
1,833,473	**Total assets**	**2,028,437**	**2,100,149**	**2,141,697**	**2,291,776**	**2,423,813**	**2,447,364**	**2,532,291**	**2,623,876**	**2,643,717**	**2,722,938**
	Liabilities										
	Current liabilities										
19,079	Trade payables and other accruals	17,344	18,674	18,550	19,904	20,210	19,625	18,796	19,195	19,472	19,873
4,876	Employee benefit liabilities	4,895	5,201	5,397	5,582	5,877	6,293	6,728	6,917	7,130	7,477
-	Borrowings	-	-	-	-	-	-	-	1,910	9,750	10,043
23,955	**Total current liabilities**	**22,239**	**23,875**	**23,947**	**25,486**	**26,087**	**25,918**	**25,524**	**28,022**	**36,352**	**37,393**

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Non-current liabilities										
723	Employee benefit liabilities	797	852	908	961	1,010	1,062	1,116	1,152	1,193	1,221
22,000	Borrowings	73,960	102,380	136,860	226,980	295,540	309,780	328,510	335,230	325,480	315,438
1,109	Provisions	1,462	1,312	1,162	1,112	1,084	1,084	1,084	1,084	1,084	1,084
23,832	**Total non-current liabilities**	**76,219**	**104,544**	**138,930**	**229,053**	**297,634**	**311,926**	**330,710**	**337,466**	**327,757**	**317,743**
47,787	**Total liabilities**	**98,458**	**128,419**	**162,877**	**254,539**	**323,721**	**337,844**	**356,234**	**365,488**	**364,109**	**355,136**
1,785,686	**Total net assets**	**1,929,979**	**1,971,730**	**1,978,820**	**2,037,237**	**2,100,092**	**2,109,520**	**2,176,057**	**2,258,388**	**2,279,608**	**2,367,802**
	Net assets / equity										
816,587	Accumulated revenue & expenses	813,013	814,287	813,347	820,023	822,698	824,819	827,043	835,810	846,883	864,531
969,099	Other reserves	1,116,966	1,157,443	1,165,473	1,217,214	1,277,394	1,284,701	1,349,014	1,422,578	1,432,725	1,503,271
1,785,686	**Total net assets / equity**	**1,929,979**	**1,971,730**	**1,978,820**	**2,037,237**	**2,100,092**	**2,109,520**	**2,176,057**	**2,258,388**	**2,279,608**	**2,367,802**

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/EQUITY

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
1,780,284	Total net equity balance at 1 July	1,903,570	1,929,978	1,971,729	1,978,820	2,037,238	2,100,092	2,109,520	2,176,057	2,258,388	2,279,608
5,402	Total comprehensive revenue for the period	26,408	41,750	7,091	58,417	62,854	9,428	66,537	82,331	21,220	88,194
1,785,686	**Total net equity balance at 30 June**	**1,929,978**	**1,971,728**	**1,978,820**	**2,037,237**	**2,100,092**	**2,109,520**	**2,176,057**	**2,258,388**	**2,279,608**	**2,367,802**
	Total comprehensive revenue and expenses attributable to:										
5,402	Napier City Council	26,408	41,750	7,091	58,417	62,854	9,428	66,537	82,331	21,220	88,194
5,402	**Total comprehensive revenue and expenses**	**26,408**	**41,750**	**7,091**	**58,417**	**62,854**	**9,428**	**66,537**	**82,331**	**21,220**	**88,194**

PROSPECTIVE STATEMENT OF CASH FLOWS

Forecast for the ten years 2021/22 to 2031/32

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2031/32 $000
	Cash flows from operating activities										
60,661	Receipts from rates revenue	66,680	74,212	79,631	85,414	93,216	101,816	111,212	121,486	132,719	143,711
216	Interest received	-	-	-	-	-	-	-	-	-	-
-	Dividends received	-	-	-	-	-	-	-	-	-	-
59,606	Receipts from other revenue	60,599	77,028	73,165	73,466	77,199	77,344	65,445	66,801	66,314	66,885
-	Goods and services tax (net)	(1,406)	(19)	62	113	(105)	(132)	117	(109)	(15)	(44)
(95,956)	Payments to suppliers and employees	(113,129)	(107,236)	(110,301)	(112,195)	(117,510)	(117,674)	(117,904)	(121,356)	(124,905)	(128,717)
(275)	Interest Paid	(336)	(617)	(837)	(1,619)	(3,031)	(4,449)	(5,394)	(6,157)	(6,656)	(6,871)
24,252	**Net cash from operating activities**	**12,408**	**43,368**	**41,720**	**45,179**	**49,769**	**56,905**	**53,476**	**60,665**	**67,457**	**74,964**
	Cash flows from investing activities										
250	Proceeds from sale of property, plant & equipment	250	250	250	250	250	250	250	250	250	250
27,000	Proceeds from withdrawal of investments	-	-	-	434	445	456	468	480	493	506
(57,001)	Purchase of property, plant & equipment	(62,098)	(71,387)	(75,984)	(134,675)	(118,107)	(72,430)	(73,060)	(70,295)	(66,519)	(66,326)
(127)	Purchase of intangible assets	193	290	225	121	(13)	(14)	(23)	(33)	(34)	(35)
(14,682)	Acquisition of investments	(1,183)	(455)	(552)	(1,442)	(1,097)	(228)	(300)	(138)	31	156
(44,560)	**Net cash from investing activities**	**(62,838)**	**(71,302)**	**(76,061)**	**(135,312)**	**(118,522)**	**(71,966)**	**(72,665)**	**(69,736)**	**(65,779)**	**(65,449)**

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2031/32 $000
	Cash flows from financing activities										
22,000	Proceeds from borrowings	51,960	28,420	34,480	90,120	68,560	14,240	18,730	8,630	-	-
-	Repayment of borrowings	-	-	-	-	-	-	-	-	(1,910)	(9,750)
22,000	**Net cash from financing activities**	**51,960**	**28,420**	**34,480**	**90,120**	**68,560**	**14,240**	**18,730**	**8,630**	**(1,910)**	**(9,750)**
1,692	Net (decrease)/increase in cash, cash equivalents & bank overdrafts	1,530	487	138	(12)	(193)	(821)	(459)	(441)	(232)	(235)
5,066	Cash, cash equivalents & bank overdrafts at 1 July	3,606	5,136	5,623	5,761	5,749	5,556	4,735	4,276	3,835	3,603
6,758	**Cash, cash equivalents & bank over-drafts at 30 June**	**5,136**	**5,623**	**5,761**	**5,749**	**5,556**	**4,735**	**4,276**	**3,835**	**3,603**	**3,368**

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.

PROSPECTIVE STATEMENT OF CHANGES IN RESERVE FUNDS

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
COUNCIL CREATED RESERVES						
Aquarium Expansion	Derived from grants and donations for the Aquarium Expansion Project	Aquarium	4	-	-	4
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	(64)	114	(50)	-
Capital Reserve	Derived from rating surpluses. The reserve is available to provide funding for capital projects or debt repayment.	All Activities	1,936	527	(2,454)	9
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	(5)	2,376	(2,376)	(5)
Cycleway / Walkway Fund	Derived from donations and contributions for the construction and improvements of Cycleways/Walkways	Roading	-	41,533	(41,533)	-
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	13	-	(8)	5
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	1	8,852	(12,992)	(4,139)
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	1,861	87,570	(83,647)	5,784
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	20,244	132,585	(144,453)	8,377

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
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	7,233	35,755	(46,584)	(3,596)
Keep Napier Beautiful	Originally derived from surplus revenue in Keep Napier Beautiful project. Currently credited with annual grant for garden competition and used for competition expenses and administration costs.	Reserves	1	-	-	1
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	3,952	1,746	(5,999)	(301)
Parking Equipment Reserve Account	To provide funds for replacement of parking equipment on a regular basis.	Parking	1,933	1,197	-	3,130
Taradale Parking Meters	Funds collected from Parking Meters in Taradale Town Centre to fund the 2010 upgrade of the Town Centre (including parking).	Parking	(198)	1,905	(1,530)	177
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	4,991	100,166	(83,135)	22,022
Roading Property Reserve	Derived from the sale or lease of surplus roading property. The proceeds are available for Roading property purchases and improvements.	Roading	(273)	(62)	-	(335)
Property Reserve	Derived from the sale of miscellaneous property. The proceeds are available for the acquisition of other miscellaneous land and buildings. Its purpose in particular is for unscheduled property purchases related to district scheme designations and for private developments which occur from time to time.	Property Holdings	1,979	336	(500)	1,815

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
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	292	2,463	(1,218)	1,537
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	19,315	4,500	-	23,815
Investment Property Portfolio Sale Account	Derived from proceeds from freeholding HB Harbour Board Endowment Land.	Property Holdings	877	-	-	877
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	3,442	74,579	(68,659)	9,362
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	1,910	(1,904)	33
Lagoon Farm Account	Derived from the Lagoon Farm activity	Lagoon Farm	200	6,880	(7,453)	(373)
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	5,259	-	(5,218)	41
Total Council Created Reserves			**73,375**	**504,932**	**(509,713)**	**68,595**

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
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	70	(674)	(3,795)	(4,399)
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	(2,941)	18,205	(18,394)	(3,130)
Total Restricted Reserves			**(2,871)**	**17,531**	**(22,189)**	**(7,529)**
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	29	4	(17)	16
Estate Henry Hodge	For charitable purposes, with a wish that it be used for the erection of flats for the needy.	Retirement & Rental Housing	177	40	-	217
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	6	-	32
Hawke's Bay Municipal Theatre	Funds held on behalf of Hawke's Bay Arts and Municipal Theatre Trust.	Napier Municipal Theatre	6	1	-	7

Name of Reserve	Purpose of Reserve	Activity to which reserve relates	Opening Balance 1 July 2021 $000s	Deposits $000s	Expenditure $000s	Closing Balance 30 June 2031 $000s
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	50	10	(11)	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	16	3	-	19
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	34	142	(136)	40
Total Bequests Trust Funds			**338**	**206**	**(164)**	**380**

Positive numbers indicate a favourable balance; negative numbers indicate an unfavourable balance

FINANCIAL OVERVIEW: SUMMARY OF REVENUE AND FINANCING MECHANISMS

Funding Impact Statement (Whole of Council)

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Sources of operating funding										
43,373	General rates, uniform annual general charges, rates penalties	42,992	44,617	46,800	51,024	56,822	61,758	68,632	77,269	84,583	93,133
20,820	Targeted rates	26,387	29,849	33,103	34,681	36,790	40,489	43,052	44,733	48,700	51,127
2,787	Subsidies and grants for operating purposes	2,608	2,646	2,713	2,779	2,847	2,917	2,980	3,057	3,126	3,194
17,564	Fees and charges	23,833	25,151	26,119	27,122	27,942	28,770	29,650	30,588	31,554	32,520
216	Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-
28,870	Local authorities fuel tax, fines, infringement fees, and other receipts	34,078	38,973	31,821	31,870	34,990	33,578	18,321	18,677	18,752	18,978
113,630	**Total operating funding (A)**	**129,898**	**141,236**	**140,556**	**147,476**	**159,391**	**167,512**	**162,635**	**174,324**	**186,715**	**198,952**
	Applications of operating funding										
93,446	Payments to staff and suppliers	105,066	116,696	114,497	116,013	122,618	125,964	117,304	121,805	125,280	129,264
275	Finance costs	336	617	837	1,619	3,031	4,449	5,394	6,157	6,656	6,871
342	Other operating funding applications	13	13	13	13	13	13	13	13	13	13
94,063	**Total applications of operating funding (B)**	**105,415**	**117,326**	**115,347**	**117,645**	**125,662**	**130,426**	**122,711**	**127,975**	**131,949**	**136,148**
19,567	**Surplus/(deficit) of operating funding (A - B)**	**24,483**	**23,910**	**25,209**	**29,831**	**33,729**	**37,086**	**39,924**	**46,349**	**54,766**	**62,804**
	Sources of capital funding										
2,124	Subsidies and grants for capital expenditure	2,641	4,172	4,152	4,252	4,198	3,954	4,160	6,614	3,989	3,400
3,391	Development and financial contributions	7,090	7,296	7,478	7,665	7,857	8,053	8,262	8,485	8,714	8,941
22,000	Increase/(decrease) in debt	51,960	28,420	34,480	90,120	68,560	14,240	18,730	8,630	(1,910)	(9,750)
250	Gross proceeds from sale of assets	250	250	250	250	250	250	250	250	250	250
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
-	Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-
27,765	**Total sources of capital funding (C)**	**61,941**	**40,138**	**46,360**	**102,287**	**80,865**	**26,497**	**31,402**	**23,979**	**11,043**	**2,841**

AP 2020/21 $000		LTP 2021/22 $000	LTP 2022/23 $000	LTP 2023/24 $000	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000
	Application of capital funding										
	Capital expenditure										
6,482	- to meet additional demand	12,589	17,673	11,615	20,585	21,046	14,645	14,876	9,817	10,601	12,818
31,014	- to improve the level of service	20,535	21,348	33,776	45,744	47,780	20,035	32,381	34,069	28,480	23,006
20,822	- to replace existing assets	30,069	32,238	30,461	69,424	48,935	36,839	25,858	26,386	27,397	30,536
(10,986)	Increase (decrease) in reserves	23,231	(7,211)	(4,283)	(3,635)	(3,167)	(7,936)	(1,789)	56	(669)	(715)
-	Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-
47,332	**Total application of capital funding (D)**	**86,424**	**64,048**	**71,569**	**132,118**	**114,594**	**63,583**	**71,326**	**70,328**	**65,809**	**65,645**
(19,567)	**Surplus/(deficit) of capital funding (C - D)**	**(24,483)**	**(23,910)**	**(25,209)**	**(29,831)**	**(33,729)**	**(37,086)**	**(39,924)**	**(46,349)**	**(54,766)**	**(62,804)**
-	**Funding balance ((A-B) + (C-D))**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

RATING SYSTEM

The following describes in full the rating system to apply from 1 July 2021:

General Rates

General Rates are used to fund both operating and capital expenditure. They fund the remaining costs of Council operations after all other sources of funding have been applied.

General Rates are assessed through a combination of a Uniform Annual General Charge (UAGC) and a rate in the dollar based on land value.

The amount of the UAGC is set to ensure that the total (excluding water and wastewater rates) uniform (or fixed) rates will be between 20% to 25% of total rates that are to be collected.

The General Rate is set differentially using matters as prescribed in Schedule 2 of the LGRA, and as listed in the Funding Impact Statement. The LGRA Schedule 2 allows councils to set a General Rate based on each of these matters.

General rate differentials

Rating Units assessed for the General Rate are categorised into one of four differential categories:

- Residential/Other
- Commercial & Industrial
- Rural
- Rural Residential

Residential/Other

Any property that is not defined as Commercial & Industrial, Rural Residential or Rural.

Commercial & Industrial

Any property that is in a commercial or industrial zone under the District Plan or used for any business activities, except properties categorised as rural or consented for residential use, will be rated as commercial and industrial properties.

Commercial and industrial activities include, but are not restricted solely to:

- Rural support and other similar activities such as transport, supplies, packhouses and wineries servicing multiple clients
- Professional offices, surgeries etc.
- All retail, wholesale merchandising activities
- All forms of manufacturing and processing
- Bars, restaurants, cafés and other service activities
- Storage facilities
- Hotels, motels, B & B's and other short-term accommodation providers
- Tourism operations
- Care facilities operated for profit

Rural Residential

Any rating unit that would otherwise be classified as Residential, but is not connected or able to be connected to both the city water system and the city sewerage system.

Rural

Any rating unit with an area of 5 Hectares or more that is used predominantly for land based agricultural or farming activities.

Differentials

A review of the Revenue & Financing Policy was conducted with adoption occurring in February 2021. New differentials were introduced. Based on the review, the following are the differentials to be applied based on the land value of properties in each differential category.

Differentials	Group / Code	Differential Rate
Residential / Other	1	100%
Commercial & Industrial	2	260%
Rural	3	85%
Rural Residential	4	90%

Due to significant increases being experienced for certain property types, General Rate differentials will be phased in over 3 years from the start of the 2021/22 ratings year. The calculation is based on the difference between the old differential (as defined in the 2020/21 Annual Plan) and the target differential, split into 3 equal stages. The schedule for phasing is as follows:

Old Differentials	Old Code	Old Diff Rate	New Differential Rate	New Code	Differential Rate	2021/22	2022/23	2023/24
City Residential	1	100.00%	Residential / Other	1	100.00%	100.00%	100.00%	100.00%
Commercial & Industrial	2	268.09%	Commercial & Industrial	2	260.00%	265.39%	262.70%	260.00%
Miscella-neous	3	100.00%	Residential / Other	1	100.00%	100.00%	100.00%	100.00%
Miscella-neous	3	100.00%	Commercial & Industrial	2	260.00%	153.33%	206.67%	260.00%
Miscella-neous	3	100.00%	Rural	3	85.00%	95.00%	90.00%	85.00%
Miscella-neous	3	100.00%	Rural Residential	4	90.00%	96.67%	93.33%	90.00%
Ex City Rural	4	63.47%	Residential / Other	1	100.00%	75.65%	87.82%	100.00%
Ex City Rural	4	63.47%	Rural Residential	4	90.00%	72.31%	81.16%	90.00%

Old Differentials	Old Code	Old Diff Rate	New Differential Rate	New Code	Differential Rate	2021/22	2022/23	2023/24
Ex City Rural	4	63.47%	Rural	3	85.00%	70.65%	77.82%	85.00%
Other Rural	5	63.47%	Residential / Other	1	100.00%	75.65%	87.82%	100.00%
Other Rural	5	63.47%	Rural Residential	4	90.00%	72.31%	81.16%	90.00%
Other Rural	5	63.47%	Commercial & Industrial	2	260.00%	128.98%	194.49%	260.00%
Other Rural	5	63.47%	Rural	3	85.00%	70.65%	77.82%	85.00%
Bay View	6	72.80%	Residential / Other	1	100.00%	81.87%	90.93%	100.00%
Bay View	6	72.80%	Commercial & Industrial	2	260.00%	135.20%	197.60%	260.00%
Bay View	6	72.80%	Rural Residential	4	90.00%	78.53%	84.27%	90.00%

The purpose of the differentials applied to the General Rate is to ensure that the amount payable by groups of ratepayers reflects Council's assessment of the relative benefit received and share of costs those groups of ratepayers should bear based on the principles outlined in the Revenue and Financing Policy.

Notes on allocation of properties into differential categories

Rating units which have no apparent land use (or are vacant properties) will be placed in the category which best suits the zoning of the property under the district plan except where the size or characteristic of the property suggest an alternative use.

To avoid doubt where a rating unit has more than one use the relevant predominant use will be used to determine the category. The predominant use relates to the main productive activity rather than just to the land area. Where there is uncertainty the land will be categorised into the highest rated category.

Subject to the right of objection as set out in Section 29 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of the

Council to determine the use or predominant use of all separately rateable properties in the district.

Uniform Annual General Charge

Council's Uniform Annual General Charge (UAGC) is set at a level that enables all Targeted Rates that are set on a uniform basis as a fixed amount, excluding those related to Water Supply and Sewage Disposal, to recover between 20% and 25% of total rates. For 2021-22 Council has determined that the UAGC will be set at a level to recover 22% of total rates from fixed amounts.

The charge is applied to each separately used or inhabited part of a rating unit.

Targeted Rates

Targeted Rates are charged to fund both operating and capital expenditure. They are charged where Council considers it desirable to separate out the funding of an activity. They are charged to rating units including those units that are separately inhabited which have access to or are deemed to benefit from the service provided. Targeted rates are a funding mechanism that may be charged for activities deemed to have either a high public or a high private good to identified properties, an area of the city or the city as a whole.

Some targeted rates are applied differentially using either land or capital values, however most targeted rates are applied on a uniform basis (same amount or rate in the dollar).

Water

Fire Protection Rate

This rate recovers a portion of the net costs of the water supply systems before the deduction of water by meter income.

The Fire protection targeted rate is based on the Capital Value of properties connected to, or able to be connected to, the Napier City Council water supply systems.

This rate is differentially applied, in recognition that the carrying capacity of water required in the reticulation system to protect commercial and industrial properties is greater than that required for residential properties. The rate is further differentiated where a property is not connected but is within 100 metres of a water supply system. 50% of the base rate for each differentiated category applies for each property not connected but located within 100 metres of the systems.

Differentials	Connected (%)	Not connected but within 100m (%)
Central Business District and Fringe Area	400%	200%
Suburban Shopping Centres, Hotels and Motels and Industrial rating units outside of the CBD	200%	100%
Other Rating Units connected to or able to be connected to the Council water supply systems	100%	50%

Water Rate

These rates recover the balance of the total net cost of the water supply systems after allowing for revenue collected from the Fire Protection Targeted Rate and the Water by Meter targeted rate.

The targeted rates are differentially applied and are a fixed amount set on a uniform basis, applied to each Separately Used or Inhabited Part of a Rating Unit connected to or able to be connected to, the Council's water supply system.

The differential categories for the water rates are:

- Connected – any Rating Unit that is connected to a Council system
- Service available – any Rating Unit that is not connected to a Council system but is within 100 metres of such system (charged 50% of the targeted rate for connected properties)

Differentials	Connected (%)	Not connected but within 100m (%)
Rating Units connected to or able to be connected to the Council water supply systems	100%	50%

Stormwater Rate

The primary beneficiary of storm water assets are those properties that have a hard surface. There is a strong relationship between Capital Value and the hard surface area of a property.

This rate recovers the cost of storm water activity. The Stormwater Rate is based on the Capital Value of Residential, Rural Residential and Commercial & Industrial properties within the recognised serviced area as per the Stormwater Coverage map (i.e. non-rural property as defined under the District Plan).

Rural properties are exempted.

The differential categories for Stormwater Rates are:

Differentials	Differential Rate within service area
Residential / Other	100%
Commercial & Industrial	250%
Rural Residential	100%

Sewerage Rate

This rate recovers the net cost of the waste water activity.

The Sewerage targeted rate is applied differentially as a fixed amount and is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to, or able to be connected to, the Sewerage System.

A differential of 50% of the rate applies to each rating unit not connected but located within 30 metres of the system.

Differentials	Connected (%)	Not connected but within 30m (%)
Rating units connected to or able to be connected to the Sewerage System	100%	50%

Bay View Sewerage Connection Rate

The Bay View Sewerage Scheme involves reticulation and pipeline connection to the City Sewerage System. Prior to 1 November 2005, property owners could elect to connect either under a lump sum payment option, or by way of a targeted rate payable over 20 years.

The Bay View Sewerage Connection targeted rate is a fixed amount set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to the Bay View Sewerage Scheme, where the lump sum payment option was not elected.

The rate applies from 1 July following the date of connection for a period of 20 years, or until such time as a lump sum payment for the cost of connection is made.

The category of rateable land for setting the targeted rate is defined as the provision of a service to those properties that are connected to the sewerage system, but have not paid the lump sum connection fee.

Refuse & Recycling

Refuse Collection and Disposal Rate

This rate recovers the cost of the kerbside refuse collection service, including an allocation of the cost of Council support services.

The Refuse Collection and Disposal targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which a rubbish collection service is available and is multiplied by number of times each week the service is provided. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Kerbside Recycling Rate

This rate recovers the net cost of the kerbside recycling collection service, including an allocation of the cost of Council support services.

The Kerbside Recycling targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which the kerbside recycling collection service is available. Rating Units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

Off Street Car Parking Rates

CBD Off Street Car Parking Rate

This rate is used to provide additional off street car parking in the Central Business District. Those commercial rating units in the mapped areas identified as the Central Business District Off Street Car Parking 100% and 50% Parking Dispensation areas are charged the CBD Off Street Parking targeted rate based on land value. This rate is set on a differential basis as follows:

Differentials	%
Properties where council provides additional parking due to the property receiving a 100% parking dispensation	100%
Properties where council provides additional parking due to the property receiving a 50% parking dispensation.	50%

Refer Council maps:

- CBD Off Street Car Parking – 100% Parking Dispensation Area
- CBD Off Street Car Parking – 50% Parking Dispensation Area
- Taradale Off Street Car Parking Rate

This rate is used to provide additional off street car parking in the Taradale Suburban Commercial area.

Those commercial rating units in the Taradale Suburban Commercial area only are charged the Taradale Off Street Parking targeted rate based on land value and set on a uniform basis.

Suburban Off Street Car Parking Rate

This rate is used to provide additional off street car parking at each of these areas served by Council supplied off street car parking, and to maintain the existing off street car parking areas.

Those commercial rating units in suburban shopping centres and those commercial properties located in residential areas which are served by Council supplied off street car parking are charged the Suburban Shopping Centre Off Street Parking targeted rate based on land value and set on a uniform basis.

Promotion Rates

CBD Promotion Rate

This rate recovers at least 70% of the cost of the promotional activities run by Napier City Business Inc. The remainder is met from general rates to reflect the wider community benefit of promoting the CBD to realise its full economic potential.

Each commercial and industrial rating unit situated within the area as defined on Council map “CBD Promotion Rate Area” are charged the CBD Promotion targeted rate based on land value and set on a uniform basis.

Taradale Promotion Rate

This rate recovers the full cost of the Taradale Marketing Association’s promotional activities. All rating units in the Taradale Suburban Commercial area are charged the Taradale Promotion targeted rate based on land value and set on a uniform basis.

Other Rates and Charges

Swimming Pool Safety Rate

This rate recovers the cost of pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016. A targeted rate of a fixed amount set on a uniform basis, applied to each rating unit where a residential pool or small heated pool (within the meaning of the Building (Pools) Amendment Act 2016) is subject to a 3 yearly pool inspection.

Water By Meter Charges

This rate applies to all with a water meter and is charged based on a scale of charges as shown on the schedule of indicative rates each year.

Where any rating unit is suspected to have above average water usage Council officers may require that a water meter is installed and excess usage is charged based the water by meter targeted rate.

The rate charged on actual water use above 300m3 per SUIP per annum applies to select metered properties.

Targeted Rates Note:

For the purposes of Schedule 10, clause 15(4)(e) or clause 20(4)(e) of the Local Government Act 2002, lump sum contributions will not be invited in respect of targeted rates, unless this is provided within the description of a particular targeted rate.

Separately used or inhabited parts of a Rating Unit definition

Definition

For the purposes of the Uniform Annual General Charge and all uniform (or fixed value) Targeted Rates, a separately used or inhabited part of a rating unit is defined as: Any part of a rating unit that is, or is able to be, separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

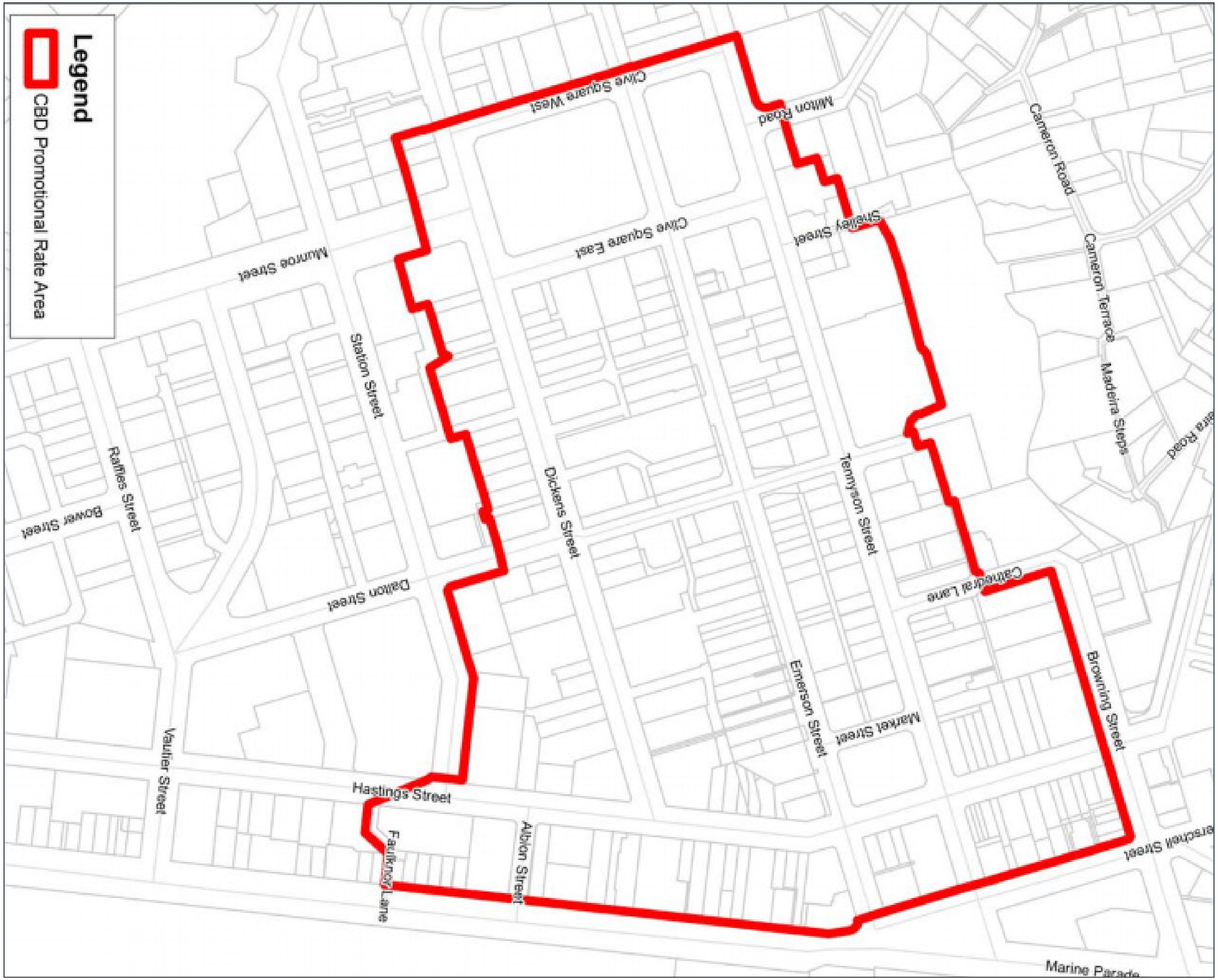
This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other forms of occupation) on an occasional or long term basis by someone other than the owner.

Examples of separately used or inhabited parts of a rating unit include:

- For residential rating units, each consented supplementary unit is considered a separately used or inhabited part. Each situation is assessed on its merits.
- Residential properties, where a separate area that is available to be used as an area independent to the rest of the dwelling is used for the purpose of operating a business, such as a professional practice, dedicated shop\display area or trade workshop. The business area is considered a separately used or inhabited part.
- For commercial or industrial properties, two or more different businesses operating from or making separate use of the different parts of the rating unit. Each separate business is considered a separately used or inhabited part. A degree of common area would not necessarily negate the separate parts.
- Where a single business comprises multiple buildings, or multiple floors of a single building, each building or floor of a multi-story building is deemed to constitute a separate part (SUIP).

These examples are not inclusive of all situations.

COUNCIL MAPS
CBD Promotion Rate Area



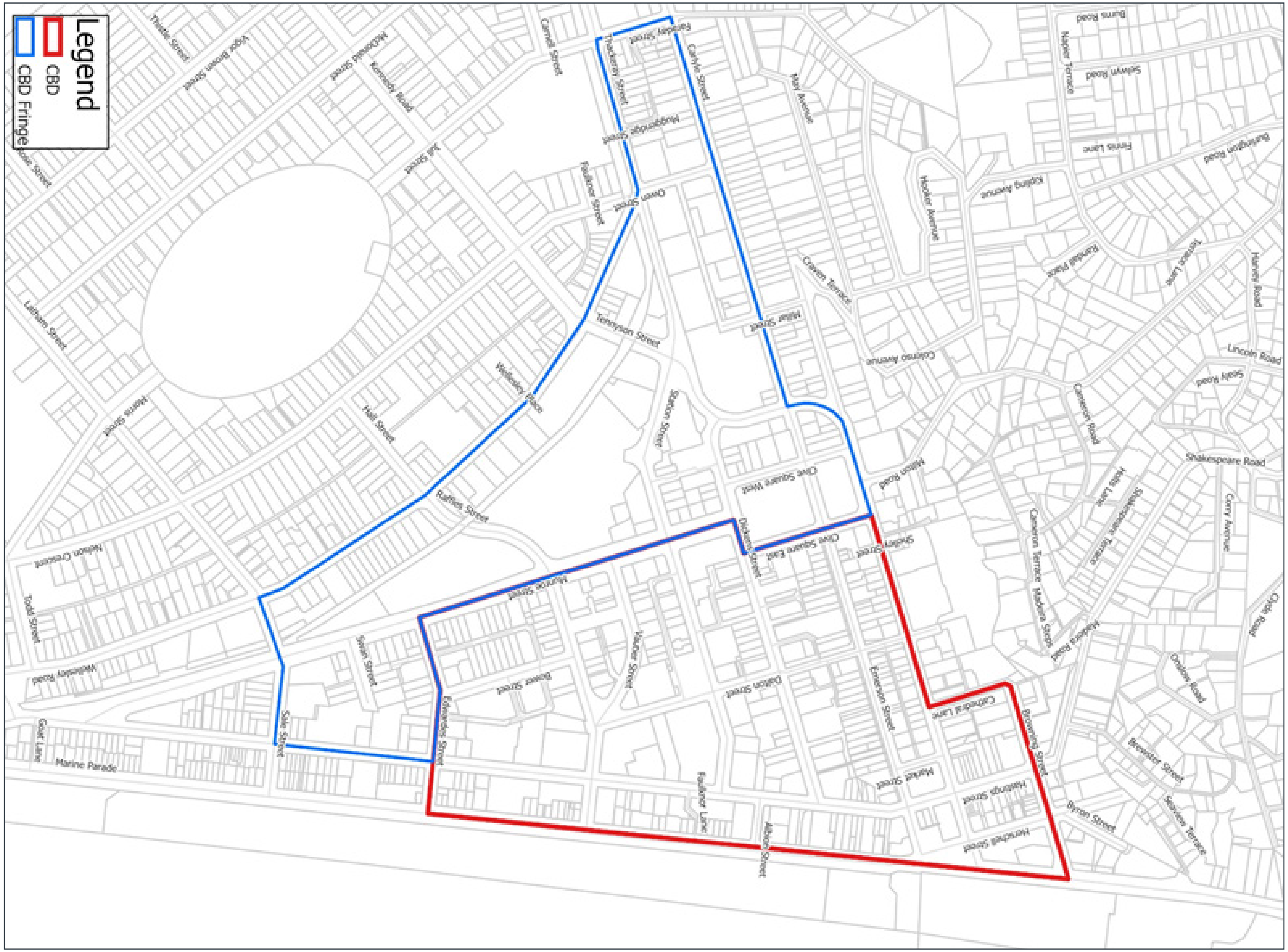
CBD Off Street Parking

100% Parking Dispensation Area

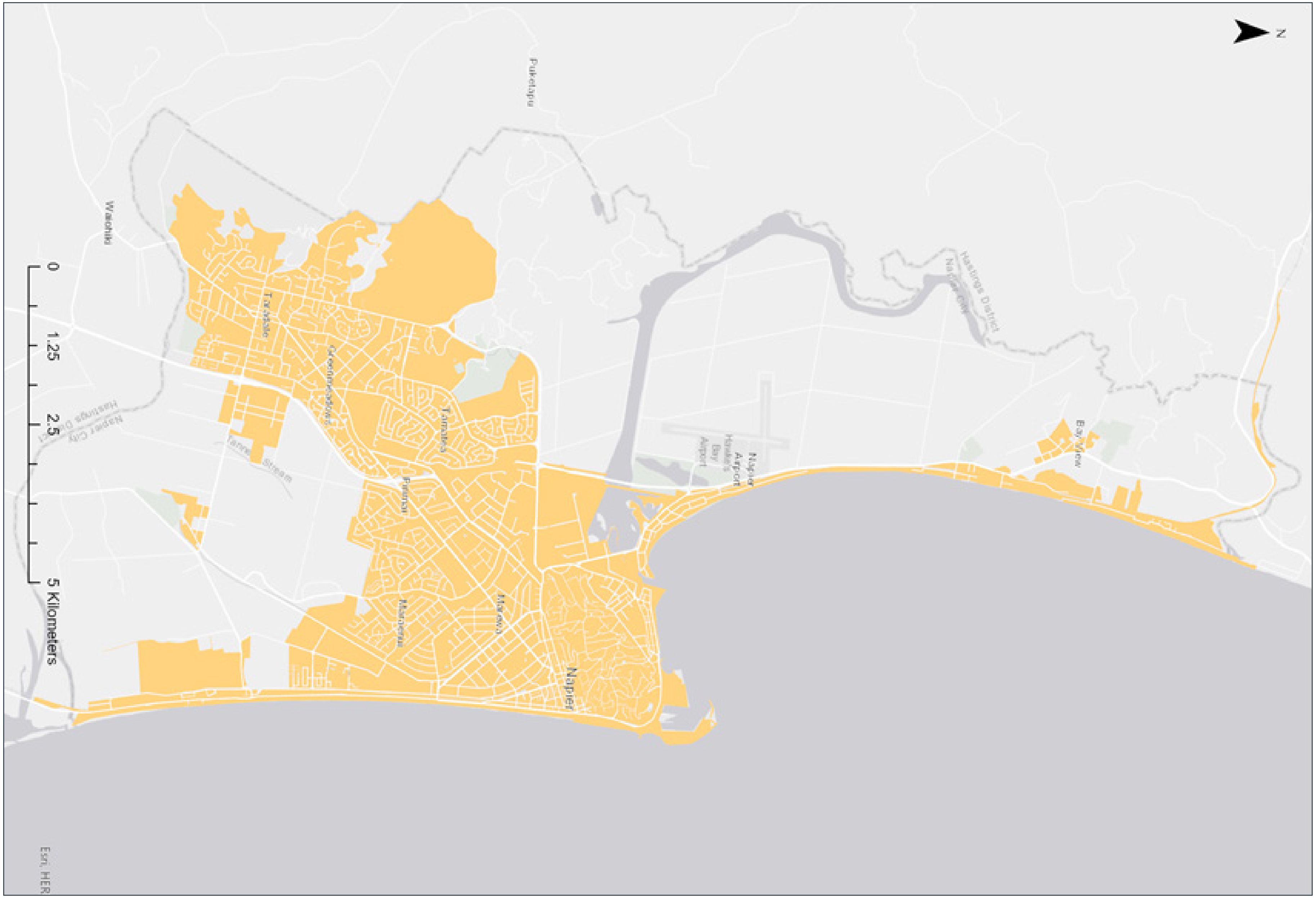
CBD Off Street Parking

50% Parking Dispensation Area

CBD Fire Protection Area



Stormwater Coverage



Other Rating Matters

Due Dates for Payment of Rates

Instalment Rating

Rates for 2021/22 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments as follows:

- First Instalment due 18 August 2021
- Second Instalment due 17 November 2021
- Third Instalment due 16 February 2022
- Fourth Instalment due 18 May 2022

Water by Meter Charges

Targeted rates for metered water supply are separately invoiced; either quarterly in September, December, March and June for non-domestic supplies, or annually in June for metered domestic supplies.

The payment due date is the 20th of the month after the month of invoice.

Penalties

In accordance with sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10 per cent is added to each instalment or part thereof which is unpaid two full working days after the due date for payment. Previous years rates which remain unpaid will have a further 10% added two full working days after the due date for instalments one and three.

Fees and Charges

Council applies a range of fees and charges to fully or partially recover the costs of various activities.

The level of fees and charges are reviewed annually and a schedule of Council Fees and Charges is prepared as a separate document.

The schedule is available upon request from the Council office.

INDICATIVE RATES

Description	Category	Factor			2021-22 Proposed Rate	2021-22 Proposed Revenue
General Rates			**Old**	**New**	**(Incl GST)**	**(Excl GST)**
General Rate (cents per $ Land Value)	All rateable property	Land Value	Differential	Differential		
Differential 1 Residential/Other						
Residential			100.00	100.00	0.003	18,883
Former Miscellaneous properties			100.00	100.00	0.003	149
Former Ex City Rural properties			63.47	75.65	0.003	20
Former Other Rural properties			63.47	75.65	0.003	56
Former Bay View Properties			72.80	81.87	0.003	82
Differential 2 Commercial and Industrial						
Commercial & Industrial			268.09	265.39	0.009	11,235
Former Miscellaneous Commercial properties			100.00	153.33	0.005	95
Former Other Rural Commercial properties			63.47	128.98	0.004	22
Former Bay View Commercial Properties			72.80	135.20	0.005	19
Differential 3 Rural						
All Rural Properties (> 5Ha)			63.47	70.65	0.002	547
Differential 4 Rural Residential						
Former Residential and Miscellaneous properties			100.00	96.67	0.003	2
Former Other Rural properties			63.47	72.31	0.002	1,163
Former Bay View Properties			72.80	78.53	0.003	347
Total - General Rates on Land Value						**32,620**
Uniform Annual General Charge (UAGC)	All rateable property	Fixed amount per SUIP*			$424.00	10,272
TOTAL GENERAL RATES						**42,892**

Description	Category	Factor			2021-22 Proposed Rate	2021-22 Proposed Revenue
Targeted Rates			Old	New		Including GST
Stormwater Targeted Rate	Mapped service area	Capital Value				
				Differential		
Residential				100.00	0.000	2,903
Commercial				250.00	0.001	1,279
						4,182
Fire Protection Rate	Service available / Connected	Capital Value		Not Connected	Connected	
CBD Commercial				0.000	0.000	139
Other Commercial & Industrial				0.000	0.000	150
Residential & Other				0.000	0.000	684
						973
Water Supply	Service available / Connected	Fixed amount per SUIP*				
Water Rate (connected)					244.00	5,638
Water Rate - Serviceable (not connected) 50%					122.00	
Refuse Collection & Disposal Rate	Service available	Fixed amount per SUIP*				
1 collection per week					133.00	3,170
2 collection per week					266.00	
3+ collection per week					399.00	
Kerbside Recycling Rate	Service available	Fixed amount per SUIP*			73.00	1,569
Sewerage	Service available / Connected	Fixed amount per SUIP*				
Sewerage Rate (connected)					426.00	9,832
Sewerage Rate - Serviceable (not connected) 50%					213.00	
Bay View Sewerage Connection Rate	Service available	Fixed amount per SUIP*			941.35	18

Description	Category	Factor	2021-22 Proposed Rate	2021-22 Proposed Revenue
CBD Off Street Car Parking Rate	Commercial in catchment area	Land value		
100% Parking Dispensation area			0.001	90
50% Parking dispensation area			0.000	31
				121
Taradale Off Street Car Parking Rate	Commercial in catchment area	Land value	0.001	17
Suburban Off Street Car Parking Rate	Commercial in catchment area	Land value	0.001	12
Promotion Rate - CBD	Commercial in catchment area	Land value	0.001	153
Promotion Rate - Taradale	Commercial in catchment area	Land value	0.001	61
Swimming Pool Safety Rate	Service provision	Fixed amount per rating unit	$54.00	83
Plus Allowance for Rate Penalties				270
Less Allowance for Rate Remissions				(339)
TOTAL RATES (Excluding water by Meter)				**68,651**
Water By Meter Charges	Connected / Supply	Fixed amount per cubic metre		
Non-Domestic Supplies			0.602	728
Metered domestic supplies			1.118	
TOTAL RATES (Including water by Meter)				**69,379**

* SUIP = Separately used or inhabited part

EXAMPLES OF PROPOSED RATES FOR 2021/22

Examples of the impact of rating proposals for 2021/22 are shown in the following table:

Differential Category	Land Value	Capital Value	Rates 2020-21	Rates 2021-22	Change $	Weekly Change $	Change %
Residential							
Average Value & Land Value Increase	299,500	638,300	2,379	2,477	98	1.89	4.1%
Average Value - above average LV movement	310,000	640,000	2,422	2,567	144	2.78	6.0%
Low Value residential	128,000	425,000	1,489	1,846	357	6.86	24.0%
Parklands Residential	320,000	840,000	2,540	2,602	62	1.19	2.4%
Te Awa Residential	290,000	740,000	2,511	2,474	-37	-0.70	-1.5%
Bay View Residential	284,200	614,300	1,964	2,248	283	5.45	14.4%
Ex Rural Residential (City fringe)	668,600	1,389,800	2,811	3,375	564	10.85	20.1%
Commercial / Industrial						`	
Other Commercial Average	553,900	1,148,300	5,990	7,375	1,385	26.64	23.1%
CBD Average	867,900	2,368,800	11,658	13,281	1,623	31.20	13.9%
Industrial Average	1,069,700	1,777,800	9,566	11,976	2,410	46.34	25.2%
Bay View Average Commercial	473,500	855,500	1,931	3,585	1,654	31.81	85.7%
Rural Average Commercial	457,200	1,610,600	1,527	2,523	995	19.14	65.2%
Rural							
Average Rural	1,832,800	2,320,400	4,392	4,946	555	10.67	12.6%
Rural Residential							
Bay View Average	375,400	782,700	1,853	2,076	223	4.30	12.1%
Other Rural Residential in Stormwater area	457,500	875,900	1,620	1,933	313	6.02	19.3%
Other Rural Residential outside Stormwater area	457,500	875,900	1,620	1,733	113	2.18	7.0%

The three -yearly revaluation for the city for rating purposes was undertaken in 2020 and those new valuations apply as the basis for setting the rates for 2021-22.

The rating examples should be read having regard for the following:

Council's total rates revenue for 2021/22, excluding rate penalties and water by meter charges, will increase by 8.30% which is an average increase of 8.00% for existing properties after an allowance of 0.3% is made for new properties added since last year.

Council has recently consulted on changes to differential categories and differential factors. The changes are proposed to be phased in over 3 years and this results in impacts, in particular on properties previously rated in the Rural and Bay View categories.

As property values directly affect the level of general and targeted rates charged on either laned or capital value , changes in property value, above and below the average movements across the city will mean that the rate increase properties will be greater or less than the proposed 8% overall increase for individual properties.

FINANCIAL PRUDENCE BENCHMARK

Local Government (Financial Reporting and Prudence) Regulations 2014

The Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations 2014) were developed to assist in identifying local authorities where further enquiry is warranted in relation to their financial management, and promote prudent financial management by local authorities.

Under Section 13 of the Regulations 2014, the Council must include in its LTP a Disclosure Statement that details the following benchmarks:

- For the 10 years of the LTP:
  - Rates affordability benchmarks; and
  - Debt Affordability benchmarks;
- For the year prior to the LTP plus the 10 years of the LTP:
  - Balanced budget benchmark;
  - Essential services benchmark; and
  - Debt servicing benchmark;

Section 101A of the LGA requires local authorities, to prepare and adopt a financial strategy that includes a statement that quantifies limits on rates, rate increase and borrowings. These limits are then used as the basis of the Rates and Debt Affordability benchmarks.

Long-term plan disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

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

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

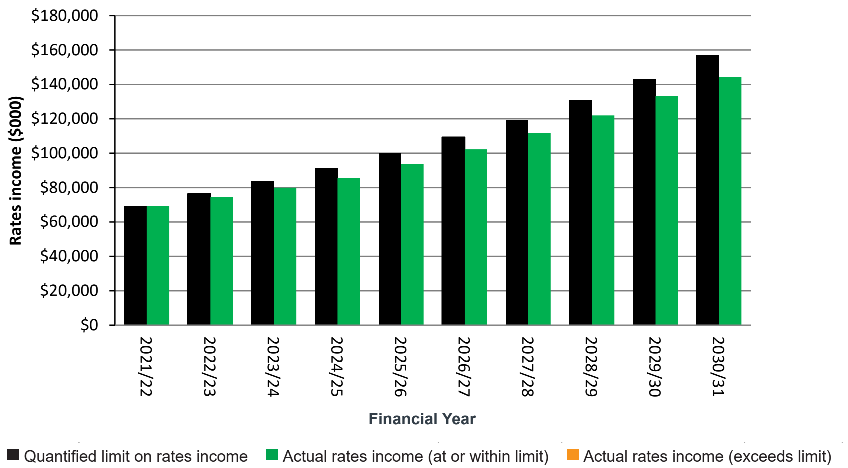
Rates Affordability Benchmark

The council meets the rates affordability benchmark if:

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

Rates (increases) affordability

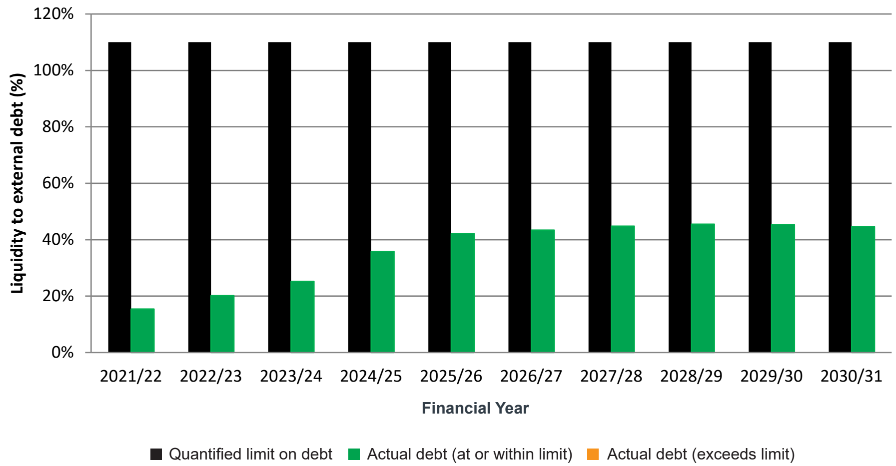
The following graph compares the council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is 8% in 2021/22 and thereafter no more than the Local Government Cost Index (LGCI) plus 6.5%, together with an allowance of 0.3% for growth in the rating base. The calculation excludes water by meter, rates remissions and rates penalties as these are not included in the rates collection calculation.



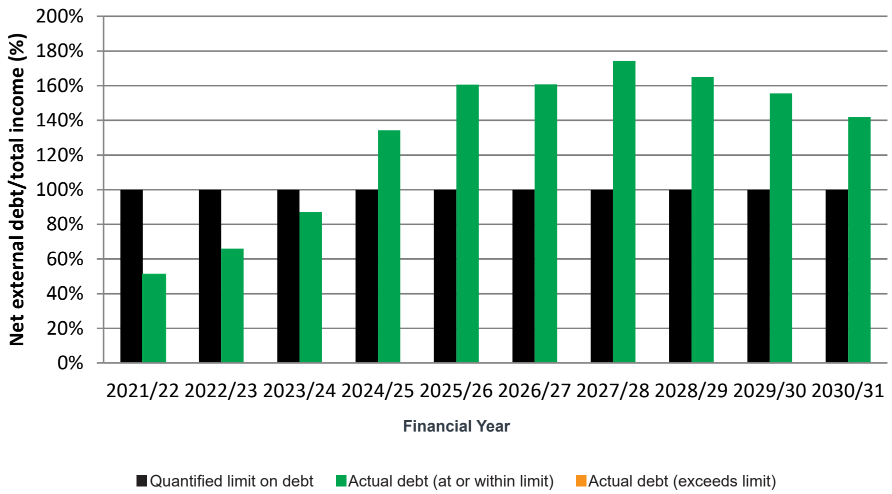
Debt Affordability Benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

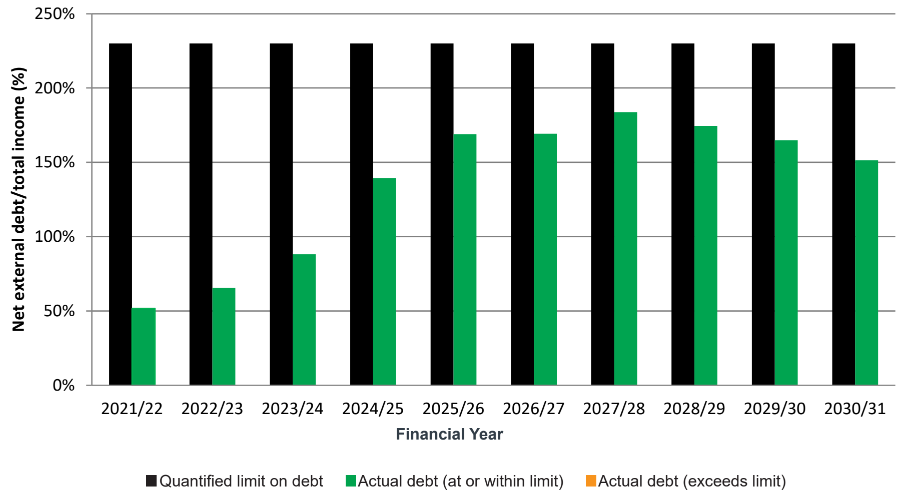
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is liquidity (term debt plus committed bank facilities and liquid available financial investments) to external debt must be at least 110%.



The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is net external debt as a percentage of total income will not exceed 230%. Note, where the external debt is $0 in a particular year, net debt is shown as $0 as well.



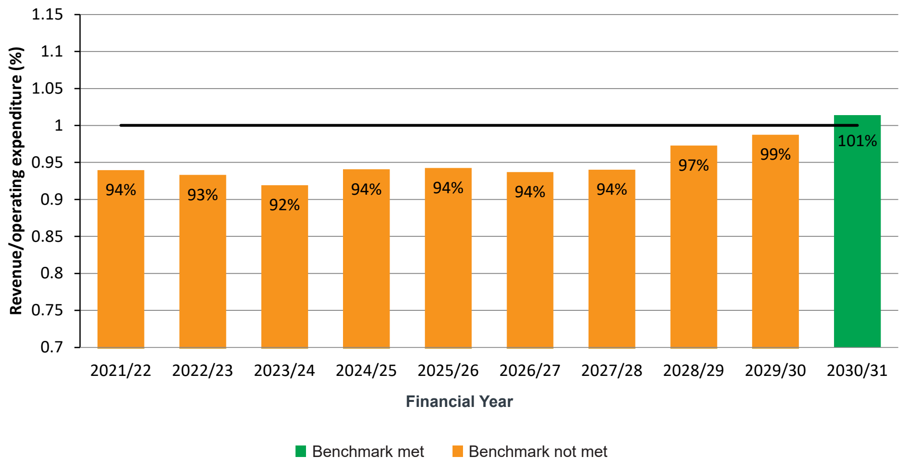
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is net interest expense on external debt to total income will not exceed 10%.



Balanced Budget Benchmark

The following graph displays the council's planned revenue (excluding financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

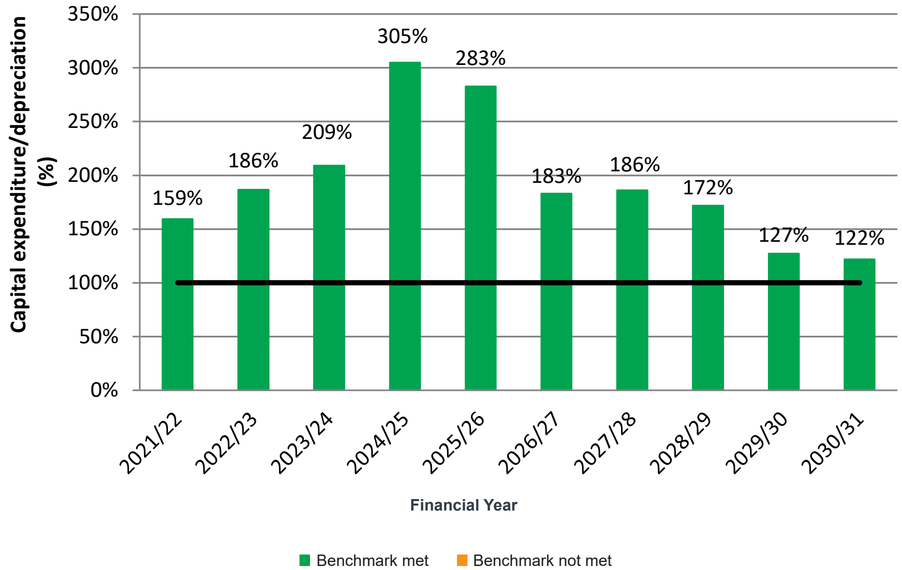
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential Services Benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services



Debt Servicing Benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.