



# An even better place to live

PLANNING  
NELSON'S FUTURE

## Annual Plan 2017/2018

Variations to Year 3 of the  
Long Term Plan 2015-25

YOUR NELSON  
*Your Say*

 Nelson City Council  
te kaunihera o whakatū



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# ABOUT THIS ANNUAL PLAN

Council's major planning document for the current period is the Long Term Plan 2015-25. The Long Term Plan sets out Council's planned priorities and spending for ten years from 2015.

This Annual Plan 2017/18 provides an update to the Long Term Plan, highlighting the reasons for any changes to Council's work programme for Year 3 (2017/18) and the impact those changes will have on rates and debt.

This Annual Plan is an exceptions document i.e. it only details changes to the Long Term Plan and does not include projects that are proceeding as planned. To fully understand this Annual Plan, you may find it helpful to read it alongside the Long Term Plan 2015-25, which contains a detailed explanation of Council's work programme and the Annual Plan 2016/17 which contains the exceptions to Year 2 of the Long Term Plan 2015-25.

This Annual Plan follows the same order as the Long Term Plan 2015-25 to make it easy to relate the two documents. Following the introductory sections, there is discussion of changes within each of Council's ten activity areas. This is followed by financial information and tables setting out the planned expenditure for the 2017/18 year.

**Copies of the Long Term Plan 2015-25, Annual Plan 2016/17 and Annual Plan 2017/18 can be viewed at the Council Customer Service Centre at 110 Trafalgar Street, at any of our public libraries or on our website [nelson.govt.nz](http://nelson.govt.nz)**







# MAYOR'S MESSAGE

## Welcome to the Annual Plan 2017/18.

I am pleased that this Annual Plan will continue the momentum of our Long Term Plan and deliver on a programme of works that builds a platform for success to support our growing region.

In our long term planning, we outlined significant investment in core infrastructure and this work continues as part of this Plan. We are committed to supporting our city's development and protecting our private and public assets.

For the 2017/18 year, the capital programme is \$60m. Projects include important flood protection and stormwater upgrades, including at York Stream and Saxton Creek; walking and cycling projects throughout the city; and Neale Park pump station upgrade.

We are also working to ensure our community is well supported through high quality facilities and this year we will see the completion of Stoke Greenmeadows Community Centre. There will also be more engagement with residents of Stoke over the year as we work on a range of initiatives to support our fastest growing suburb, Stoke.

In 2017/18, we will continue work on the development of the Haven Precinct. This is an important land activation project that aims to make the most of our city to sea linkage and beautiful natural and recreational assets. It's an opportunity to think about our future as a city; about how we want to enjoy our public spaces; and how we want to grow as a community.

The Church Street precinct is a project we will see come to life, as part of this Annual Plan. We have been collaborating with Church St business owners and landowners on a plan to transform the inner city lane into an active public space.

Partnerships are a cornerstone of our Long Term Plan. They stretch resources further and help us to achieve our goals as a community.

Another example of this is the role that the Brook Waimarama Sanctuary plays in achieving biodiversity gains in our region. Council has set aside funds to support the Sanctuary as it works towards achieving the objectives of a fenced sanctuary for Nelsonians and visitors to experience.

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The Nelson Regional Development Agency will receive funding for a programme to attract investment, visitors and talent to our region.

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The Nelson Regional Development Agency will receive funding for a programme to attract investment, visitors and talent to our region. I am proud to call Nelson home and look forward to encouraging more people to work with us to make Nelson an even better place.



Enjoying the outdoors is something our community is very passionate about. We have been working closely with the mountain biking community to deliver on planned projects that will enhance the Nelson surrounds and create world class mountain biking facilities.

Two new mountain bike tracks to link the Maitai to the Tantragee Saddle are planned in the next year as well as design work for a new mountain bike hub in the Maitai Valley. These projects not only help us to enjoy our beautiful environment, but also afford us an opportunity to encourage more visitors to our region. In addition, there is funding in 2017/18 for carparking in the Brook to provide access to our great trails.

Our Council is committed to ensuring clarity for our community, and I have asked for this regarding the Nelson Southern Link Investigation. Providing a plan for our arterial transport network is critical to ensuring connectivity and ease of transport between Nelson and Richmond, increasing resilience, growing our city and enhancing our waterfront.

This Annual Plan must balance the commitments made as part of our Long Term Plan, with the evolving needs and aspirations of our community. Setting priorities is critical and each year we need a deliverable plan that achieves as much as possible, with the resources we have available. Some of the projects we have considered will be looked at as part of next year's Long Term Plan, while others which were planned for this year, have been re-prioritised in future years.

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We know that while there is a need for investment to ensure we achieve our goals as a community, balancing this need with affordability for you, our ratepayers, is just as important.

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We know that while there is a need for investment to ensure we achieve our goals as a community, balancing this need with affordability for you, our ratepayers, is just as important.

The average rates increase will be 2.8% in 2017/18 – in line with what we said we would deliver in our Long Term Plan and in the consultation document for this Annual Plan.



**Rachel Reese**  
Mayor of Nelson



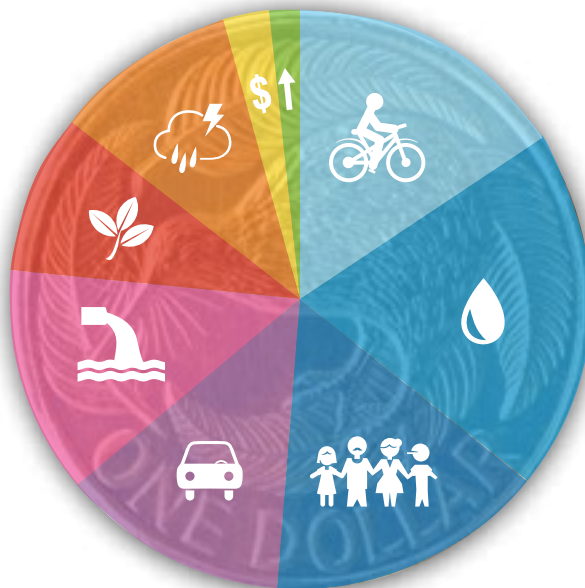


# SETTING THE RATES

The overall increase in rates required for 2017/18 is 2.8%. Following a community consultation period running from 17 March to 18 April 2017, Council heard from submitters and deliberated on the feedback received and then made decisions on the Annual Plan 2017/18. For further information on how Council sets its rates and charges, please refer to the Funding Impact Statement section of this Annual Plan.

## HOW YOUR RATES DOLLAR IS SPENT

Makeup of the Average Annual Rates Bill (\$2,929 incl GST)



- Parks and Active Recreation: **\$466**
- Water Supply: **\$504**
- Social: **\$473**
- Transport: **\$406**
- Wastewater: **\$408**
- Environment: **\$276**
- Stormwater and Flood protection: **\$288**
- Economic: **\$63**
- Corporate: **\$46**



## COUNCIL ACTIVITIES



Transport  
Water supply  
Wastewater  
Stormwater  
Flood protection

Environment  
Social  
Parks and active recreation  
Economic  
Corporate



Each of these activities is summarised in the following pages with comments on the major changes to Year 3 (2017/18) of the Long Term Plan 2015-25.

Following an exercise to reconfirm the priority of projects that were included in Year 3 (2017/18) of the Long Term Plan 2015-25, Council has deferred a small number of lower priority projects. Business cases have been developed to help make the assessment of project priority. This assists Council to be able to deliver new and/or higher priority projects and to ensure the work programme for 2017/18 is achievable while also allowing Council to align work across various activities (e.g. transport projects with stormwater projects). This has a minor impact on the overall value of the total capital work programme for 2017/18. Those projects that have had a timing change as a result of this approach are listed in the activity sections.

Council has used the current best estimates in developing this Annual Plan. The focus has been on balancing investment and spending

with affordability. Estimates for 2017/18 were originally prepared as part of the Long Term Plan 2015-25. Council carefully examined all of its operational spending for opportunities to get better value for money and, using better informed estimates of the cost and timing of some items has managed to achieve savings in a number of areas. Where contingencies were considered overly conservative, they have been reduced (e.g. maintenance budgets have been aligned with average expenditures). Details on some specific adjustments are included in the individual activity sections. In addition, since the draft Annual Plan was prepared, there were changes to the capital programme budgets which reflect Council's ongoing programme of work. These changes are to realign project budgets with scheduled delivery. Council has a mechanism for reporting on and agreeing to these changes outside of an Annual Plan process.



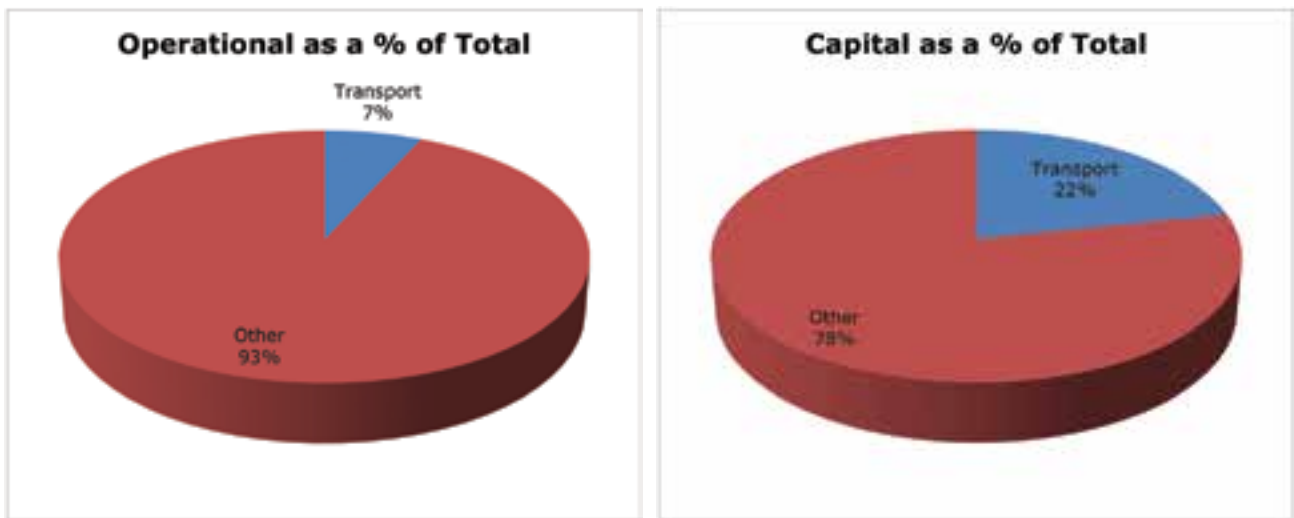




# TRANSPORT

Council's transport assets and services include the provision, operation and maintenance of physical infrastructure and the environment on road reserves for driving, cycling and walking. Council also manages road safety, parking control, traffic control and public transport services within the transport activity.

The charts below show how much of Council's total operational and capital budgets will be spent on the transport activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the transport activity since the Long Term Plan 2015-25 was adopted. All other transport activities are to be delivered as stated in the transport activity section of the Long Term Plan 2015-25.





## YEAR 3 (2017/18) PROJECT UPDATES

### Hill Street/Stoke foothills study

Half of Nelson's future population and household growth is projected to be in Stoke, with a significant proportion projected in the Marsden and Ngawhatu Valleys. This growth has transport implications, and an investigation is currently underway on improvements that need to be made to the transport network in the area to prepare for this. Recommendations for improvements from this investigation will be made in 2017, and Council has included \$210,000 in 2017/18 to begin scoping the recommended projects. Council is seeking co-investment from the New Zealand Transport Agency (NZTA) for this work and the resulting capital projects.

### Stoke Bus Loop reduction in coverage and frequency

The Stoke Bus Loop that was introduced in December 2015 has had very poor patronage. In the draft Annual Plan 2017/18, Council proposed to reduce the operating budget and the frequency and network coverage. However more detailed work showed that even a reduced service would require a heavy subsidy from rates and therefore Council has decided to remove the budget for the Stoke Bus Loop in 2017/18. The Stoke bus loop service will be withdrawn as of 1 July 2017 and opportunities to review the overall bus services will be assessed over 2017/18.

### Saltwater Creek Bridge

Preliminary design work has been carried out on the replacement of the existing narrow Saltwater Creek Bridge. That design work has shown that the current budget is insufficient to deliver a new bridge that works functionally by providing shallow grades that are easy to walk and cycle, as well as be aesthetically pleasing. The expected cost in 2017/18 is \$764,000 and this is included in the Annual Plan 2017/18. This is an increase of \$401,000 from what was originally included. This project, with a total cost of \$764,000 is 66% funded by the NZTA/Urban Cycleway Project, consequently the cost to Council is \$259,000.

### Conversion to LED lights

This is a citywide project to convert Nelson's streetlights from old mercury vapour and high pressure sodium lights to more efficient and cost effective light-emitting diode (LED) street lighting. International experience has shown that white light is also a factor in crime prevention, delivers greater comfort and security and improves visibility and reaction times for drivers and pedestrians, resulting in fewer vehicle

crashes and injuries. Council proposed to include budget for a trial of lighting conversion in 2017/18 through the draft Annual Plan 2017/18. Since the draft Annual Plan was prepared, NZTA has offered an increased subsidy for this work. As a result, Council has increased the budget allocated in 2017/18 for this work to \$2,400,000, to carry out the conversion of the majority of street lighting in 2017/18. This budget will be 85% funded by NZTA (Note that this NZTA funding is not yet approved). It is expected that LED lighting will lead to significant power savings with a payback period of 9-16 years over an expected renewal period of 20 years.

### Central city enhancement

As part of the Long Term Plan 2015-25, Council set aside \$894,000 over the four years from 2015/16 to 2018/19 for capital projects to enhance the central business district. Enhancements at Church Street have been identified as a project that would deliver benefit for the city and where there are willing partners to collaborate with Council. \$500,000 is allocated from this funding in 2017/18 and the partnership approach has seen discussions with Church Street businesses about contributing to the project.

### Parking regulation plant and equipment

Budget of \$8,500 has been included in 2017/18 for the replacement of parking regulation equipment.

### Transport depreciation

Depreciation for Council's footpaths, retaining walls and roundabouts was increased as a result of the 2015/16 revaluation. An additional \$728,000 of depreciation has been included in 2017/18 as a result of this. This increase reflects a change to the way footpaths are built, increased valuation of retaining walls and the inclusion of some assets that were not previously valued.

### Main Road Stoke Pedestrian Refuge

Following on from work Council has done through 'Spotlight on Stoke', Council is now at a stage to identify ways to complement the development at Greenmeadows. Good pedestrian connections between the Community Centre at Greenmeadows (currently under construction and expected to be completed towards the end of 2017) and Strawbridge Square were identified through 'Spotlight on Stoke'. Council has approved \$85,000 in funding from 2018/19 be brought forward to 2017/18 to construct a pedestrian refuge to assist in easier passage across Main Road Stoke. This will assist with the immediate needs at the site. Further budget in future years for additional connectivity in the area will be considered as part of the Long Term Plan 2018-28.





## Rocks Road Walking and Cycling

Council resolved to defer the Rocks Road walking and cycling project from 2016/17 to 2017/18 to better align with the timing of the Southern Link Investigation Business Case, a New Zealand Transport Agency project. Council will continue to work on cycle facilities through Tahunanui to connect ultimately with the Rocks Road project and at the CBD end to connect the Maitai Path to the Haven Precinct. Maintenance on the Rocks Road bollards will reduce to urgent maintenance only until the walking and cycling projects are confirmed (reduced by \$21,000).

## Maitai Connections – Maitai Path to eastern residential areas

This project was put on hold pending development of the Out and About – Active Travel and Pathway-based Recreation Policy and use of this policy to guide the programme of works. This project is now commencing in 2017/18 with public engagement and development of concept designs to connect the Maitai Path with the eastern residential areas. \$25,000 is included in 2017/18 to allow this work to commence. *Note that this project was previously called Maitai Shared Path (Collingwood to Nile Street).*

## Maitai Shared Path to Anzac Park

In addition to the Maitai Path to eastern residential areas project, Council also included funding of \$50,000 in 2017/18 for strategic business case, design and development for the Maitai Shared Path to Anzac Park. Design in 2017/18 will mean this section of the shared path can be funded for construction through the Long Term Plan 2018-28. This section (Anzac Park to Maitai) would complete the temporary alignment for the Great Taste Trail. In the long term, the Nelson Tasman Cycle Trail Trust's desire is to continue the trail around the coast through Urban Cycleway Projects which are currently under development.

## Parking meters

Replacement of the pay and display parking meters was scheduled for 2017/18. Council will undertake a business case first, ahead of the renewals, to understand the best option for parking meters in the city, given recent technological advances. Council has deferred this project to commence in 2018/19 instead (\$495,000 deferred from 2017/18).

In addition, as a result of the first hour free parking, there has been an associated increase in the number of tickets printed and thus the ticket paper needed. There has also been increased maintenance and telecommunication costs for the meters. This has resulted in an additional \$104,000 being required in 2017/18 for parking meter maintenance.

## Marsden Valley Ridgeway Upgrade

Council has moved this project (\$79,000) one year to 2018/19. This will allow results of the Stoke Foothills investigation to inform options for this upgrade. This Marsden Valley intersection has been assessed for safety risks by a consultant and was found to have remaining capacity before any major alterations would be required. However minor safety improvements were recommended and have been completed.

## Halifax (Maitai to Milton)

This section of road does not have kerb and channel and is also deficient in stormwater infrastructure. A project to improve the transport elements of the road is being coordinated with stormwater works to achieve cost savings and minimise disruption. \$632,000 has been deferred in 2017/18 and timing of the two projects will be coordinated through the Long Term Plan 2018-28. The stormwater project in the area does not require immediate addressing and is also scheduled for deferral.

## Maitai Valley Road Shared Path

As a result of the Council decision in December 2016 to make the Maitai Path between the Nile and Clouston Bridges for pedestrians only, there is a need to improve cycling connections between the Nile Street Shared Path and Branford Park. This work builds on Council's adoption of the Out and About On Tracks Strategy and \$150,000 is included in this Annual Plan for the project.

## Tahunanui cycleway

The Works and Infrastructure Committee has decided not to progress the Tahunanui Cycleway. As a result, funding has been removed from the Annual Plan 2017/18 for this project.





## TRANSPORT FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	10,298	10,521	10,927	406
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	2,302	2,452	2,388	(64)
Fees and charges	596	608	599	(9)
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,902	1,925	1,909	(16)
<b>Total Operating Funding</b>	<b>15,098</b>	<b>15,506</b>	<b>15,823</b>	<b>317</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,533	9,885	9,749	(136)
Finance costs	166	162	134	(28)
Internal charges and overheads applied *	1,411	1,306	1,134	(172)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>11,110</b>	<b>11,353</b>	<b>11,017</b>	<b>(336)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,988</b>	<b>4,153</b>	<b>4,806</b>	<b>653</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	1,857	2,899	4,728	1,829
Development and financial contributions	191	195	195	0
Increase (decrease) in debt	24	3,741	4,009	268
Gross proceeds from sale of assets	22	23	23	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>2,094</b>	<b>6,858</b>	<b>8,955</b>	<b>2,097</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	226	197	629	432
- to improve level of service	2,679	7,134	10,009	2,875
- to replace existing assets	3,177	3,680	3,123	(557)
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>6,082</b>	<b>11,011</b>	<b>13,761</b>	<b>2,750</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,988)</b>	<b>(4,153)</b>	<b>(4,806)</b>	<b>(653)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.



## 2017/18 Annual Plan Variances against Long Term Plan

Reduction in payments to staff and suppliers largely due to savings in public transport and total mobility operations offset by increased parking meter maintenance.

Internal charges (interest) have decreased by \$172k in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan.

The increase in subsidies and grants for capital reflects changes to the capital programme in the subsidised roading sub-activity.

Vested Assets of \$3 million are now budgeted for in the infrastructure activities rather than being aggregated in the Corporate activity.

Increased depreciation of \$930k has resulted from the 2015/16 asset revaluation.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

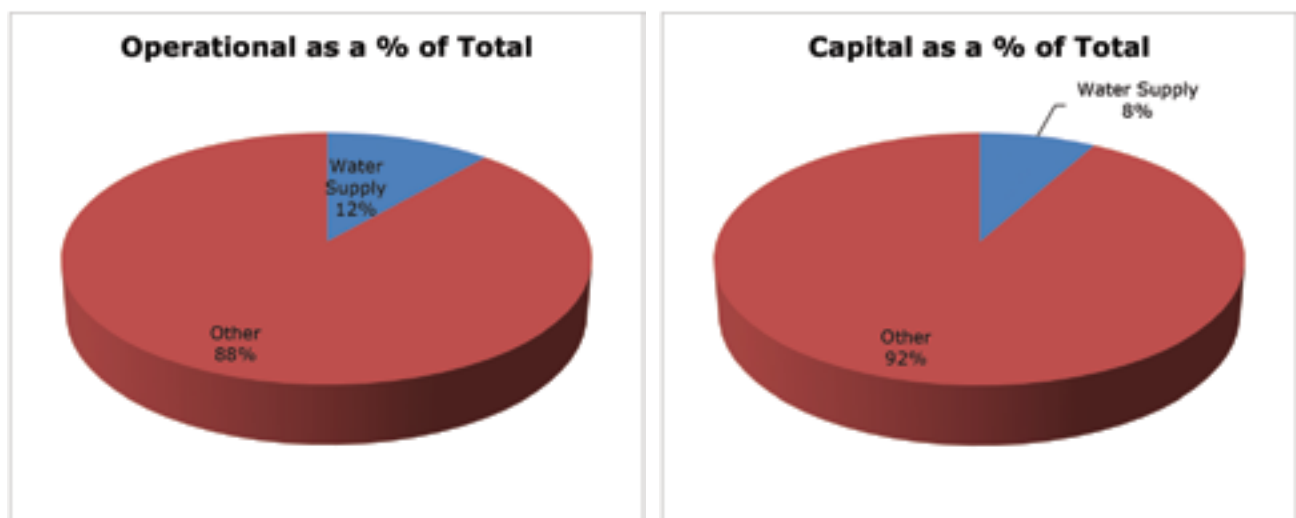
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,988	4,153	4,806	653
Subsidies and grants for capital expenditure	1,857	2,899	4,728	1,829
Development and financial contributions	191	195	195	0
Vested Assets	0	0	3,000	3,000
Gains on sale	0	0	0	0
Depreciation	(5,577)	(5,804)	(6,734)	(930)
Net Surplus (Deficit) before taxation in Cost of Service Statement	459	1,443	5,995	4,552



# WATER SUPPLY

Council supplies high quality water to most Nelson households and businesses through a piped network. Operations and maintenance in the water supply activity include the water intake structures on the Maitai and Roding Rivers, the Tantragee treatment plant and looking after the network of pipes, valves and storage reservoirs throughout the city.

The charts below show how much of Council's total operational and capital budgets will be spent on the water supply activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the water supply activity since the Long Term Plan 2015-25 was adopted. All other water supply activities are to be delivered as stated in the water supply activity section of the Long Term Plan 2015-25.

## YEAR 3 (2017/18) PROJECT UPDATES

### Water treatment plant membranes

The membranes at the water treatment plant are used to filter the water and provide the highest quality of water to Nelson residents. Train five has been recently commissioned to provide greater operational flexibility. The remaining membranes in the other four trains are older, and although they have been functioning well beyond their ten year expected life, are now showing signs of degradation. To address this, and to continue to provide the city with good quality water, Council will replace two trains of membranes each year over two years, rather than the four years as was provided for in the Long Term Plan 2015-25. As a result, the project has an adjusted budget of \$2.02 million in 2016/17 and \$467,000 in 2017/18. This includes an additional \$352,000 in funding as a result of the most recent pricing for the membranes being used.

### Dam fencing

For health and safety reasons, Council will install additional fencing at the Maitai Dam during 2017/18, at a cost of \$30,000.

### Nelson South water supply

Tasman District Council supplies water to properties in Nelson South from Champion Road and Council has recently taken over invoicing the residents for this water. This \$216,000 was not budgeted in the Long Term Plan 2015-25, and is offset by additional revenue.

### Atawhai Number 2 Reservoir

This project, to identify and purchase a site for a future reservoir for the Atawhai area, was deferred during the Annual Plan 2016/17 for resourcing reasons and is now scheduled in 2017/18 and 2018/19, with budget of \$120,000 included in 2017/18 and remaining budget in

2018/19. Construction of the reservoir is not planned until 2021 to 2023 and will not be impacted by this timing change.

### Natural Hazards risk assessment

This project, to identify the risk to the water network from natural hazards was deferred through the Annual Plan 2016/17, while central government (through Treasury) undertook a similar project for Nelson. Council will continue this risk assessment in 2017/18, to complement the work that has already been completed by Central Government, at a cost of \$41,000.

### Residential meters renewal programme

This project to renew the residential water meters was deferred in 2016/17 while a trial on remote sensing meters was undertaken. The renewals will now commence in 2017/18, with \$100,000 included in 2017/18 and the remainder of the budget (\$427,000) moved to 2018/19. Replacement can start once the outcomes of the trial are completed and continue through 2018/19.

### Water loss reduction strategy

The actions from the water loss reduction strategy are now being implemented. Budget to continue strategy development has been removed (\$31,000) as the project has advanced to implementation. Implementation will focus on investigations with some operational repairs and maintenance. If required, further implementation will be carried out in future years, following investigation results.



## WATER SUPPLY FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	12,019	12,188	11,416	(772)
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	31	32	32	0
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	8	8	8	0
<b>Total Operating Funding</b>	<b>12,058</b>	<b>12,228</b>	<b>11,456</b>	<b>(772)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	6,129	6,173	5,885	(288)
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,815	1,820	1,498	(322)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>7,944</b>	<b>7,993</b>	<b>7,383</b>	<b>(610)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>4,114</b>	<b>4,235</b>	<b>4,073</b>	<b>(162)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	287	292	525	233
Increase (decrease) in debt	1,044	514	(310)	(824)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>1,331</b>	<b>806</b>	<b>215</b>	<b>(591)</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	0	0	55	55
- to improve level of service	3,253	1,406	1,226	(180)
- to replace existing assets	2,192	3,635	3,007	(628)
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>5,445</b>	<b>5,041</b>	<b>4,288</b>	<b>(753)</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(4,114)</b>	<b>(4,235)</b>	<b>(4,073)</b>	<b>162</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.



## 2017/18 Annual Plan Variances against Long Term Plan

The provision for reactive maintenance has been decreased by \$270k to bring it into line with prior year expenditure.

Internal charges (interest) have decreased by \$322k in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan

A reduction of \$162k in depreciation expense is due to changes in the capital programme.

Development contributions have increased by \$233k due to elevated development activity.

Vested Assets of \$790k are now budgeted for in the infrastructure activities rather than being aggregated in the Corporate activity.

Loans of \$824,000 no longer required due to changes in the capital programme.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

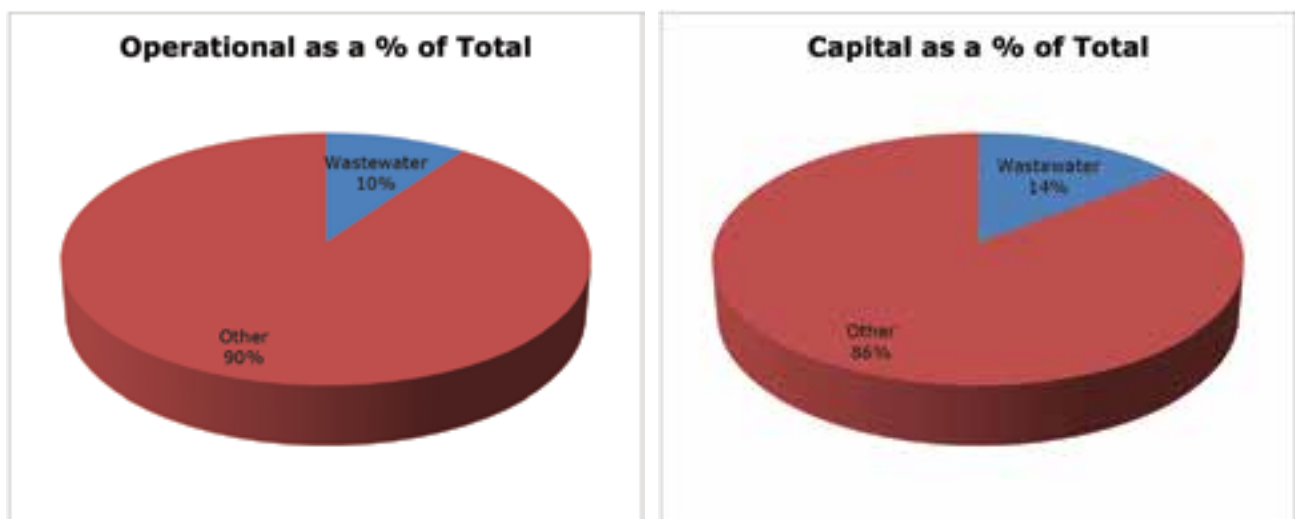
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	4,114	4,235	4,073	(162)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	287	292	525	233
Vested Assets	0	0	790	790
Gains on sale	0	0	0	0
Depreciation	(4,115)	(4,235)	(4,073)	162
Net Surplus (Deficit) before taxation in Cost of Service Statement	286	292	1,315	1,023





Council's wastewater activity includes the collection, treatment and disposal of sewage and other wastewater that is discharged into Nelson's sewers in order to prevent harm to people, contribute to their wellbeing and protect the environment.

The charts below show how much of Council's total operational and capital budgets are proposed to be spent on the wastewater activity in 2017/18.



The following section describes changes to year three (2017/18) for the wastewater activity since the Long Term Plan 2015-25 was adopted. All other wastewater activities are to be delivered as stated in the wastewater activity section of the Long Term Plan 2015-25.

## **YEAR 3 (2017/18) PROJECT UPDATES**

### **Neale Park pump station**

This multi-year project to redevelop and upgrade the pump station at Neale Park to reduce odour and provide peak flow pumping requirements has had changes due to timing of tendering and construction. The budget unspent in 2016/17 will be shifted to 2017/18 and an additional \$404,000 has been allocated in 2017/18 to complete the project. The additional \$404,000 is as a result of updated construction estimates which project a shortfall and was approved by Council in December 2016. The total budget for the project in the 2017/18 year is now \$5.56 million, with the total budget at \$6.68 million.

### **Network capacity for growth areas**

This project is to check the capacity of the sewer network downstream of potential growth areas. There is additional work due to increased growth and development and the budget has been increased to reflect this (\$35,000). This will help to ensure that Council and the community are informed of servicing constraints to growth.

### **Regional sewerage**

As per the Nelson Regional Sewerage Business Unit (NRSBU) business plan for 2017/18, Nelson City Council has a saving of \$447,000 for the cost of the service from the NRSBU, and there is a linked decrease in the owner's distribution (income) from the NRSBU of \$315,000.

### **Awatea Place wastewater**

Council has purchased a site from Nelson Airport to construct a single new pump station at the end of Awatea Place. There are two pump stations on Parkers Road which handle wastewater from the Annesbrook and Tahunanui areas. Both are reaching the end of their service lives and would need full renewal in the next five to ten years. It is more cost effective to replace them with a single pump station. Design work is underway and is scheduled to extend into 2017/18. There will be unspent budget from 2016/17 which will be carried forward (\$243,000) to align with the scheduled delivery programme. This change was approved by Council in December 2016. The total budget for 2017/18 is \$296,000.

### **Pump station storage**

This project is to provide information to meet resource consent conditions in the medium term in relation to the storage capacity of the pump stations. Work scheduled for 2016/17 was deferred during the Annual Plan 2016/17 as part of an adjustment to Council's work programme. Council's resource consent requires

that there be no dry weather discharges from pump stations by April 2023 and the 2016/17 deferment has not impacted on compliance against this condition, or others. Work is now scheduled to be continued in 2017/18 at a cost of \$176,000 (an increase of \$123,000 from that included in the Long Term Plan, carried forward from 2016/17).

### **Nelson wastewater treatment pond desludging**

During the Annual Plan 2016/17, Council deferred moving sludge from the Nelson wastewater treatment plant to the York Valley landfill. This enabled the sludge to dry out further. Moving the sludge will recommence in 2017/18 at a total cost of \$792,000 (\$429,000 of which was delayed from 2016/17) for the year.

### **Natural hazard risk assessment**

This project, to identify the risk to the wastewater network from natural hazards was deferred through the Annual Plan 2016/17, while central government (through Treasury) undertook a similar project for Nelson. Council will continue this risk assessment in 2017/18, to complement the work that has already been completed by central government, at a cost of \$51,000.

### **Nelson Wastewater Treatment plant – inlet repairs**

Inlet repairs at the Nelson Wastewater Treatment Plant are required as a result of elevated wear of concrete structures arising from the nature of the wastewater stream prior to actual treatment at the plant. The budget has been increased in order for this work to be completed (\$42,000).

### **Rising/Swallows Renewals Programme**

Work scheduled in 2017/18 for this programme was to complete investigation across the entire rising main and swallow network in order to identify priorities for designs in 2018-19. This is rescheduled, to be re-prioritised through the Long Term Plan 2018-28 (\$158,000).

This project was deferred following an exercise to reconfirm the priority of projects and to create an achievable work programme for 2017/18.

### **Stansell #52 and Princes Drive 274/278 Sewer renewal**

This project to provide investigation and design of wastewater at Stansell/Princess Drive locations is rescheduled, to be re-prioritised through the Long Term Plan 2018-28 (\$35,000).

This project was deferred following an exercise to reconfirm the priority of projects and to create an achievable work programme for 2017/18.





## WASTEWATER FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	7,277	7,468	7,265	(203)
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	1,274	1,299	1,280	(19)
Internal charges and overheads recovered	0	0	(289)	(289)
Local authorities fuel tax, fines, infringement fees, and other receipts	2,531	2,598	718	(1,880)
<b>Total Operating Funding</b>	<b>11,082</b>	<b>11,365</b>	<b>8,974</b>	<b>(2,391)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	6,223	6,314	5,099	(1,215)
Finance costs	437	444	0	(444)
Internal charges and overheads applied *	265	299	153	(146)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>6,925</b>	<b>7,057</b>	<b>5,252</b>	<b>(1,805)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>4,157</b>	<b>4,308</b>	<b>3,722</b>	<b>(586)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	478	487	398	(89)
Increase (decrease) in debt	932	1,084	4,043	2,959
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>1,410</b>	<b>1,571</b>	<b>4,441</b>	<b>2,870</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	251	823	300	(523)
- to improve level of service	3,772	3,501	6,293	2,792
- to replace existing assets	1,544	1,555	1,570	15
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>5,567</b>	<b>5,879</b>	<b>8,163</b>	<b>2,284</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(4,157)</b>	<b>(4,308)</b>	<b>(3,722)</b>	<b>586</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.



## 2017/18 Annual Plan Variances against Long Term Plan

The reduction in non-rate income is driven by a reduced return from assets employed in the Nelson Regional Sewerage Business Unit (NRSBU) reflecting lower operational costs, along with a correction of the NRSBU consolidation.

Payments to staff and suppliers has decreased reflecting lower operational costs in the NRSBU, along with a correction of the NRSBU consolidation.

Internal income and Finance costs have decreased as a result of the consolidation correction.

Internal charges (interest) have decreased by \$146k in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan.

Borrowings have increased in line with changes in the capital programme.

Vested Assets of \$930k are now budgeted for in the infrastructure activities rather than being aggregated in the Corporate activity.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	4,157	4,308	3,722	(586)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	478	487	398	(89)
Vested Assets	0	0	930	930
Gains on sale	0	0	0	0
Depreciation	(4,412)	(4,557)	(4,478)	79
Net Surplus (Deficit) before taxation in Cost of Service Statement	223	238	572	334

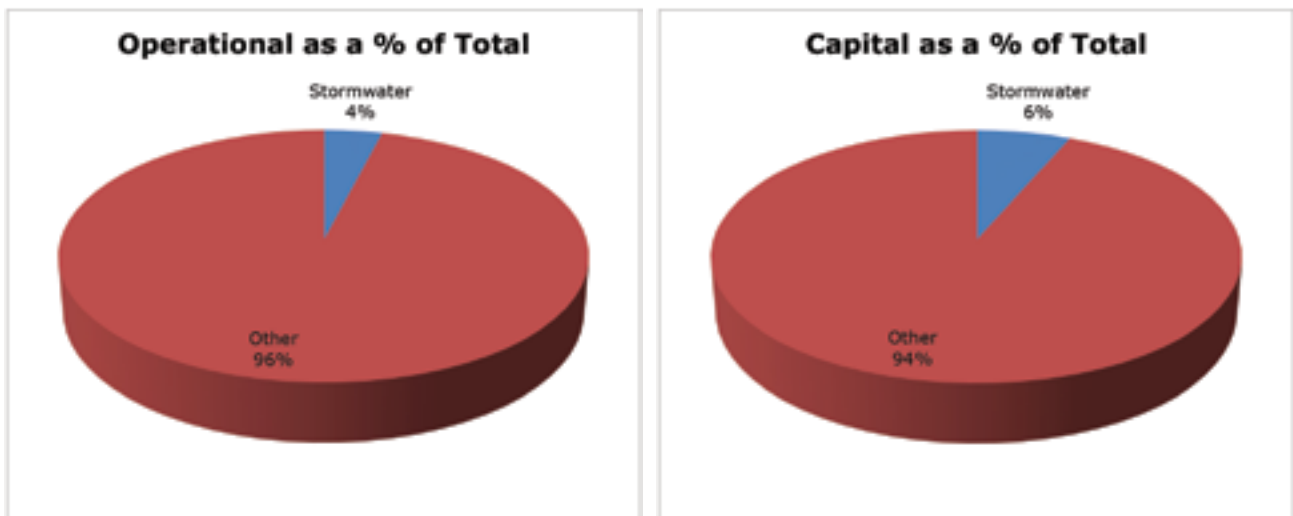


# STORMWATER

The stormwater network covers the pipes, open channels, detention dams, overland flow paths and pump stations that carry stormwater to waterways and the sea in the areas for which stormwater drainage rates are charged by Council.

Council provides a stormwater system to prevent harm to people and property and to protect the environment from uncontrolled stormwater discharges.

The charts below show how much of Council's total operational and capital budgets will be spent on the stormwater activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the stormwater activity since the Long Term Plan 2015-25 was adopted. Other stormwater activities are to be delivered as stated in the stormwater activity section of the Long Term Plan 2015-25.

## YEAR 3 (2017/18) PROJECT UPDATES

### Nile Street East Stormwater

This project is to upgrade the stormwater on Nile Street East to match the capacity of the Cleveland Terrace stormwater system. Detailed design has been carried out and the construction cost is higher than was originally budgeted. Council approved changes to the budget in March 2017 to move the construction stage and the associated budget of \$615,000 in 2016/17 to 2017/18. In addition, Council approved an additional \$160,000 for construction be included in 2017/18. The total budget for construction included in 2017/18 is \$775,550.

### Wastney Terrace Stormwater

This project to provide enhanced stormwater capacity for future subdivision in the Wastney Terrace area has been deferred due to both access delays and negotiations with landowners. Detailed design has identified that construction costs are greater than budgeted. Council approved changes to the budget in March 2017 to move \$720,000 from 2016/17 to 2017/18 and add \$130,000 for construction in 2017/18. The total budget for this project in 2017/18 is \$850,000.

### St Vincent/Hastings Street Culvert renewal

This renewal was deferred as part of the Annual Plan 2016/17 in order to link with transport work and maximise the service life of the existing box culvert. Council will complete minor improvement works at the site during 2017/18 (at a cost of \$50,000) with the remainder of the budgeted work (\$1.53 million) to be reallocated through the Long Term Plan 2018-28. This deferment follows advice that there is low risk in deferring if regular maintenance and minor improvements are undertaken.

### Halifax Street – Tasman to Milton

This is the last stage of The Wood stormwater project to deliver stormwater along Halifax Street. The project (which is a multi-year project) was deferred during the Annual Plan 2016/17 for resourcing reasons because it was assessed as a low priority. It will now be considered in the Long Term Plan 2018-28. As a multi-year project, this is also identified as an \$895,000 reduction to capital expenditure in the Annual Plan 2017/18.

### Private drains/subsidised

This budget is to respond to property owner requests for stormwater improvements, generally on private property, arising from development or some changed condition in the drainage catchment. The projects are typically smaller upgrades to pipes and channels on private property where these meet the criteria to be considered as a public drain. The budget was deferred in the Annual Plan 2016/17 as a result of no projects being identified for completion during the year. There is also no work currently scheduled for 2017/18, so this funding has been further deferred (\$51,000). Through the review of the Land Development Manual, Council will also review the drainage ownership/maintenance policy, which sets out the maintenance strategy for piped and open channels that are considered to be public drains. The criteria that Council will use to assess applications from owners of private drains will be included in this review. This will inform future budgets and changes to budget will be confirmed through the Long Term Plan 2018-28.

### Piping ditches programme

Some smaller open channels are piped for safety considerations. This is not best practice environmentally and given there are no smaller open channels identified as needing to be piped in 2017/18, this project is removed in 2017/18 (\$53,000).



## Network capacity confirmation for growth areas

This project is to check the capacity of the stormwater network downstream of potential growth areas. There is additional work due to increased development and the budget has been increased to reflect this (\$25,000). This will help to ensure that Council and the community are informed of servicing constraints to growth.

## TIMING CHANGES

In the Long Term Plan 2015-25, Council established a significant programme of works for improvements to the stormwater network throughout the city. The total budget for expenditure in the stormwater activity over the ten years of the Long Term Plan 2015 was \$73.7 million (uninflated). To ensure there are adequate resources to complete projects to a high standard, a number of lower priority projects have had timing changes. The stormwater projects that are rescheduled in this Annual Plan are smaller projects with lower levels of risk, those that are best carried out in conjunction with other projects to minimise cost and disruption, or projects that have since been assessed as a lower priority than originally thought. The rescheduling to future years does not impact on Council's commitment to providing an adequate stormwater network to the city but makes best use of existing resources.

Council has deferred the following stormwater projects as a result of the prioritisation exercise:

- **Montcalm/Arrow/Washington Valley/Hastings** - to complete design and then construct an upgraded stormwater system for Washington Valley. The first stage of the project was completed in 2015/16.
- **Kauri Street** - to install stormwater pipes in areas where there are none currently.
- **Vanguard Street stormwater** - to review the capacity of St Vincent and Vanguard Streets stormwater and secondary flow paths.
- **Renwick/Wellington Street/Waimea Road** - to upgrade stormwater.
- **Kauri/Matai/Titoki/Ranui** - to install stormwater pipes at Matai/Titoki/Ranui streets.
- **Karaka** - to install stormwater pipes.
- **Coleridge Place** – secondary flow path - to deal with issues that occur during high rainfall.
- **Ashdonleigh Grove Stormwater** - to carry out further investigations on improvements on Ashdonleigh Grove.
- **Annesbrook Drive Stormwater** - to upgrade stormwater.
- **Marsden Road stormwater** - to consider improvements on a section of Marsden Road.
- **Railway Reserve (Bishopdale to St Vincent)** – stormwater improvements.
- **Nile Street East right of way** - to investigate providing a public stormwater drain at the Nile Street East right of way.
- **Nayland Road/Galway** - to address localised flooding to a small number of properties.

## STORMWATER FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	4,147	4,249	3,998	(251)
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	0	0	0	0
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0
<b>Total Operating Funding</b>	<b>4,147</b>	<b>4,249</b>	<b>3,998</b>	<b>(251)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,068	1,086	1,100	14
Finance costs	0	0	0	0
Internal charges and overheads applied *	998	1,011	707	(304)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>2,066</b>	<b>2,097</b>	<b>1,807</b>	<b>(290)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>2,081</b>	<b>2,152</b>	<b>2,191</b>	<b>39</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	267	273	288	15
Increase (decrease) in debt	436	1,507	434	(1,073)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>703</b>	<b>1,780</b>	<b>722</b>	<b>(1,058)</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	0	0	136	136
- to improve level of service	2,703	3,834	2,662	(1,172)
- to replace existing assets	81	98	115	17
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>2,784</b>	<b>3,932</b>	<b>2,913</b>	<b>(1,019)</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(2,081)</b>	<b>(2,152)</b>	<b>(2,191)</b>	<b>(39)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

Internal charges (interest) have decreased in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan.

Vested Assets of \$1.2 million are now budgeted for in the infrastructure activities rather than being aggregated in the Corporate activity.

Debt required has decreased in line with the decrease in capital expenditure.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

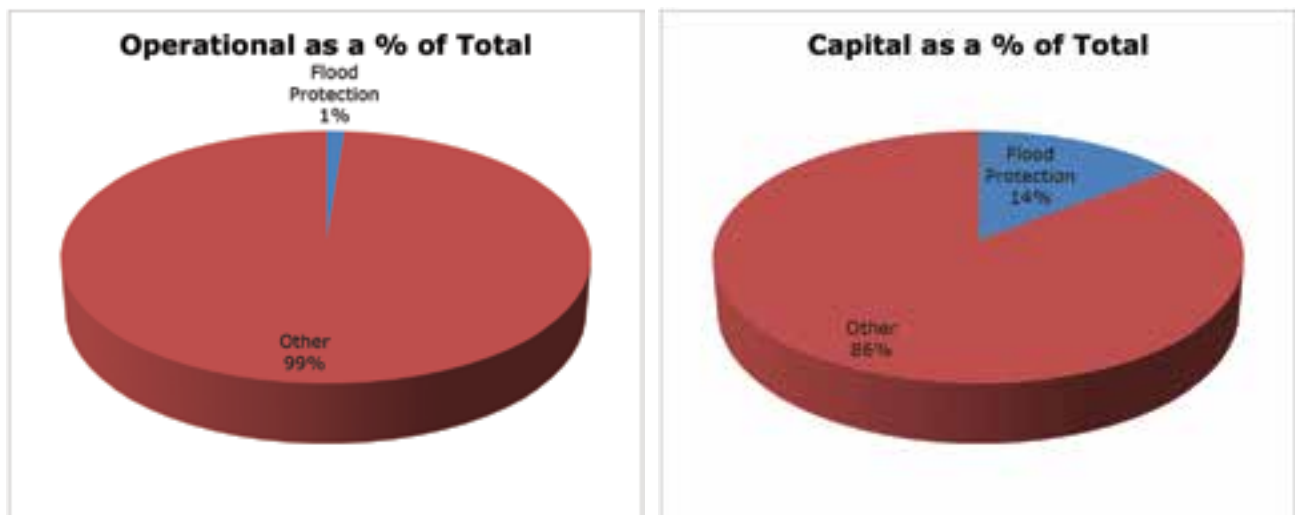
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	2,081	2,152	2,191	39
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	267	273	288	15
Vested Assets	0	0	1,170	1,170
Gains on sale	0	0	0	0
Depreciation	(2,081)	(2,153)	(2,191)	(38)
Net Surplus (Deficit) before taxation in Cost of Service Statement	267	272	1,458	1,186

# FLOOD PROTECTION

The Nelson stormwater and flood protection system is in two parts – the natural waterways, and a constructed stormwater system. This section covers the flood protection works that are generally associated with natural waterways.

Operations and maintenance in Council's flood protection activity centres on the rivers and streams in the urban area of Nelson city. While Council has carried out a programme of upgrading works over the past 20 years, ongoing maintenance is required to keep the streams clear. The Infrastructure Strategy, Nelson Plan development and Land Development Manual updates consider the impacts of climate change and will help determine which future upgrading works are needed to respond to climate change.

The charts below show how much of Council's total operational and capital budgets will be spent on the flood protection activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the flood protection activity since the Long Term Plan 2015-25 was adopted. Other flood protection activities are to be delivered as stated in the flood protection activity section of the Long Term Plan 2015-25.





## YEAR 3 (2017/18) PROJECT UPDATES

### Saxton Creek culvert upgrade

\$190,000 has been included in 2017/18 for design of the stormwater upgrade from Main Road Stoke to the sea as part of the continued Saxton Creek upgrade. This funding has been brought forward from 2022/23 and is for the section of Saxton Creek from the culverts under Main Road Stoke through the Wakatu Industrial Estate and under the state highway at Wakatu Drive to the sea. The additional \$190,000 is to allow the design and resource consent to be completed during 2017/18. This change was approved by Council in March 2017. The timing of the construction will be reconsidered through the Long Term Plan 2018-28.

### Saxton Creek upgrade

Council resolved to move \$500,000 from 2016/17 to 2017/18 as a result of construction timing changes and landowner negotiations for this Saxton Creek upgrade programme for stage two. This will bring the total budget in 2017/18 to \$2.08 million for this section of the project.

### Little Go Stream

The last section of the current stage of work to Little Go Stream is the upgrade of the intakes in the Grampians above Allan Street. Design work is being carried out in 2016/17. Phasing changes have meant \$430,000 has been moved from 2016/17 to 2017/18 to allow for construction to occur following completed design. This adjusted budget phasing will extend the project by one year, with programme completion in 2017/18. This change was approved by Council in December 2016.

### Brook Stream outlet low flow channel

This project is to construct a low flow channel immediately downstream of the Nile Street Bridge. Work scheduled in 2016/17 was delayed in the Annual Plan 2016/17 for resourcing reasons, and will now continue in 2017/18. \$51,000 is now included in 2017/18 with the remaining budget moved to 2018/19.

### York Stream channel upgrade

This project is to upgrade the level of flood protection to infrastructure and properties adjacent to York Stream. This is a multi-year project with some stages already completed. Rephasing changes are required in order to complete the last stage of the pipework, from Bishopdale Reserve to Kawai Street, plus the installation of the intake structure in Bishopdale Reserve before the resource consent expires. Rephasing is also necessary as the work is seen as a priority due to the flood protection benefits to be gained. To achieve this the following budget changes have been made:

- \$865,000 from 2016/17 has been transferred to 2017/18,
- Savings from 2016/17 stormwater projects have been included in the budget for the York Stream Channel upgrade (total \$420,000),
- \$529,000 has been brought forward from 2018/19 to 2017/18, and
- An additional \$305,000 has been included in 2017/18.

The total budget in 2017/18 will be \$2.6 million. The staging of this project was changed slightly to allow the work under Waimea Road to proceed first, in order for the road resurfacing works to keep to schedule.

## FLOOD PROTECTION FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	0	0	0	0
Targeted rates	1,238	1,534	1,237	(297)
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	0	0	0	0
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0
<b>Total Operating Funding</b>	<b>1,238</b>	<b>1,534</b>	<b>1,237</b>	<b>(297)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	319	327	198	(129)
Finance costs	0	0	0	0
Internal charges and overheads applied *	744	949	674	(275)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>1,063</b>	<b>1,276</b>	<b>872</b>	<b>(404)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>175</b>	<b>258</b>	<b>365</b>	<b>107</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	4,261	4,421	8,598	4,177
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>4,261</b>	<b>4,421</b>	<b>8,598</b>	<b>4,177</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	0	0	0	0
- to improve level of service	4,436	4,679	8,963	4,284
- to replace existing assets	0	0	0	0
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>4,436</b>	<b>4,679</b>	<b>8,963</b>	<b>4,284</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(175)</b>	<b>(258)</b>	<b>(365)</b>	<b>(107)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

Payments to staff and suppliers have decreased by \$116k, largely due to a reallocation of staff resource.

Internal charges (interest) have decreased in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan.

Loans raised have increased by \$4.2m in line with changes to the capital programme.

Vested Assets of \$110k are now budgeted for in the infrastructure activities rather than being aggregated in the Corporate activity.

A reduction of \$108k in depreciation expense is due to changes in the capital programme.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

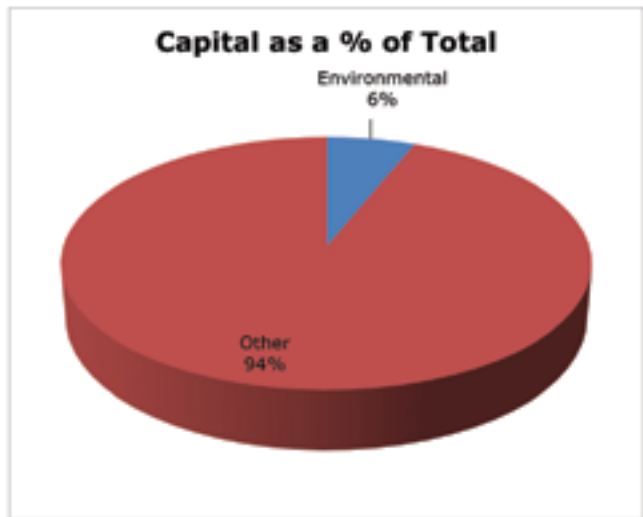
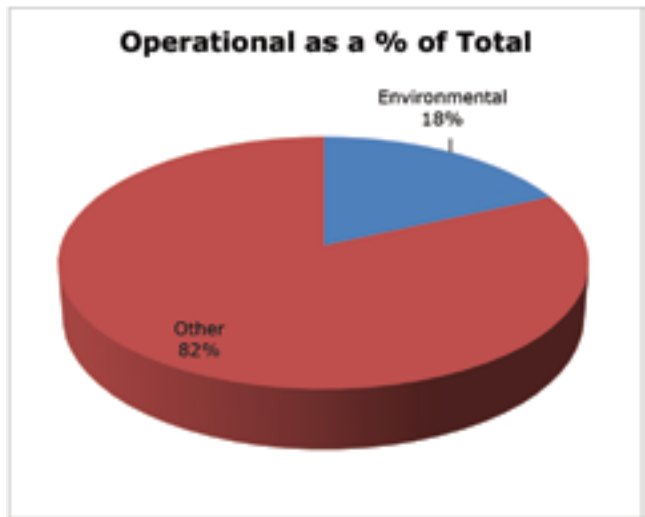
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	175	258	365	107
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	110	110
Gains on sale	0	0	0	0
Depreciation	(175)	(258)	(366)	(108)
Net Surplus (Deficit) before taxation in Cost of Service Statement	0	0	109	109



# ENVIRONMENT

As a unitary authority, Council has a wider span of environmental management responsibilities than most other councils. It manages both territorial authority and regional functions. Council’s environmental functions include responsibilities for freshwater, coastal and marine environments, air, land, biodiversity and biosecurity, resource management planning, navigation safety, resource and building consents, waste management and minimisation, environmental advice to landowners and residents, monitoring, education, advocacy and enforcement. This activity also includes compliance functions such as dog control, liquor licensing and emergency management as well as the landfill, green waste and waste minimisation.

The charts below show how much of Council’s total operational and capital budgets will be spent on the environment activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the environment activity since the Long Term Plan 2015-25 was adopted. Other environment activities are to be delivered as stated in the environment activity section of the Long Term Plan 2015-25.







## YEAR 3 (2017/18) PROJECT UPDATES

### River ecology monitoring

Council carries out river ecology monitoring to gather information on water quality and quantity. Monitoring is required by regional and national standards and informs Council on the state of our waterways and monitoring requirement. Results are reported through Council's website and Land, Air and Water Aotearoa (LAWA) available on [lawa.org.nz](http://lawa.org.nz). They also contribute to the discussions on freshwater values and limits for the Nelson Plan. Additional budget of \$75,000 was included in the Annual Plan 2016/17 as a result of increased regional and national requirements, including a change from quarterly to monthly monitoring and additional monitoring sites. This \$75,000 is also identified as a change in the Annual Plan 2017/18 so that the monitoring can be funded and delivered at the same level as it was in 2016/17. In addition, there is a \$5,000 increase in the budget for low flow monitoring and hydrology gauging for water quantity.

### Air quality monitoring

Additional air quality monitoring is required in airshed C in order to understand air quality in different parts of the airshed and to inform the review of airshed boundaries. This additional monitoring will cost \$19,000. A review of air quality boundaries was initiated as a result of the decisions on the Woodburner Plan Change to the Nelson Air Quality Plan and will be considered as part of the Nelson Plan development.

### Air Plan and Nelson Plan expenses

An additional \$250,000 for Nelson Plan hearings was originally proposed by Council for 2017/18, however

will now not be required until 2018/19 when the hearings for the Nelson Plan are likely to be scheduled. This budget has not been included in 2017/18, leaving the budget at \$500,000.

### Woodburner behaviour change programme

Council budgeted funding as part of the Annual Plan 2016/17 for a behaviour change programme to assist with helping people use their woodburners better, as identified during the Woodburner Plan Change. An additional \$40,000 funding for the programme is included in 2017/18, bringing the total air quality promotion budget to \$56,000. Air quality promotion includes the Good Wood Scheme, and an extended community education programme to improve how people operate their woodburners, including advice from Council's Eco-Design Advisor.

### Joint Landfill

In the Annual Plan 2016/17 Council consulted on and adopted a proposal for a joint venture landfill model with Tasman District Council (TDC), with each Council having a 50% share and TDC paying NCC \$4.2m on 1 July 2017 reflecting the higher value of York Valley landfill. The regional landfill will be managed based on the Terms of Reference for the Nelson Tasman Regional Landfill Business Unit as a Joint Committee of Tasman District and Nelson City Councils.

Note at the time the Long Term Plan 2015-25 was prepared the basis under which the Joint Landfill would operate was still under discussion. As a result there are significant line by line differences in this Annual Plan for this activity, mainly resulting from the transfer of Nelson City Council landfill assets to the Regional Landfill Business Unit (RLBU) and the consolidation of half the total assets, income, and expenditure of the RLBU.



### Pest management strategy review

The Regional Pest Management Strategy review has commenced but will not be complete until June 2018. As a result of the timing changes, and additional work required, budget is included in 2017/18 for this project (\$10,000).

### Recycling kerbside contract and recycling bins

There is an increased contracting cost from the kerbside contractor (\$128,000 increase). In addition, Council funded the purchase of the recycling bins through a loan and the repayment of, and interest on, this loan is budgeted for in the Annual Plan 2017/18 at a cost of \$154,000. These changes were approved by Council in December 2015.

### Rural fire and fire-fighting and training and renewals

As a result of a change in legislation, effective from 1 July 2017, funding for rural fire will move to a new national organisation, Fire and Emergency NZ (FENZ), from 2017/18. Council will pay for the service through increased insurance levies instead, rather than the \$133,000 which was previously included in the 2017/18 Long Term Plan budget to provide the service.

### Building Claims

The budget for building claims has decreased to \$50,000 (from \$105,000) as a result of fewer claims for leaky homes.

### Healthy streams projects

This project is to deliver catchment based projects to continue the critical work that Project Maitai/Mahitahi has started. It was included in year three of the Long Term Plan 2015-25, but will now commence this in 2018/19, on completion of Project Maitai/Mahitahi (\$105,000).

### Project Maitai/Mahitahi

In addition to budget already included for Project Maitai/Mahitahi in 2017/18, \$160,000 is carried forward from 2016/17 to 2017/18 for the Groom Creek Wetland Project and York Stream fish passage. This will allow the project to start in July 2017 and mean that the entire Groom Creek wetland project (\$300,000) will be delivered in 2017/18, rather than over two years as was previously scheduled.

### Atawhai closed landfill

In May 2016 the presence of methane in a building at the Nelmac nursery next to Founders Heritage Park was noted. Investigations occurred at the site. The old landfill extends well beyond the nursery and the risk of landfill gas escaping from the old landfill could affect other activities within the footprint of the old Atawhai landfill. Council has investigated the old landfill in terms of the New Zealand closed landfill protocols. The old landfill was laid down over a long period using different techniques at different times. As a result of this there is uncertainty about how much and where gas is. Council is now monitoring for gas emissions and has allowed \$30,500 in the Annual Plan 2017/18 for the six-monthly gas emission monitoring that will be required by the closed landfill management plan during 2017/18.

## ENVIRONMENT FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	7,734	7,814	7,331	(483)
Targeted rates	28	23	24	1
Subsidies and grants for operating purposes	176	179	281	102
Fees and charges	7,082	7,094	2,114	(4,980)
Internal charges and overheads recovered	4,675	4,931	2,105	(2,826)
Local authorities fuel tax, fines, infringement fees, and other receipts	3,353	3,401	5,858	2,457
<b>Total Operating Funding</b>	<b>23,048</b>	<b>23,442</b>	<b>17,713</b>	<b>(5,729)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	16,422	16,629	14,743	(1,886)
Finance costs	245	413	0	(413)
Internal charges and overheads applied *	5,030	5,269	2,438	(2,831)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>21,697</b>	<b>22,311</b>	<b>17,181</b>	<b>(5,130)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>1,351</b>	<b>1,131</b>	<b>532</b>	<b>(599)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	5	5	5	0
Increase (decrease) in debt	(1,504)	(1,398)	(4,831)	(3,433)
Gross proceeds from sale of assets	0	0	7,677	7,677
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>(1,499)</b>	<b>(1,393)</b>	<b>2,851</b>	<b>4,244</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	12	0	0	0
- to improve level of service	239	213	372	159
- to replace existing assets	50	3	3,477	3,474
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	(449)	(478)	(466)	12
<b>Total applications of capital funding</b>	<b>(148)</b>	<b>(262)</b>	<b>3,383</b>	<b>3,645</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(1,351)</b>	<b>(1,131)</b>	<b>(532)</b>	<b>599</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

The Commerce Commission approved the establishment of the Nelson Tasman Regional Landfill Business Unit (NTRLBU) on 24 April 2017. At the time of the Long Term Plan the basis under which the joint landfill would operate was still under discussion. As a result there are significant line by line differences in this activity, mainly resulting from the transfer of NCC landfill assets to RLBU and the consolidation of half the total assets, income, and expenditure of RLBU.

A gain on transfer of \$2.2 million has been recorded, representing that Nelson's landfill has a higher net value than TDC's due to space available under the resource consent.

### *Variances other than those resulting from the RLBU:*

Resource and Building consents income has increased by \$427k, reflecting activity in the development sector.

A reallocation of staff resource has added \$181k to expenditure.

\$100,000 has been added to expenditure in the expectation of enforcing a freedom camping bylaw.

Changes to the capital programme are listed at the end of the Financials section of this document.

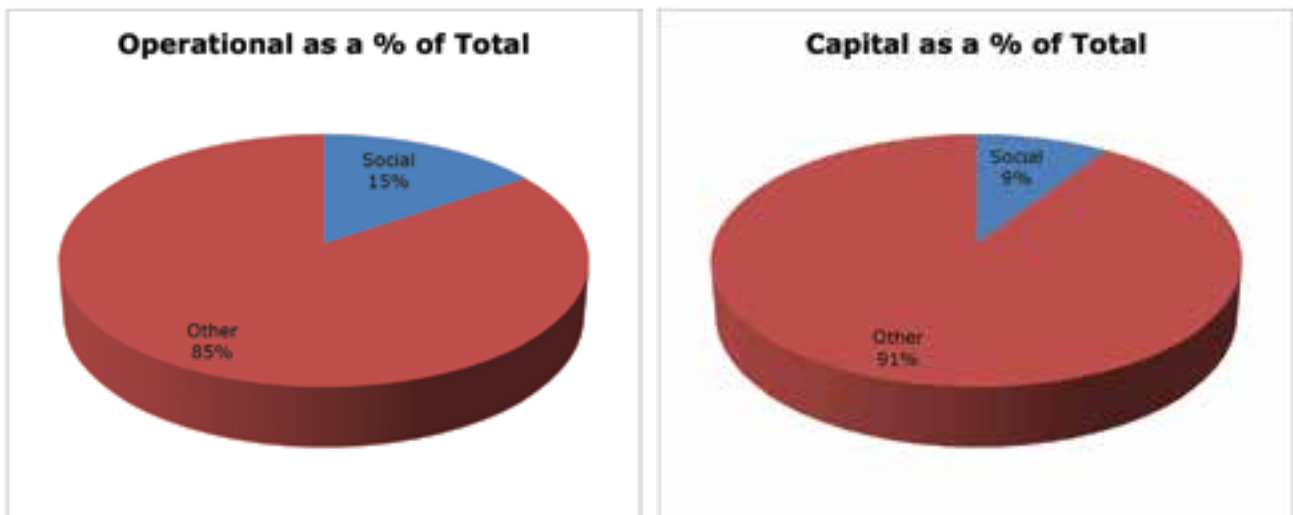
## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	1,351	1,131	532	(599)
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	5	5	5	0
Vested Assets	0	0	0	0
Gains on sale	0	0	2,251	2,251
Depreciation	(462)	(472)	(537)	(65)
Other non cash income/expenditure	0	0	(323)	(323)
Net Surplus (Deficit) before taxation in Cost of Service Statement	894	664	1,928	1,264

# SOCIAL

Council provides many facilities and services that support the quality of life and wellbeing of Nelson residents. Collectively these activities have been grouped under the heading 'social' and cover delivery of services as diverse as running an art gallery to providing public toilets.

The charts below show how much of Council's total operational and capital budgets will be spent on the social activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the social activity since the Long Term Plan 2015-25 was adopted. Other social activities are to be delivered as stated in the social activity section of the Long Term Plan 2015-25.



## YEAR 3 (2017/18) PROJECT UPDATES

### Stoke Greenmeadows Community Centre

The Stoke Greenmeadows Community Centre currently is under construction. Some budget for the project will be carried forward to 2017/18 to allow completion. The total budget for this project is \$6.49 million, with \$3.7 million now included in 2017/18. This budget transfer from 2016/17 to align with project payment schedule was recommended by the Community Services Committee in June. The Stoke Greenmeadows Community Centre is due for completion in November 2017 and operational costs for this facility are included from this date.

There will be engagement with the Stoke community in 2017/18 about further developments in Stoke.

### Stoke development

There is a need for some updates to the Stoke Urban Design Strategy before this Strategy can be brought to Council for sign off. This work is estimated to cost \$10,000 and is included in the Annual Plan 2017/18. In addition, funding of \$2,500 has been included for an opening event at the redeveloped Stoke Greenmeadows Community Centre, once it is complete. Additional community engagement on Spotlight on Stoke has been estimated to cost an additional \$8,000 in 2017/18 and is also included in this Annual Plan 2017/18.

### Community arts building

Demolition of the community arts building in Rutherford Park occurred in 2015/16 and budget included for this work in 2017/18 is no longer required (\$52,000).

### Isel House

Council has taken over the operation of Isel House following the Isel House Charitable Trust relinquishing their lease. As a result additional operational costs are required of \$12,000. This change was also included in the Annual Plan 2016/17. Council expects that revenue through rental and admission of \$5,500 will offset this additional operational cost and is looking at ways to improve this revenue over time.

### Festivals

In the Long Term Plan 2015-25 Council decided to look at options for external governance of the Nelson Arts Festival, including the Readers and Writers Festival and Masked Parade, and budgets were allocated on the assumption that the Festival would be provided under an external governance structure. The Transition Group has reported back to Council with a recommendation to establish a Council Controlled Organisation to oversee the Festival. This will be consulted on with the public to inform Council's decision. A transition plan for the preferred option would need to be prepared, therefore the 2017/18 Festival will still be run in-house.

### Refinery Gallery earthquake strengthening and extension

Council resolved that the Refinery Gallery building be strengthened during 2017/18. Council now considers that the strengthening and extension should be deferred from 2017/18 until further decision on the Refinery site is made. In the meantime, in 2017/18, \$75,000 is included in the Annual Plan 2017/18 for insulation and heating improvements at the facility which will allow the Gallery to be used as a community arts space during winters.

### Refinery Arts Council Grant

A grant was provided to the Arts Council Nelson for management of the Refinery Gallery as a community arts space in 2016/17 and this will be continued in 2017/18 (\$30,000).



### Community housing management contract

Council tendered the contract for management of community housing in 2016 and included new requirements aimed at ensuring the needs of tenants are being well provided for. This reflects the importance to Council of ensuring its tenants are safely and comfortably housed. An additional \$80,500 in 2017/18 is provided from rates to support this work. This decision was made by Council in December 2016.

### Nightingale Library Memorial

Council has brought forward funding for the Nightingale Library Memorial refurbishment and development as a community hub from 2021/22. Construction is scheduled for 2017/18 with a budget of \$245,000, which is partially funded by a bequest of \$134,000.

### Millers Acre Toilet

This project was scheduled for commencement in 2017/18 after being deferred in October 2015. Council has further deferred this project so that it can be reassessed as part of the Property and Facilities Asset Management Plan 2018-28 (\$45,000 deferral from 2017/18). This project has moved following a prioritisation exercise to create an achievable work programme for 2017/18.

### Accessibility improvements at Founders

The need for better access at Founders Heritage Park was identified through an accessibility study in 2012. \$10,000 per year for ten years was set aside to address the projects the study identified; several have now been completed. Budget for accessibility improvements (\$20,000) is moved from 2016/17 to 2017/18, to allow development of a business case to assess the next accessibility improvements.

### Suter grant

The Suter Gallery has recently undergone a full redevelopment and as a result does not need \$108,000 maintenance funding from Council in 2017/18.

Managing the new building brings greater operational costs however, and Council has increased the operating grant by \$62,000 in 2017/18 to a total of \$550,000. In addition, Council has approved an additional grant of \$15,000 to the Bishop Suter Trust to allow free entry to all visitors in 2017/18. Overall, the funding provided to the Suter is reduced by \$31,000 in 2017/18.

### Nelson Provincial Museum

Council has agreed to include \$15,000 in the Annual Plan 2017/18 to provide to the Tasman Bays Heritage Trust for street frontage improvements at the Nelson Provincial Museum. This is to replace the tinted windows at the museum to provide good interaction between the street and the activities inside the museum.

### Menzshed

Council has included a provision of \$10,000 in the Annual Plan 2017/18 to support the establishment of a Menzshed premises in Nelson, with a report to the Community Services Committee outlining any options for leasing Council-owned buildings or land and a breakdown showing how the allocation is proposed to be used.

### Waka and commemoration of Captain Cook's landing

In response to a submission, Council has included \$10,000 in the Annual Plan 2017/18 for a contribution towards funding to Ngati Kuia for a waka to be built and used as part of the 250th commemorations of Captain Cook's landing. Council's support is on the understanding that the waka will be available to participate in Nelson civic events.

### Nelson Community Patrol

In response to a submission, Council has provided \$5,000 for operational costs for the Nelson Community Patrol in 2017/18.

## SOCIAL FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	11,300	12,323	12,560	237
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	300	178	296	118
Fees and charges	758	588	917	329
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	1,614	1,652	1,577	(75)
<b>Total Operating Funding</b>	<b>13,972</b>	<b>14,741</b>	<b>15,350</b>	<b>609</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	12,960	11,737	12,561	824
Finance costs	0	0	0	0
Internal charges and overheads applied *	1,254	1,483	1,478	(5)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>14,214</b>	<b>13,220</b>	<b>14,039</b>	<b>819</b>
<b>Surplus (Deficit) of operating funding</b>	<b>(242)</b>	<b>1,521</b>	<b>1,311</b>	<b>(210)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	22	22	22	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	6,740	(198)	4,340	4,538
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>6,762</b>	<b>(176)</b>	<b>4,362</b>	<b>4,538</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	1,094	599	572	(27)
- to improve level of service	443	442	4,816	4,374
- to replace existing assets	5,096	404	385	(19)
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	(113)	(100)	(100)	0
<b>Total applications of capital funding</b>	<b>6,520</b>	<b>1,345</b>	<b>5,673</b>	<b>4,328</b>
<b>Surplus (Deficit) of capital funding</b>	<b>242</b>	<b>(1,521)</b>	<b>(1,311)</b>	<b>210</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

Subsidies and grants and Fees and charges are \$462k higher than the Long Term Plan as the Festivals operations are remaining in house for the 2017/18 year. The Long Term Plan had assumed that the operation would be outsourced in that year.

A redistribution of staff time has increased costs in this activity by \$431k. Contract costs for community housing have increased by \$190k. Festivals expenditure is \$411k more than in the Long Term Plan (see above), and there are expenditure reductions over a number of activities resulting from reclassification and reassessment of priorities.

Debt required has increased in line with changes to the capital programme and a decreased operating surplus. Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

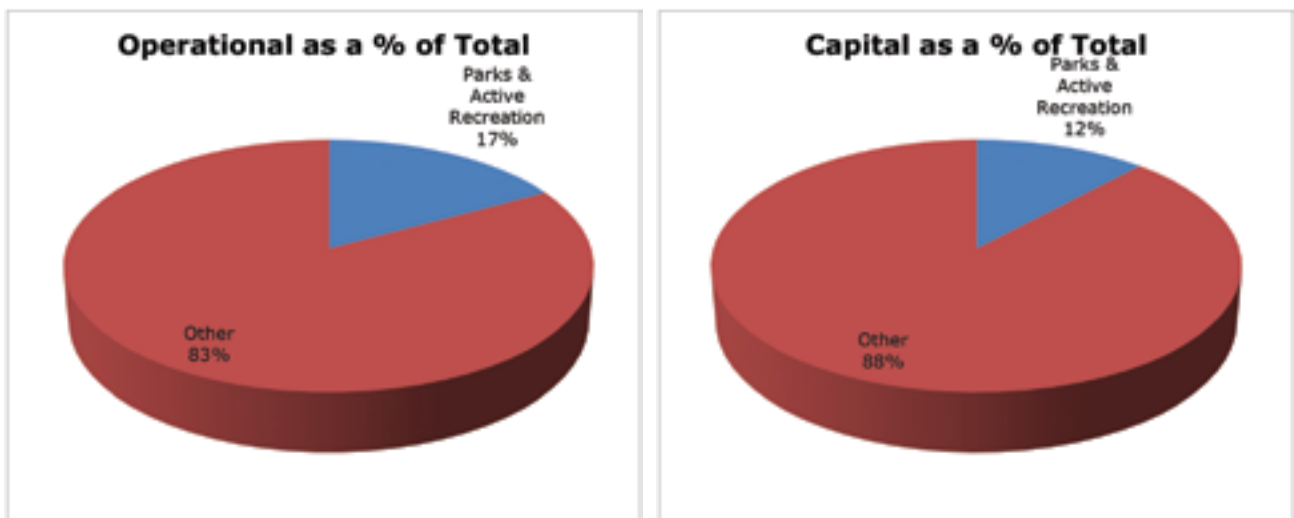
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	(242)	1,521	1,311	(210)
Subsidies and grants for capital expenditure	22	22	22	0
Development and financial contributions	0	0	0	0
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(1,266)	(1,340)	(1,307)	33
Revaluation Gains (Losses)	0	0	0	0
Net Surplus (Deficit) before taxation in Cost of Service Statement	(1,486)	203	26	(177)



# PARKS AND ACTIVE RECREATION

Council provides active recreation opportunities for Nelsonians and visitors, through its provision of infrastructure such as walkways and cycleways, sports and recreation facilities, parks and open space as well as services and events. It also manages a range of parks and open spaces to help protect Nelson’s biodiversity, heritage, rivers and coastal areas..

The charts below show how much of Council’s total operational and capital budgets will be spent on the parks and active recreation activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the parks and active recreation activity since the Long Term Plan 2015-25 was adopted. Other parks and active recreation activities are to be delivered as stated in the Parks and Active Recreation activity section of the Long Term Plan 2015-25.

## YEAR 3 (2017/18) PROJECT UPDATES

### Brook Waimarama Sanctuary grant

As a result of delays caused by a range of factors (weather events, compliance with consent conditions, completion of pest-proof flood gate), commencement of the removal of pest species from the sanctuary has been delayed a year. This has meant there is an additional, unplanned year of general operations. Additional funding of \$178,000 (operational expenditure) is provided in the Annual Plan 2017/18 to support the Trust to ensure the Brook Waimarama Sanctuary Trust can deliver against its objectives, to a total of \$250,000. \$100,000 is provided as a grant and applications for further funding from the remaining \$150,000 will be referred to the Planning and Regulatory Committee during 2017/18.

### Land purchase, general reserve

The rate of subdivision has meant that additional budget of \$170,000 for land purchase for reserves is included in 2017/18. This is funded by reserves contributions from subdivision.

### New reserve development programme

This budget was reduced in the Annual Plan 2016/17. Since then, there has been demand for reserve development at Montebello, Toi Toi and Marsden. This budget is now increased in 2017/18 by \$180,000 in order to accommodate this new reserve development programme. This is funded by reserves contributions from subdivision.

### Programmed maintenance Sports Parks and Operational costs for cricket matches

In addition to increasing industry costs for sports park maintenance, there are additional operational costs to prepare the cricket wickets at Saxton Oval to meet New Zealand standards so that One Day International games can be played at the Oval. Council has included \$58,000 in 2017/18 for this work.

### Youth Development

In 2016/17, youth development funding (\$100,000) was allocated through a contestable fund. There may be changes to the way this funding is allocated during 2017/18 to align with Council's decisions on the Youth Strategy currently under development. Although this budget currently sits in the Parks and Recreation activity, the funding is for a broader range of activities than this.

### Hazardous Activities and Industries List (HAIL) Site testing

HAIL testing at Council reserves has largely been completed and the budget has been reduced accordingly leaving \$5,000 for one site to be tested during the year if required.

### Youth event

Council was approached earlier in 2017 with a request to provide funding to support a youth performance event due to Stage Challenge being cancelled. Mayoral funds were provided to contribute a smaller alternative event, to be run this year by Nayland College. There was an expressed desire from the participating colleges for a larger ongoing youth performance event at the Trafalgar Centre, run by a third party. As a result, Council has included funding of up to \$30,000 in the Annual Plan 2017/18 to support a new youth performance event to showcase the talent of students from Nelson colleges.

### Trafalgar Centre and Theatre

Council included funding in the Annual Plan 2016/17 for a theatre at the Trafalgar Centre. Planning work is in progress and implementation is planned for 2017/18. In addition to this, funding of \$120,000 is included in the Annual Plan 2017/18 to provide for storage at the Centre. Council is also bringing forward funding to 2017/18 from 2020/21 for carpet at the Trafalgar Centre which will provide protection to the sprung floor when it is not in use.

In addition, there are phasing changes to the Trafalgar Centre and Theatre budgets to carry forward budget from 2016/17 to 2017/18 to align with scheduled delivery.

### Rutherford Park play space

Funding for a play space near the Maitai shared path in Rutherford Park was included in the Long Term Plan 2015-25 to attract families to the central city and to support increasing activity levels in the park. During the Annual Plan 2016/17 the budget for this play space (\$614,000) was moved to the 2017/18 financial year while partner funding was explored, recognising that a high quality play space requires a significant investment. Council now has moved this funding from 2017/18 to allow activation of Rutherford Park in a logical manner, taking into account other projects in the area including the Elma Turner library redevelopment. Budget of \$527,000 for a toilet block near the play space has also moved from 2017/18 to allow this to be integrated appropriately with the playground project design. These projects will be further considered through the Long Term Plan 2018-28.

## **Saltwater Creek footbridge (at Haven Road/Trafalgar Centre)**

There has been a phasing change for resourcing reasons to this project with construction being moved from 2017/18 to 2018/19. \$55,000 remains in 2017/18 for design work to be carried out.

## **Marina Development Plan**

### ***Water sports launch ramp renewal and water sports facility***

The delivery of both of these projects is reliant on the development and agreement of the Marina Strategy and the Marina Development Plan. Once the Strategy and Development Plan are completed, they will guide the location of both of these facilities. As a result, there are phasing changes to the water sports facility to ensure that budget is aligned to the years that the work will occur. \$150,000 remains in 2017/18, with \$377,000 moved to 2018/19. There is still an expectation of partner funding for this project. In addition, \$60,000 has been included in 2017/18 for the renewal of the launch ramp which is a component of the water sports facility.

### ***Marina Development Plan***

Council has included \$60,000 for a Development Plan to be prepared once the Marina Strategy has been agreed. This work will be carried out in 2017/18 and will inform future development at the marina.

### ***Marina boat ramp***

The number of motor boats using the marina boat ramp is significant. In order to improve access, a fixed and floating pontoon system will be implemented to enable boats to immediately clear the ramp and allow the next one to be launched. This layout also aids in exiting the water by providing pontoon space for tying up and enabling the boat operator to fetch their vehicle and trailer without blocking the ramp to other users. It is recommended that the pontoons be installed in stages to allow future modifications to best fit the existing layout. The cost of stage one is \$330,000 and this funding has been included in the Annual Plan 2017/18.

### ***Trailer boat storage yard***

Council has agreed that the trailer boat storage yard be relocated to enable an improved access/parking layout around the proposed water sports facility and boat ramp. This relocation will include fencing, lighting and security camera and would be unsealed. This is budgeted for at \$35,000 in 2017/18.

The additional budget requests for the Development Plan, boat ramp and boat storage yard will be charged

to the marina account and funded over time by users.

## **Saxton walkways/cycleways**

Council has included in 2017/18, a total of \$316,000 in order to deliver this project of walkways and cycleways at Saxton Field in one year, rather than spread over two years. The funding for this project has been carried forward from previous years with an additional \$42,000 included in 2017/18 which was approved by Council in March 2017, noting that \$22,000 of this funding was paid for by Nelson City Council with the remainder to be paid by Tasman District Council.

## **Saxton Field Champion Road Entrance**

This project is to construct the link road and associated footpaths, car parking and stormwater to connect the velodrome to Saxton Drive and Champion Road. The costs are jointly met by Nelson City Council (53%) and Tasman District Council (47%) as per the funding agreement for this project. Council agreed in March to transfer remaining 2016/17 budget to 2017/18 and to increase the 2017/18 budget by \$137,000 to \$967,000 for stage one (to construct the road and footpath to link the velodrome to Champion Drive). Of the additional budget, \$63,000 was transferred from the Saxton Field General Development fund 2017/18 and 53% of the remaining \$74,000 will be funded by Nelson City Council with the rest to be provided by Tasman District Council. The second stage of work will be considered through the Long Term Plan 2018-28.

## **Velodrome lights**

As a result of the velodrome construction running behind schedule, a \$26,500 grant for lights has shifted to the 2017/18 financial year at the request of Tasman District Council (TDC) which is managing the project.

## **Conservation reserves – Maitai Forks Bridge**

\$20,000 was brought forward for construction of the Maitai Forks Bridge. No budget is required in 2017/18 as the project is now completed.

## **Natureland**

Council has included \$48,000 in the Annual Plan 2017/18 to assist Natureland to increase staffing levels to more appropriate levels, including to meet health and safety requirements. This brings the total to be provided to Natureland for operating expenditure to \$248,000 in 2017/18.

A capital development grant was brought forward from 2017/18 to 2016/17 at the request of Natureland. This change of \$21,000 was approved by Council in December 2016.





## Miyazu Garden Pond Relining

The relining of this pond to replace the sanded section has been moved to 2018/19. This project is rescheduled following an exercise to reconfirm the priority of projects and to create an achievable work programme for 2017/18. There is no risk created by deferring this project by one year.

## Curtis Street Footbridge (link to Manukau Reserve)

This project to design and construct a footbridge to link a new subdivision to the playground on the opposite bank was deferred to begin in 2017/18 through the Annual Plan 2016/17. Council now will commence this project in 2018/19 (\$30,000 deferred from 2017/18).

This project is rescheduled following an exercise to reconfirm the priority of projects and to create an achievable work programme for 2017/18.

## Jenkins Stream (Pascoe to Airport)

The design for this project (\$11,000), to provide access from Pascoe Street to the airport is deferred to 2018/19 so that it can be delivered as part of flood protection works also scheduled for the area enabling efficiencies.

## Performing arts centre

In the Long Term Plan 2015-25, Council included a project in 2017/18 to support a review and update of the material previously prepared for a proposed Performing Arts Centre in Nelson. Council has deferred this project to consider through the Long Term Plan 2018-28.

## Replacement of hockey turf

Nelson Hockey has advised Council that the renewal of the Hockey turf can be deferred for one year. As a result, Council will retain \$15,000 in 2017/18 to carry out planning and preliminary works for the renewal, and will include the budget for the turf renewal through the Long Term Plan 2018-28.

## Poorman Valley Stream Walkway

Council has a project to construct the final section of walkway along Poorman Valley stream to allow a more efficient and safer flow of walkers and cyclists between Isele Park and Neale Reserve. Initial design activities have identified insufficient budget and time required to deliver the project and the project has been rephased. Council approved a change to the budgets in March 2017 to leave \$30,000 in 2017/18 and transfer the remaining project budget of \$107,000 in 2017/18 to 2018/19.

## Mountain biking hub and tracks

Following on from work completed in 2016/17 on mountain bike tracks and the development of the off-road tracks and trails strategy, Council has included \$60,000 in the Annual Plan 2017/18 for the development of two grade 2 or 3 mountain bike tracks to link the Maitai to the Tantragee Saddle to give access to Fringed Hill and \$20,000 to carry out preparation of a concept design for a mountain bike hub. This \$60,000 funding is to be provided to the Nelson Mountain Bike Club for the delivery of the project, conditional on the signing of a Memorandum of Understanding with the club.

In addition, Council has made a provision of \$100,000 in the Annual Plan 2017/18 for the development of a carpark in the Brook. This funding is in addition to the \$30,000 that was included in 2016/17, and carried forward to 2017/18, for a mountain bike hub in the Brook.

The Sports and Recreation Committee has recommended that \$34,500 from 2016/17 be transferred to 2017/18 to continue with project delivery of the Marsden Valley Mountain Bike track stage one.

## Great Taste Trail

Council has allocated funding of \$50,000 to support the Great Taste Trail management and trail design during the 2017/18 year. This will be done in conjunction with the Nelson Tasman Great Taste Trails Trust and the funding will be used for the design, project management and operations management of Nelson's Great Rides, the Dun Mountain Trail and Great Taste Trail.

## Trafalgar Park field renewal

Council will replace sand carpet and turf cover at Trafalgar Park in 2017/18 at a total budget of \$260,000, rather than carry this out in 2016/17 as was originally included in the Long Term Plan 2015-25. \$60,000 of this funding has been carried forward from 2016/17 to align timing with the needs of codes using the park.

## Modellers Pond

In March 2017, Council confirmed the preferred option for the Modellers Pond, which is to modify the pond at a total cost of \$1.2 million. Council also noted the contributions to the project from the Nelson Society of Modellers and established a Project Group and Terms of Reference. The resource consent has since been applied for. Implementation of a solution is scheduled for 2017/18.

In addition, maintenance at the pond needs to continue. Council has included \$45,000 in 2017/18 in order to carry out the required maintenance works at the pond.



## PARKS AND ACTIVE RECREATION FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	12,926	13,417	12,523	(894)
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	0	0	0	0
Fees and charges	1,975	2,014	2,288	274
Internal charges and overheads recovered	0	0	449	449
Local authorities fuel tax, fines, infringement fees, and other receipts	1,120	1,143	1,662	519
<b>Total Operating Funding</b>	<b>16,021</b>	<b>16,574</b>	<b>16,922</b>	<b>348</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,570	9,583	10,929	1,346
Finance costs	0	0	0	0
Internal charges and overheads applied *	3,403	3,396	2,840	(556)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>12,973</b>	<b>12,979</b>	<b>13,769</b>	<b>790</b>
<b>Surplus (Deficit) of operating funding</b>	<b>3,048</b>	<b>3,595</b>	<b>3,153</b>	<b>(442)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	149	276	575	299
Development and financial contributions	1,238	1,268	1,652	384
Increase (decrease) in debt	2,014	31	2,103	2,072
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>3,401</b>	<b>1,575</b>	<b>4,330</b>	<b>2,755</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	3,996	1,998	3,087	1,089
- to improve level of service	415	1,021	1,176	155
- to replace existing assets	2,038	2,151	3,220	1,069
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>6,449</b>	<b>5,170</b>	<b>7,483</b>	<b>2,313</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(3,048)</b>	<b>(3,595)</b>	<b>(3,153)</b>	<b>442</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

Additional internal income is from the Social activity for the rental of library premises. This transaction had not been considered in the LTP, but is in line with other internal rental transactions within the organisation.

Fees and charges from the operation of the new marina hardstand is expected to provide \$308k extra income.

Additional other income of \$519k is largely a recovery from TDC allowing NCC to manage the development of Champion Drive at Saxton Field.

Payments to staff and suppliers is increased by \$994k for grants to TDC for work at Saxton Field, \$181k for the Marina Hardstand Management Fee and \$178k for the Brook Sanctuary grant. This is offset by reassessment and rescheduling in programmed maintenance.

Internal charges (interest) have decreased by \$556k in response to changes in the capital programme since the Long Term Plan along with a more favourable interest rate environment than predicted in the Long Term Plan.

Capital income from subdivision reserve contributions has been increased by \$384k driven by higher levels of development activity.

Debt required has increased in line with the increase in the capital programme and the movement of grants to TDC for capital expenditure at Saxton Field.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

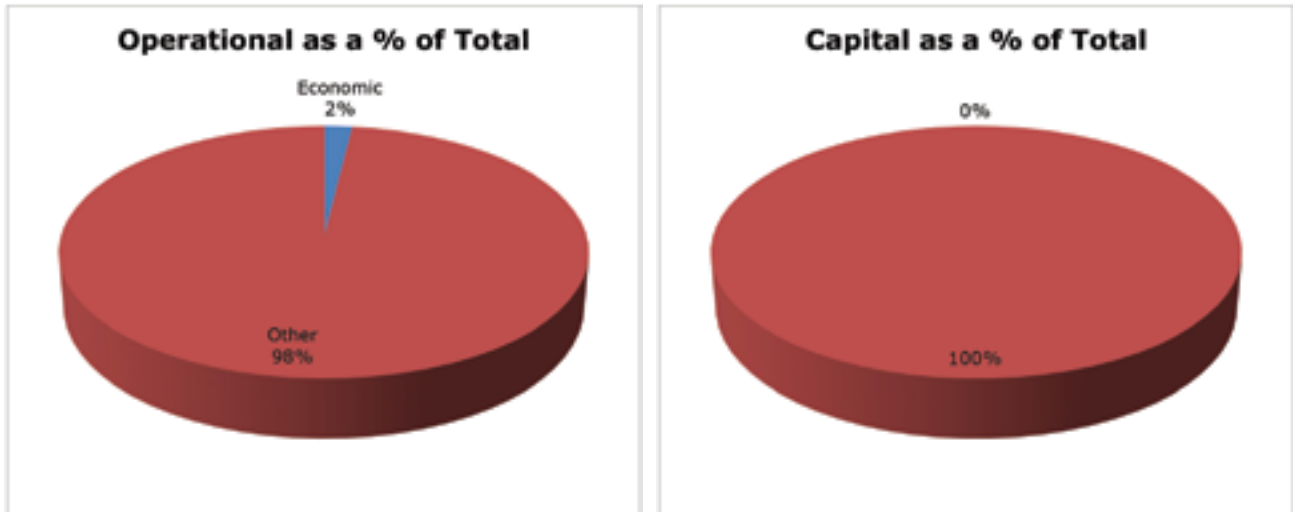
	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	3,048	3,595	3,153	(442)
Subsidies and grants for capital expenditure	149	276	575	299
Development and financial contributions	1,238	1,268	1,652	384
Vested Assets	0	0	0	0
Gains on sale	0	0	0	0
Depreciation	(3,164)	(3,311)	(3,157)	154
Net Surplus (Deficit) before taxation in Cost of Service Statement	1,271	1,828	2,223	395



# ECONOMIC

Council has a role to create a successful, sustainable and economically viable region and achieves this largely through providing infrastructure, and fostering economic development. The focus is on activities that will contribute to the strengthening of the region's identity, where increased effort is likely to be most positive for the region. This economic development activity is largely delivered through the Nelson Regional Development Agency, with a focus on the generation of outcomes that contribute to the attraction and retention of investment, visitors and talent who want to add to the special character of the region.

The charts below show how much of Council's total operational and capital budgets will be spent on the economic activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the economic activity since the Long Term Plan 2015-25 was adopted. Other economic activities are to be delivered as stated in the economic activity section of the Long Term Plan 2015-25.

## YEAR 3 (2017/18) PROJECT UPDATES

### Nelson Regional Development Agency (NRDA)

As part of the Long Term Plan 2015-25, Council had budgeted for savings of \$200,000 to be made as a result of the merger between Nelson Tasman Tourism and the Economic Development Agency. During the transition to the new organisation (called the Nelson Regional Development Agency (NRDA)), Council received advice that the budget was not sufficient to deliver the desired outcomes for the region. After consulting through the Annual Plan 2016/17, Council decided to allocate an additional \$300,000 of core funding to the NRDA in 2016/17, and has continued this level of core funding in 2017/18.

A further \$100,000 is provided in 2017/18 to carry out a programme of work to attract and retain visitors, talent and investment. Council has provided this funding through the Annual Plan 2017/18, conditional on the NRDA being able to leverage \$150,000 from other non-local government partners.

In light of the extra investment, the separate Economic Development Fund is being discontinued from 2017/18 (\$57,000).

### Facilities marketing

All facility marketing budgets now sit within the economic activity and an additional \$30,000 operational expenditure is included in 2017/18 in order to carry out required marketing for Council facilities.

### Economic impact assessment

This budget for economic impact assessments has been reduced to \$12,000 to reflect the expected amount required for work in 2017/18.

### China Week

Council ran a China week in September 2015 and has included funding of \$25,000 in the Annual Plan 2017/18 so that a second China Week series of events can be held in late 2017. Preparation for this event commenced in 2016/17 with funding of \$25,000. This project will be funded out of an existing Special Economic Projects budget.

### Cricket – One Day International

Council has hosted a number of One Day International cricket games at Saxton Oval over the recent summers. Council included funding in 2016/17 in order to support bids for further matches to be held in Nelson including development of supporting events and marketing and match day costs. This is budgeted at \$25,000 in 2017/18.

### Beach bus

A beach bus between the central city and Tahunanui Beach was run in the 2016/17 summer with Council providing funding of \$15,000 for this. Council has decided to again provide up to \$15,000 in 2017/18 to run the bus over the 2017/18 summer season, if the Tahunanui businesses are in support and wish to partner with Council on the project.

## ECONOMIC FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	1,247	1,304	1,685	381
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	0	0	400	400
Fees and charges	0	0	0	0
Internal charges and overheads recovered	0	0	0	0
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0	0
<b>Total Operating Funding</b>	<b>1,247</b>	<b>1,304</b>	<b>2,085</b>	<b>781</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	1,233	1,290	2,074	784
Finance costs	0	0	0	0
Internal charges and overheads applied *	14	14	11	(3)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>1,247</b>	<b>1,304</b>	<b>2,085</b>	<b>781</b>
<b>Surplus (Deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	0	0	0	0
- to improve level of service	0	0	0	0
- to replace existing assets	0	0	0	0
Increase (decrease) in reserves	0	0	0	0
Increase (decrease) in investments	0	0	0	0
<b>Total applications of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus (Deficit) of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.







ECONOMIC

### 2017/18 Annual Plan Variances against Long Term Plan

The increase in income from subsidies and grants recognises the contribution from Tasman District Council for economic development and tourism services.

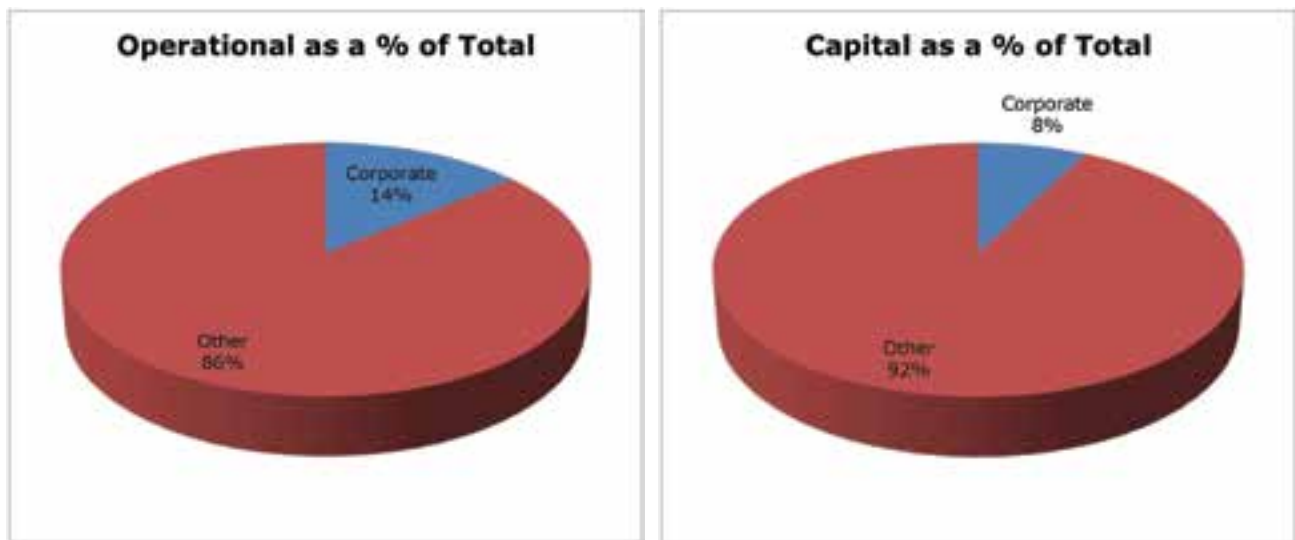
The increase in operating expenditure recognises that all funding for regional economic development and tourism is now borne by Nelson City Council. A further \$310k has been added to the Long Term Plan to improve the effectiveness of economic development programmes consistent with the 2016/17 annual plan, and \$100k has been added to carry out a programme of work to attract and retain visitors, talent and investment.



# CORPORATE

Council's corporate activity includes governance services, local government elections, and behind the scenes support services to ensure the smooth running of the organisation. This includes finance and administration, strategic documents and elected member support.

The charts below show how much of Council's total operational and capital budgets will be spent on the corporate activity in 2017/18.



The following section describes changes to Year 3 (2017/18) for the corporate activity since the Long Term Plan 2015-25 was adopted. Other corporate activities are to be delivered as stated in the corporate activity section of the Long Term Plan 2015-25.

## YEAR 3 (2017/18) PROJECT UPDATES

### Haven Precinct

Council included \$150,000 in the Annual Plan 2016/17 to develop early concept design work for Nelson's Haven, the 'Haven Precinct'. Now that designs have been prepared, \$600,000 is included in the Annual Plan 2017/18 to develop designs around the Reliance Building and adjacent sites including the cycle and walkways, and also to investigate a parking area within the northern end of the precinct. Some preparatory work will be undertaken ahead of this in 2016/17. \$50,000 of this funding is operational, with \$550,000 for capital expenditure.

### Information Technology projects

\$890,000 additional capital is included in 2017/18 for Council IT capital projects (a net \$326,000 is reallocated from other years). The remaining is made up of \$150,000 provision for building systems upgrade, \$80,000 for records management and \$60,000 for HR system upgrades. This includes additional funding required to achieve a solution for the Council Chamber audio visual and sound system in 2017/18 (\$112,000 additional, \$80,000 carry forward from 2016/17).

### Policy consultants

This budget has been increased to allow for review of the development contributions and financial contributions policy, ahead of the Long Term Plan 2018-28 (\$75,000). This is driven by Government changes regarding financial contributions and also the need to align the schedules of projects with growth demand.

### Freedom camping bylaw

Council has resolved to prepare a bylaw to address freedom camping with a view to having it in place in time for the next summer season. Consultation on the bylaw will occur before it is adopted. An additional \$15,000 is included in 2017/18 to allow development of the freedom camping bylaw to be completed.

If adopted, the bylaw will need to be implemented and enforced. Enforcement costs would include patrols, processing general complaints and administration and is expected to cost \$100,000 per year. Council has budgeted for this amount in the Annual Plan 2017/18.

### Nelson City Brass

Nelson City Brass Band is Council's civic band and plays at many civic events during the year. It will be supported by Council during 2017/18 with funding of \$15,000. The band is celebrating 160 years of service in 2017, and Council is also supporting this by providing \$20,000 as a contribution towards new uniforms which will be provided in 2016/17.

### Christmas display

Council will undertake work in order to provide an improved display for Christmas 2017. \$100,000 to fund this in 2017/18 includes budget for design, capital works, purchase of a Christmas tree, decorations, security and installation as well as to explore Christmas options for future years.

### National Policy Statement – Urban Development Capacity

The National Policy Statement – Urban Development Capacity (NPS-UDC) took effect on 1 December 2016 and requires Council to provide enough land for new housing and business development. Council is working with Tasman District Council to achieve the requirements of the NPS-UDC and the work needs to ensure infrastructure project funding and timing delivers on providing for housing and business growth. As a result, there will be a need for growth modelling and capacity assessment, economic analysis, prioritising growth areas, targeted consultation and reporting. \$175,000 is included in this Annual Plan for the required staff resource and specialist consultancy and legal advice.

### Eelco Boswijk awards

These awards are carried out on a three yearly cycle and a phasing change means the next awards will be presented in 2017/18, rather than 2019/20 as originally planned (\$10,000).

### Civic House Verandah renewal

Renewal for the Civic House Verandah was scheduled for 2017/18. Following investigation, this renewal is not urgent and Council has deferred the project from 2017/18 for rescheduling in the Long Term Plan 2018-28.

### Communications resource

Council has increased its digital and media responsiveness in response to feedback from the latest Resident's Survey that the community wanted more opportunities to be involved in Council's decision-making. An amount of \$80,000 has been set aside for extra resourcing to support this enhanced public engagement.

### Living wage

Through the Annual Plan 2017/18 deliberations, Council discussed the living wage and will be carrying out more work on this during 2017/18 through a Joint Committee workshop with Tasman District Council, noting that some Council Controlled Organisations are jointly owned with Tasman District Council.





## CORPORATE FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference to LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	(206)	(185)	633	818
Targeted rates	0	0	0	0
Subsidies and grants for operating purposes	5	5	7	2
Fees and charges	0	0	0	0
Internal charges and overheads recovered*	11,480	11,796	9,438	(2,358)
Local authorities fuel tax, fines, infringement fees, and other receipts	4,320	4,569	5,951	1,382
<b>Total Operating Funding</b>	<b>15,599</b>	<b>16,185</b>	<b>16,029</b>	<b>(156)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	5,945	6,023	6,884	861
Finance costs	6,176	6,539	4,536	(2,003)
Internal charges and overheads applied *	1,222	1,180	770	(410)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>13,343</b>	<b>13,742</b>	<b>12,190</b>	<b>(1,552)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>2,257</b>	<b>2,443</b>	<b>3,839</b>	<b>1,396</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	0	0	0	0
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	15,363	8,940	23,277	14,337
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>15,363</b>	<b>8,940</b>	<b>23,277</b>	<b>14,337</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	291	345	991	646
- to improve level of service	1,044	889	2,257	1,368
- to replace existing assets	1,041	688	1,509	821
Increase (decrease) in reserves	360	240	(25)	(265)
Increase (decrease) in investments	14,883	9,221	22,384	13,163
<b>Total applications of capital funding</b>	<b>17,619</b>	<b>11,383</b>	<b>27,116</b>	<b>15,733</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(2,256)</b>	<b>(2,443)</b>	<b>(3,839)</b>	<b>(1,396)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Internal charges and overheads include finance costs for internal loans.





## 2017/18 Annual Plan Variances against Long Term Plan

Internal income has reduced because of changes in the capital programme over the whole of council along with a more favourable interest rate environment.

Increases in the forecast dividends from Port Nelson Limited and Nelson Airport Limited, an updated forecast of interest received and a decrease in the assumed transfer from prior year surpluses are the main causes of the increase in other non-rates income.

Payments to staff and suppliers have increased due to a redistribution of staff time, and new budgets for work on the Haven Precinct and the Urban Development Capacity strategy.

Internal charges (interest) have decreased in response to changes in the capital programme in 2016/17 along with a more favourable interest rate environment than predicted in the Long Term Plan.

Finance costs are predicted to be less than calculated in the Long Term Plan due to changes in the capital programme over the whole of Council, along with a more favourable interest rate forecast.

Debt required has increased in line with the increase in capital expenditure for the year over the whole of Council.

Vested assets have been removed from this activity and attributed to the individual infrastructure activities.

Changes to the capital programme are listed at the end of the Financials section of this document.

## RECONCILIATION BETWEEN THE NET SURPLUS (DEFICIT) IN THE COST OF SERVICE STATEMENT AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	2,257	2,443	3,839	1,396
Subsidies and grants for capital expenditure	0	0	0	0
Development and financial contributions	0	0	0	0
Vested Assets	3,124	3,187	0	(3,187)
Gains on sale	0	0	0	0
Depreciation	(1,645)	(1,741)	(1,702)	39
Net Surplus (Deficit) before taxation in Cost of Service Statement	3,736	3,889	2,137	(1,752)



## ACCOUNTING INFORMATION



[Funding impact statement](#)

[Accounting Policies](#)

[Financials](#)

[Council controlled organisations](#)

[Annual Plan disclosure statement](#)



# FUNDING IMPACT STATEMENT

## HOW MUCH WILL MY RATES COST?

Total rates on each property in Nelson include payment for local authority (city council) and regional council services. Council is a unitary authority combining both of these functions. The final figure is made up of a combination of whichever of the following apply to your rating unit(s):

- General rate, which includes the uniform annual general charge (UAGC)
- Stormwater and flood protection charge
- Wastewater charge or commercial wastewater charge for sewage disposal
- Water annual charge
- Water volumetric rate

If part of scheme:

- Clean Heat Warm Home targeted rate
- Solar hot water targeted rate
- Postponement application charge
- Postponement interest.

## DIFFERENTIALS

Some rates are set on a differential basis, which adjust rates upwards or downwards, typically depending on whether more or less Council services are provided, for example commercial, rural or multi-unit properties.

## RATES AND CHARGES

The 'funding impact statement' sets out the rates and charges that are planned for the next year.

Unless otherwise stated, rates and charges are shown including GST.

## RATING UNITS

The projected number of rating units within Nelson at 30 June 2017 is 22,130.

The projected total capital value of rating units within Nelson at 30 June 2017 is \$11,760,000,000.

The projected total land value of rating units within Nelson at 30 June 2017 is \$5,044,415,000.

## RATING OF SEPARATELY USED OR INHABITED PARTS (SUIP) OF A RATING UNIT

*Note: the following is amended from what was included in the Long Term Plan 2015-25 (through a change approved in June 2016)*

### Definition

A separately used or inhabited part of a rating unit includes any part 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 used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner. For the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used' by the owner for this separate purpose. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

The following are considered to be separately used or inhabited parts of a rating unit where the above requirements are met.



The following are considered to be separately used or inhabited parts of a rating unit where the above requirements are met.

- Flats or apartments (including flats that share kitchen or bathroom facilities)
- Separately leased commercial areas of a rating unit
- Where there is multiple use of a single rating unit, such as a shop with a dwelling.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat without independent kitchen facilities
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities

- A bed and breakfast room with or without kitchen facilities
- Individual offices or premises of business partners
- Individually leased carparks
- Storage units
- Properties subject to statutory declarations for unoccupied or second residential units not being used as separate units.

### Examples of Rates for 2017/18

To further clarify the rates changes from 2016/17 to those for the 2017/18 rating year a selection of properties has been shown to provide a guide. The following table is GST inclusive.



## EXAMPLES OF TOTAL IMPACT OF GENERAL AND TARGETED RATES ON DIFFERENT LAND USES AND VALUES (GST INCLUSIVE)

Property Type	2015 Land Value	2016/17 Rates	2017/18 Rates		
			General Rate	UAGC	Stormwater/ Flood Protection
Residential	\$90,000	\$1,875	\$621	\$429	\$288
	\$105,000	\$1,976	\$725	\$429	\$288
	\$125,000	\$2,111	\$863	\$429	\$288
	\$147,000	\$2,259	\$1,015	\$429	\$288
	\$210,000	\$2,683	\$1,450	\$429	\$288
	\$200,000	\$2,616	\$1,381	\$429	\$288
	\$230,000	\$2,818	\$1,588	\$429	\$288
	\$255,000	\$2,987	\$1,761	\$429	\$288
	\$315,000	\$3,391	\$2,175	\$429	\$288
	\$330,000	\$3,492	\$2,278	\$429	\$288
	\$445,000	\$4,266	\$3,072	\$429	\$288
	\$580,000	\$5,175	\$4,004	\$429	\$288
Multi Residential (Two flats - Two UAGC & Wastewater Charges)	\$220,000	\$3,897	\$1,671	\$858	\$288
	\$800,000	\$7,998	\$6,076	\$858	\$288
Empty Residential Section (Water annual charge included if water meter is installed)	\$82,000	\$1,237	\$566	\$429	\$288
	\$220,000	\$2,361	\$1,519	\$429	\$288
	\$405,000	\$3,607	\$2,796	\$429	\$288
Small Holding (Water annual charge included if water meter installed)	\$280,000	\$2,382	\$1,740	\$429	\$288
	\$385,000	\$3,213	\$2,392	\$429	\$288
Rural (Water annual charge included if water meter installed)	\$790,000	\$3,871	\$3,545	\$429	
	\$1,940,000	\$9,100	\$8,706	\$429	
Commercial - Outside Inner City / Stoke - 1 Unit	\$365,000	\$7,088	\$6,368	\$429	\$288
Commercial - Outside Inner City / Stoke - 2 Units	\$355,000	\$7,626	\$6,194	\$858	\$288
Commercial - Outside Inner City / Stoke - 2 Units	\$335,000	\$7,096	\$5,845	\$858	\$288
Commercial - Stoke - 1 Unit	\$35,000	\$1,590	\$845	\$429	\$288
Commercial - Inner City - 2 Units	\$290,000	\$8,501	\$7,334	\$858	\$288
Commercial - Inner City - 2 Units	\$330,000	\$9,468	\$8,346	\$858	\$288
Commercial - Inner City - 1 Unit	\$1,160,000	\$29,029	\$29,337	\$429	\$288

This table does not include water charges based on consumption. This is charged at \$1.964 per cubic meter and an average residential ratepayer uses 160 m<sup>3</sup> costing \$314.24 (GST Incl).





	2017/18 Rates				
	Waste water	Water Annual Charge	Total Rates	% increase on 2016/17	\$ increase on 2016/17
	\$408	\$189	\$1,935	3.19	\$59
	\$408	\$189	\$2,039	3.15	\$62
	\$408	\$189	\$2,177	3.11	\$65
	\$408	\$189	\$2,329	3.07	\$69
	\$408	\$189	\$2,764	2.99	\$81
	\$408	\$189	\$2,695	3.00	\$79
	\$408	\$189	\$2,902	2.96	\$84
	\$408	\$189	\$3,074	2.94	\$88
	\$408	\$189	\$3,489	2.89	\$98
	\$408	\$189	\$3,592	2.88	\$101
	\$408	\$189	\$4,386	2.81	\$120
	\$408	\$189	\$5,318	2.76	\$143
	\$816	\$379	\$4,011	2.92	\$114
	\$816	\$189	\$8,226	2.85	\$228
			\$1,283	3.69	\$46
		\$189	\$2,425	2.68	\$63
		\$189	\$3,702	2.63	\$95
			\$2,456	3.13	\$75
		\$189	\$3,298	2.64	\$85
			\$3,974	2.65	\$103
		\$189	\$9,324	2.46	\$224
	\$102	\$189	\$7,376	4.07	\$289
	\$204	\$379	\$7,922	3.88	\$296
	\$204	\$189	\$7,383	4.05	\$287
	\$102	\$0	\$1,664	4.63	\$74
	\$204	\$189	\$8,873	4.37	\$372
	\$204	\$189	\$9,884	4.40	\$416
	\$102	\$189	\$30,344	4.53	\$1,315



## GENERAL RATE

A general rate set under section 13 of the Local Government (Rating) Act 2002 is based on the rateable value of the land. General rates are set at different rates in the dollar of rateable value for different categories of rateable land. The general rate is 0.69042 cents in the land value dollar (including GST) for the 2017/18 rating year for the base differential category. An explanation of the differential categories, the relative differentials for each category and the amount in the land value dollar for each category is set out at the end of this funding impact statement.

This compares to the previous year's rate of 0.67343 in the land value dollar in the 2016/17 rating year for the base differential category.

## UNIFORM ANNUAL GENERAL CHARGE

A uniform annual general charge (UAGC) is set under section 15 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit.

It is assessed:

- As a charge for services which have an equal element of benefit irrespective of property value
- To ensure a minimum charge on all properties
- To reduce the extremes of rates paid by the highest and lowest valued rating units
- In recognition that land valuation-based rating does not necessarily reflect a ratepayer's ability to pay.

Council will collect 15% of rates, excluding Solar Saver and Clean Heat Warm Homes targeted rates and water annual charge and water volumetric rate, through the UAGC.

The UAGC is \$428.80 including GST per separately used or inhabited part of a rating unit for the 2017/18

rating year. 2017/18 charge is \$15.53 higher than the charge of \$413.27 for 2016/17.

The rates revenue sought from the uniform annual general charge and certain targeted rates set on a uniform basis is 20% of the total revenue from all rates sought by Council. This is well within the

30% limit set by Section 21 of the Local Government (Rating) Act 2002.

## STORMWATER AND FLOOD PROTECTION CHARGE

The stormwater and flood protection charge is a uniform targeted rate set under section 16 of the Local

Government (Rating) Act 2002 per rating unit and is \$287.64 for the 2017/18 rating year. It recovers the funding required by Council for stormwater and flood protection purposes. It is payable by all ratepayers excluding:

- Rural rating units
- Rating units east of the Gentle Annie saddle
- Saxton's Island
- Council's stormwater network

The charge for 2017/18 is \$16.17 higher than the charge of \$271.47 for the 2016/17 rating year.

## TARGETED RATES FOR CLEAN HEAT WARM HOMES

The Clean Heat Warm Homes (CHWH) rates are targeted rates under Section 16 of the Local

Government (Rating) Act 2002 and are collected for each separately used or inhabited part of a rating unit that has been provided with home insulation and/or a heater to replace a non-complying solid fuel burner in accordance with agreement of the original ratepayer.

The cost to the community is from funding the interest on the borrowing for the assistance, the administration costs and any rate remissions. The CHWH scheme closed to new applicants from 30 May 2012, but interest costs continue until the last targeted rate is repaid in 2022.

The formula for calculating the targeted rates are for any participating property whose CHWH agreements were signed after 1 July 2011. The targeted rate for each year for 10 years is the total cost of the installed works excluding GST, divided by 10, plus GST at the current rate.

For CHWH agreements dated before 1 July 2011, the targeted rate for each year is based on the agreement entered into with the ratepayer, adjusted for any change in GST.

The table below details the loan assistance bands:

Loan Assistance Range	Installation after 30 Sept 2010	Completed prior to 30 Sept 2010
\$1,400 to \$1,599	\$140.00	\$143.11
\$1,600 to \$1,799	\$160.00	\$163.56
\$1,800 to \$1,999	\$180.00	\$184.00
\$2,000 to \$2,199	\$200.00	\$204.44
\$2,200 to \$2,399	\$220.00	\$224.89
\$2,400 to \$2,599	\$240.00	\$245.34
\$2,600 to \$2,799	\$260.00	\$265.78
\$2,800 to \$2,999	\$280.00	\$286.22
\$3,000 to \$3,199	\$300.00	\$306.67
\$3,200 to \$3,399	\$320.00	\$327.11
\$3,400 to \$3,599	\$340.00	\$347.56
\$3,600 to \$3,799	\$360.00	\$368.00
\$3,800 to \$3,999	\$380.00	\$388.44
\$4,000 to \$4,199	\$400.00	\$408.89
\$4,200 to \$4,399	\$420.00	\$429.34
\$4,400 to \$4,599	\$440.00	\$449.78
\$4,600 to \$4,799	\$460.00	\$470.22
\$4,800 to \$4,999	\$480.00	\$490.67

## TARGETED RATE FOR SOLAR HOT WATER SYSTEMS

The Solar Saver charge is a targeted rate collected under Section 16 of the Local Government (Rating) Act 2002 for each separately used or inhabited part of a rating unit where the owner has been provided with financial assistance to install a Solar Hot Water System (SHWS).

The targeted rate applying to any participating property is determined on the extent of provision of service by the net cost of the work including GST, after deducting EECA grants, plus the funding cost. The full cost of the works and Council's costs of borrowing and administering the scheme are paid over a 10 year period by the homeowner receiving the service.

### Calculation factors:

- 0.14964 (including GST) for agreements entered into prior to 1 July 2011, multiplied by the Net Cost of the Work adjusted for any increased GST
- 0.13847 (including GST) for agreements entered into after 1 July 2011 multiplied by the Net Cost of the Work.

The SHWS scheme closed to new applicants from 30 June 2012.

## WASTEWATER CHARGE

A targeted rate is set under Section 16 of the Local Government (Rating) Act 2002 to recover the costs required for Council's wastewater and sewage disposal system. This charge is assessed to all rating units (premises) to which Council's wastewater and sewage disposal service is provided.

The wastewater charge for residential, multi-residential, rural and smallholding properties is \$407.97 per separately used or inhabited part of a rating unit including GST for the 2017/18 rating year compared to the previous year's rate of \$389.54. The same definition of the differential categories for the general rate is used for the wastewater charge.

The wastewater charge for commercial properties is set at \$101.99 per separately used or inhabited part of a rating unit being 25% of the charge for the residential, multi-residential, rural and smallholding properties. Commercial properties are also assessed wastewater charges based on Council's Trade Waste Bylaw. These charges are set out in the Commercial Wastewater Charge – Trade Waste Charges section of this Annual Plan 2017/18.

## WATER RATES

Nelson's water rates are targeted rates for water supply set under sections 16 and 19 of the Local Government (Rating) Act 2002 which together recover the funding required by Council to supply water.





## WATER ANNUAL CHARGE

A fixed annual charge set under Section 16 of the Local Government (Rating) Act 2002 is payable by all ratepayers per water meter installed on the property.

The annual rate for 2017/18 is \$189.32 per connection including GST compared with \$194.99 in the previous year.

## WATER VOLUMETRIC RATE

A charge for the quantity of water provided set under Section 19 of the Local Government (Rating) Act 2002 according to the following scale. These charges are invoiced separately from the rates invoices.

The cost per cubic metre is set out in the table below:

### WATER CHARGES – RESIDENTIAL, COMMERCIAL AND INDUSTRIAL INCLUDING GST

Amount/type	Cost (\$ per m3) 2016/17	Cost (\$ per m3) 2017/18
Usage up to 10,000m <sup>3</sup> per year	2.036	1.964
Usage from 10,001 to 100,000m <sup>3</sup> per year	1.517	1.550
Usage over 100,000m <sup>3</sup> per year	1.198	1.222
Summer irrigation usage over 10,000m <sup>3</sup> per year	1.776	1.757

The water rates represent an average decrease of 3.6% for the 2017/18 year for an average water user.

Note: an average residential water user uses 160m<sup>3</sup> per annum.

**Lump sum contributions will not be invited in respect of any targeted rate.**

## Payment methods for rates

Payment for rates can be made by Cash, Cheque, EFTPOS, Direct Debit, Direct Credit, Internet Banking, Telephone Banking and Credit Card (via our website only).

## Penalty on unpaid rates (excluding water volumetric rates)

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% is added to each instalment or part thereof that is unpaid after the last date for payment. The penalty dates are 21 August 2017, 20 November 2017, 20 February 2018 and 21 May 2018. Previous year's rates that remain unpaid will have a further 10% penalty added on 1 July and 1 January.

## Penalty on unpaid water volumetric rates

In accordance with Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% is added to each water account or part thereof that is unpaid after the last date for payment. The penalty is added three working days after the last day for payment.

## Penalty remission on full payment of yearly rates

The total annual rates may be paid in one lump sum by 20 November 2017 and any first instalment penalty already incurred will be remitted.

## Discount for early payment of rates

In accordance with Section 55 of the Local Government (Rating) Act 2002, a discount of 2% of the total year's rates, excluding water volumetric rates, will be allowed where they are paid in full on or before 21 August 2017.

## Differentials

Differentials are adjustments to the rates of particular property types to better reflect the services provided by Council. Commercial properties pay higher rates to reflect additional services such as street cleaning and car parks. Properties classified as rural have a negative differential to reflect the fewer Council services provided to those properties.

## CATEGORIES OF DIFFERENTIALS BASED ON LAND USE

These differential categories are defined in accordance with the provisions of Schedule Two of the Local

Government (Rating) Act 2002. The same definitions are also used to define the liability for some rates. The differential categories are as follows:

### General Rate

**Residential** – all rating units that are used primarily for residential purposes.

**Multi Residential** – all rating units that contain more than one residential dwelling that are capable of being used primarily for residential purposes.

**Commercial** – any rating unit which is used primarily for commercial use. Properties that have a portion of residential use shall have a reduced commercial differential.

**Inner City Commercial** – any rating unit which is used primarily for commercial use that is located within the Inner City Zone, as defined in the Nelson Resource Management Plan. Properties that have a portion of residential use shall have a reduced inner city commercial differential.

**Stoke Commercial** – any rating unit which is used primarily for commercial use that is located within the Stoke commercial zone, as defined in the Nelson

Resource Management Plan. Properties that have a portion of residential use shall have a reduced Stoke commercial differential.

**Rural** – any rating unit having an area greater than 15 hectares which is used primarily for dairy, fattening and grazing, quarries, forestry or horticultural use and is recorded as rural on the District Valuation Roll.

**Small Holding** – any rating unit which is primarily used as a small holding and having an area greater than 0.5 hectares but is less than 15 hectares and is recorded as a small holding on the District Valuation Roll.

### Rating categories

Council has adopted the following differentials:

- Single residential with non-rateable portion and Multi Residential have an additional 10% general rate differential
- Rural have a negative 35% general rate differential
- Small holdings have a negative 10% general rate differential
- Commercial rates are set to collect 25.1% of the total rates excluding water annual charge and water volumetric rate, Clean Heat Warm Homes and Solar Saver charges. 28.817% of this is funded from inner city commercial properties, 1.910% from Stoke commercial properties while 69.273% is funded from commercial excluding inner city and Stoke commercial properties. This would result in commercial properties paying a total of \$17,198,501 (including water annual charge) in rates for the 2017/18 rating year compared to \$16,421,836 the previous year. The commercial zones of inner city and Stoke are defined in the Nelson Resource Management Plan.

## DIFFERENTIAL RATES FOR THE GENERAL RATE

Council's general rate is assessed on a differential basis.

Class 2017/18	Differential %	Cents in the dollar
Residential – single unit	0.0	0.69042
Residential empty section	0.0	0.69042
Single residential unit forming part of a parent valuation, the remainder of which is non-rateable	10.0	0.75946
Multi Residential	10.0	0.75946
Rural	-35.0	0.44877
Small holding	-10.0	0.62138

### Commercial – excluding inner city and Stoke commercial

100% commercial and industrial (occupied and empty)	152.7	1.74470
25% residential/75% commercial	114.5	1.48096
50% residential/50% commercial	76.4	1.21791
75% residential/25% commercial	38.2	0.95416

### Commercial – inner city

100% commercial and industrial (occupied and empty)	266.3	2.52902
25% residential/75% commercial	199.7	2.06920
50% residential/50% commercial	133.2	1.61007
75% residential/25% commercial	66.6	1.15024

Class 2017/18	Differential %	Cents in the dollar
<b>Commercial – Stoke</b>		
100% commercial and industrial (occupied and empty)	249.8	2.41510
25% residential/75% commercial	187.4	1.98427
50% residential/50% commercial	124.9	1.55276
75% residential/25% commercial	62.5	1.12194

The categories that are to be used for applying the general rate differential and the amount of total revenue to be collected from each category, for 2017/18, is as follows:

Category	Total Revenue to be collected (\$)
Residential	49,103,853
Multi-residential	3,362,603
Commercial (Inner City, Stoke and other)	17,198,501
Rural	450,136
Small holding	1,613,694

Properties that have more than one use identified above will be placed into a rating category subject to the rating unit's majority use as determined by Council. The neutral base from which differentials are calculated is a residential property with a single dwelling.

Note: *Objections to the Rating Information Database under Section 28 of the Local Government (Rating) Act 2002 will be reviewed by Council and Council is the sole determiner of rating categories.*



## FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
<b>Sources of Operating Funding</b>				
General Rates, uniform annual general charges, rates penalties	43,299	45,195	45,657	462
Targeted rates	24,708	25,462	23,940	(1,522)
Subsidies and grants for operating purposes	2,783	2,815	3,372	557
Fees and charges	11,716	11,635	7,237	(4,398)
Interest and dividends from investments	2,970	3,072	3,385	313
Local authorities fuel tax, fines, infringement fees, and other receipts	11,882	12,225	14,299	2,074
<b>Total Operating Funding</b>	<b>97,358</b>	<b>100,404</b>	<b>97,889</b>	<b>(2,515)</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	69,401	69,049	69,228	179
Finance costs	7,027	7,559	4,670	(2,889)
Other operating funding applications	0	0	0	0
<b>Total applications of operating funding</b>	<b>76,428</b>	<b>76,608</b>	<b>73,897</b>	<b>(2,711)</b>
<b>Surplus (Deficit) of operating funding</b>	<b>20,930</b>	<b>23,796</b>	<b>23,992</b>	<b>196</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital	2,028	3,197	5,326	2,129
Development and financial contributions	2,465	2,520	3,064	544
Increase (decrease) in debt	14,302	9,267	19,384	10,117
Gross proceeds from sale of assets	22	23	7,700	7,677
Lump sum contributions	0	0	0	0
<b>Total sources of capital funding</b>	<b>18,817</b>	<b>15,007</b>	<b>35,474</b>	<b>20,467</b>
<b>Applications of capital funding</b>				
Capital Expenditure				
- to meet additional demand	5,870	3,962	5,770	1,808
- to improve level of service	18,983	23,120	37,774	14,654
- to replace existing assets	15,219	12,214	16,406	4,192
Increase (decrease) in reserves	360	240	(25)	(265)
Increase (decrease) in investments	(685)	(733)	(459)	274
<b>Total applications of capital funding</b>	<b>39,747</b>	<b>38,803</b>	<b>59,466</b>	<b>20,663</b>
<b>Surplus (Deficit) of capital funding</b>	<b>(20,930)</b>	<b>(23,796)</b>	<b>(23,992)</b>	<b>(196)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## RECONCILIATION BETWEEN THE SURPLUS IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE AND SURPLUS (DEFICIT) OF OPERATING FUNDING IN THE FUNDING IMPACT STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Surplus/(Deficit) of operating funding from Funding Impact Statement	20,930	23,796	23,992	196
Subsidies and grants for capital expenditure	2,028	3,197	5,326	2,129
Development and financial contributions	2,465	2,520	3,064	544
Vested Assets	3,124	3,187	6,000	2,813
Gains on sale	0	0	2,251	2,251
Depreciation	(22,895)	(23,871)	(24,542)	(671)
Other non cash income			59	59
Other non cash expenditure	0	0	(382)	(382)
Net Surplus (Deficit) before taxation in Statement of Comprehensive Revenue and Expense	5,652	8,829	15,767	6,938

### COMMERCIAL WASTEWATER CHARGE – TRADE WASTE CHARGES

Wastewater charges for commercial properties are set according to Council's Trade Waste Bylaw. The methodology for calculating the charges to commercial producers is complicated, but in summary Council examines the flow rates and effluent strength during the previous three years to calculate charges for the following year.

Two methods are used for commercial properties:

- Method A is applied to the largest trade waste contributor and the charge is calculated on both discharge rates and effluent strength. Charges are highest for the most concentrated and larger volumes.

- Method B applies to all other trade waste contributors, of which there are approximately 1300 in Nelson city. The charge is calculated based on the estimated volume of effluent discharged. The estimate assumes the amount of wastewater is 80% of the volume of incoming water.
- Total trade waste revenue for 2017/18 is estimated to be \$1,280,000

For 2017/18, the GST inclusive trade waste charges are:

- Trade waste A conveying charge \$606.11 per litre per minute
- Trade waste A treatment charge \$1,097.29 per kg BOD\* per day
- Trade waste B combined charge \$1.87 per m<sup>3</sup>
- Wastewater charge \$103.48 per year.

\*BOD is the biochemical oxygen demand, or effluent strength.

For the previous year, 2016/17, the GST inclusive trade waste charges were:

- Trade waste A conveying charge \$530.14 per litre per minute
- Trade waste A treatment charge \$1,114.66 per kg BOD\* per day
- Trade waste B combined charge \$1.67 per m<sup>3</sup>
- Wastewater charge \$97.39 per year.

**Method A: quality/quantity approach**

The largest commercial contributor is monitored every three months and the waste stream sampled over four days to measure the discharge rate and effluent strength as BOD, the biochemical oxygen demand. The trade waste charge is then calculated using the conveyance, which is the amount discharged, and treatment rates from the method of charging schedule. These rates are determined annually. The conveyance rate is calculated by dividing the estimated conveyance costs for the coming financial year by the average of the previous three year’s average flows. The treatment rate is calculated by dividing the estimated treatment costs for the coming financial year by the average of the previous three year’s BOD loadings.

The 2017/18 charges compared with the previous year’s charges are:

**CONVEYING (\$/ANNUM/LITRE/MINUTE), INCLUDING GST**

Year	Total Cost (\$)	Average Flow Rate (litres/minute)	Cost/Litre/Minute (\$)
2016/17	5,653,852	10,665	530.14
2017/18	6,124,833	10,105	606.11

**TREATMENT (\$/KG BOD/DAY), INCLUDING GST**

Year	Total Cost (\$)	Average BOD loading (kg/day)	Cost/kg/BOD/day (\$)
2016/17	3,704,842	3,329	1,114.66
2017/18	3,813,083	3,475	1,097.29

**Method B: quantity approach**

For all other commercial premises, the tradewaste charge is simply based on the volume of effluent assessed as being discharged from the premises.

This effluent volume is calculated by multiplying the volume of water supplied into the premises by a correlation factor. The correlation factor is usually set at 0.8 unless another figure is agreed. It is assumed that 80% of the water that is distributed to a commercial property is subsequently discharged as wastewater. The trade waste charge is then calculated using a combined conveyance and treatment rate. This rate is determined annually by dividing the estimated cost of operating the sewerage system for the coming financial year by the average of the previous three year’s total effluent volume. Initially, all trade waste ratepayers pay the wastewater rate that is then deducted from the trade waste charges. Any surplus is not refunded. The deficit is the payable trade waste charge.

The 2017/18 charges compared with the previous year’s charges are:

**CONVEYING AND TREATMENT, INCLUDING GST**

Year	Total Cost (\$)	Total effluent volume (m3)	Cost/m3 (\$)
2016/17	9,358,694	5,605,450	1.67
2017/18	9,937,916	5,311,249	1.87





# ACCOUNTING POLICIES

## REPORTING ENTITY

The Nelson City Council Group consists of Nelson City Council, its subsidiaries, associates and joint ventures.

The information provided in these prospective financial statements includes the operation of Nelson City Council ('Council') only, as Council considers that this provides the clearest and most relevant information about the cost of services provided to ratepayers and consequently the rates income that is required to fund those services. The level of rates funding required to provide core services is not affected by other members of the group except to the extent that Council receives distributions from, or further invests in, those other members. The effects of such transactions are included in the prospective financial statements of the Council.

## BASIS OF PREPARATION

These prospective statements of Nelson City Council are for the year ended 30 June 2018. The forecast information was authorised for issue by Council on 22 June 2017.

This prospective financial information is based upon the financial statements as published in the June 2016 Annual Report, and adjusted to incorporate updated assumptions and council decisions made for the purpose of this Annual Plan. Actual financial results are likely to be different from these Prospective Financial Statements, and that difference may be material.

### Statement of compliance

This forecast information has been prepared in accordance with the requirements of the Local Government Act 2002. With the exception of the Funding Impact Statements this forecast information has also been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) as it relates to prospective financial information and PBE FRS 42 – prospective financial statements. They comply with Public Benefit Entity

International Public Sector Accounting Standards (PBE IPSAS), and other applicable financial reporting standards, as appropriate for public benefit entities.

The prospective financial statements have been prepared in accordance with Tier 1 PBE standards.

The Funding Impact Statements (FIS) do not comply with GAAP as they do not recognise depreciation and movements in the valuation of assets and also they do not show capital income (Subsidies and Development Contributions) as operating income. A reconciliation is provided between the FIS surplus/(deficit) of operating funding and the Statement of Comprehensive Revenue.

### Presentation currency and rounding

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The measurement base adopted is that of historical cost, modified by the revaluation of certain assets.

The following particular accounting policies, which materially affect the anticipated results, have been applied.

## REVENUE

Revenue is measured at the fair value of consideration received or receivable.

### Exchange and non-exchange transactions

An exchange transaction is one in which Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are



where Council receives value from another entity without giving approximately equal value in exchange.

### Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. All rates with the exception of water by meter are non-exchange transactions. Water by meter charges are exchange transactions.

### Government grants

Council receives government grants, in the main from the New Zealand Transport Agency, which subsidises part of Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. Government grants are generally non-exchange transactions.

### Provision of commercially based services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. These are exchange transactions and include rents and resource and building consents.

### Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained. This is non-exchange revenue.

### Sales of goods

Revenue from sales of goods is recognised when a product is sold to a customer. Sales of goods are exchange transactions.

### Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are paid. This is non-exchange revenue.

### Interest and dividends

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established. Interest and dividends are considered income from exchange transactions.

### Development contributions

Development and financial contributions are recognised as revenue when 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 a time as the Council provides, or is able to provide, the service. Development contributions are non-exchange transactions.

## EXPENDITURE

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot rate at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

## Grants

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award in receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant. Council's grants awarded have no substantive conditions attached.

## Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Any lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## RECEIVABLES

Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

## DERIVATIVE FINANCIAL INSTRUMENTS

The Council uses derivative financial instruments (interest rate swaps) to minimise its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently re-measured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The valuation at balance date is performed by Hedgebook Limited.

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to the surplus or deficit for the year.

The fair value of interest rate swaps is determined by reference to market values for similar instruments. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the agreement.

Swaps are classified as non-current if the remaining maturity is more than twelve months, and as current if the remaining maturity is less than twelve months.

Although some members of the Group do so, the Council (parent) does not apply hedge accounting for its derivative financial instruments.

## FIXED ASSETS

Property, plant and equipment consist of the following categories:

- **Operational Assets** – these include land, buildings, improvements, motor vehicles, plant and equipment, library books, forestry and the marina.
- **Restricted Assets** – restricted assets are land, buildings and improvements, which are owned by Council but which benefit or service the community.



- **Heritage Assets** – Heritage Assets – include museum artefacts, collections and historical buildings and monuments.
- **Infrastructure Assets** – infrastructure assets are the fixed utility systems owned by Council. These include the roading, water, sewer and stormwater networks.

## Revaluation

All assets are valued at historical cost, except for the following:

- Land – operational and restricted land is reviewed annually and valued at fair value every five years or if there is a material movement. Land was last valued by Quotable Value NZ as at 30 June 2014.
- Land under roads – land under roads has been valued at net current value by Telfer Young registered valuers as at 30 June 2006. This is considered to be deemed cost.
- Infrastructure assets – excluding specialised infrastructural assets are valued internally at depreciated replacement cost by Council engineers annually. The last valuation is as at 30 June 2016 and the valuation methodology has been peer reviewed by Opus International Consultants Ltd.
- Specialist infrastructure assets – include dams, water reservoirs and wastewater treatment plants. These assets are valued at depreciated replacement cost every two years by an independent registered valuer and by Council engineers in the intervening year.  
The last valuation is as at 30 June 2016 by Council engineers and peer reviewed by Opus International Consultants Ltd.
- Nelson Regional Sewerage Business Unit – land is reviewed annually and valued at fair value every five years or if there is a material movement. Land was last valued by Quotable Value NZ as at 30 June

2014. Infrastructure assets are valued at depreciated replacement cost with assets optimised using least cost alternative by Council engineers. The latest valuation was conducted as at 30 June 2015 and peer reviewed by Opus International Consultants Ltd.

- Heritage assets – museum collection assets have been valued on the basis of what a willing buyer would be prepared to pay a willing seller. The valuation was undertaken by Dunbar Sloane registered valuer as at 30 June 1999. The Cawthron Steps and Broadgreen House have been valued on the basis of depreciated replacement cost by Quotable Value at 30 June 2002. Founders Heritage Park has been valued on the basis of depreciated replacement cost by Telfer Young at 30 June 2002.
- The Cawthron Steps, Broadgreen House and Founders Heritage Park were included in 2002 for the first time and are deemed to be at cost.

Revaluations of property, plant and equipment are accounted for on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue or expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this 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. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Valuations are performed with sufficient regularity to ensure the carrying amount of property, plant and equipment does not materially differ from fair value.

## Additions

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

Work in progress is measured at cost less impairment and is not depreciated.

New Council assets that are added between valuations are recorded at cost except when acquired through a non-exchange transaction. Where an asset is acquired through a non-exchange transaction, such as vested assets, it is recognised at fair value as at the date of acquisition. Vested assets are infrastructural assets such as roads, sewers and water mains, paid for by subdividers and vested in the City on completion of the subdivision. The fair value is based on the actual quantities of infrastructure components and the current "in the ground" cost of providing identical services.

## Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When re-valued assets are sold or otherwise disposed of, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

## Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

## Depreciation

Depreciation has been provided on a straight line basis on all fixed assets, other than forestry, heritage, operational land, restricted land, land under roads and the marina basin at rates that will write off the cost or valuation of the assets to their estimated residual values over their useful lives.

Assets depreciated are as follows:

Class of property, plant and equipment	Estimated useful life (years)
<b>Operational Assets</b>	
Buildings	50 – 100
Marina	30 – 50
Improvements	Nil – 20
Plant and equipment	2 – 30
Motor vehicles	7
Library books	3 – 10
<b>Restricted assets</b>	
Buildings	50 – 100
Improvements	Nil – 20
<b>Infrastructural assets</b>	
Roading network	
Surfacing (sealed)	1 – 50
Surfacing (unsealed)	n/a
Basecourse	5 – 80
Sub base	n/a
Formation	n/a
Culverts	60 – 90
Footpaths	5 – 100
Signs	15
Streetlights	20 – 60
Bridges	20 – 100
Retaining walls	30 – 100
Water system	
Pipeline	55 – 120
Manholes	58 – 110
Reservoirs and tanks	100
Dams	10 – 200
Sewerage system	
Pipes	40 – 120
Manholes	80
Pump stations	10 – 50
Oxidation ponds	15 – 151
Stormwater and flood protection	
Pipeline	50 – 90
Manholes	90
Bank protection	25 – 100
Solid Waste	
Pipes	60 – 90
Ponds and dam	100
Gas flare	20
Resource consents	24

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired, and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

## OTHER FIXED ASSETS INCLUDING BIOLOGICAL ASSETS, INTANGIBLE ASSETS, INVESTMENT PROPERTY, AND WORK IN PROGRESS

### Biological assets

Forestry assets are valued annually at fair value less estimated costs to sell for one growth cycle. The valuation methodology adopted is net present value based on the age and condition of the trees. The valuation was undertaken by PF Olsen on 30 June 2016. Changes in the valuation of the forestry assets are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

### Intangible assets

#### Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Intangible Asset	Useful life (years)	Amortisation rate
Computer software	3 - 10	10 – 33%

### Inventory

Inventories are valued at cost or net realisable value, whichever is lower. For the purposes of arriving at the cost, the weighted average cost method is used.





### Work in progress

Profits on contracts are recognised progressively over the period of each contract. The contract amount included in the surplus or deficit, and the value of work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results. When it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract, foreseeable losses on contracts are recognised immediately.

### Investment property

Investment property is valued initially at its cost, including transaction costs.

Council's investment property is valued annually at fair value as at 30 June. Investment properties were valued based on open market evidence. The latest valuation was performed by Ian McKeage of Telfer Young (Nelson) Limited and changes in valuation are recognised in the surplus or deficit.

### Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair 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 and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.

For the purposes of measurement, financial assets of the Council and group are classified into the following categories:

- fair value through surplus or deficit

- loans and receivables
- held to maturity investments
- fair value through other comprehensive revenue and expense

The classification of financial assets depends on the purpose for which the instrument was acquired.

#### *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking.

Derivatives are also classified as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset.

The current/non-current classification of derivatives is explained in the derivatives accounting policy.

#### *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 are included in current assets, except for maturities greater than twelve months after the balance date, which are included in non-current assets.

Trade and other receivables are initially measured at fair value, subsequently measured at amortised cost using the effective interest method less any provision for impairment and are stated at expected realisable value after providing for doubtful and uncollectable debts. Any accounts considered to be unrecoverable are written off at year end.

Loans made to community organisations if at nil or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the current value and the face value of the expected future cash flows of the loan is recognised in the surplus or deficit. The loans are subsequently measured at amortised cost using the effective interest method.

#### ***Held to maturity investments***

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than twelve months after balance date, which are included in noncurrent assets.

With the exception of shares in the Local Government Insurance Corporation, which are recorded at their net asset value, investments other than in associated entities are measured after initial recognition at amortised cost, using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in surplus or deficit.

#### ***Fair value through other comprehensive revenue and expense***

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified into any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within twelve months of balance date. The Council and group may include in this category:

- investments that it intends to hold long term, but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

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 de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

#### ***Impairment of financial assets***

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

#### ***Loans and receivables, and held to maturity investments***

Impairment of a loan or a receivable is established when there is objective evidence that Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Surplus or Deficit. When the receivable is uncollectable, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits, local authority, government stock and related party and community loans is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the instruments. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

### **Financial assets at fair value through other comprehensive revenue and expense**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, 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 the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## **BORROWINGS**

Borrowings are initially recognised at their face 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 or group has an unconditional right to defer settlement of the liability for at least twelve months after balance date.

## **CREDITORS AND OTHER PAYABLES**

Short term creditors and other payables are recorded at their face value.

## **EMPLOYEE ENTITLEMENTS**

### **Short-term employee entitlements**

Provision is made in respect of Council's liability for salaries and wages and annual leave accrued but unpaid at balance date. The liabilities are measured at the amounts expected to be paid when the liabilities are settled.

A liability for sick leave is recognized to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it is likely to be used by staff to cover those future absences.

Short term employee entitlements are recorded as current liabilities and are recognized in the surplus or deficit during the period in which the employee rendered the related service. Settlement of these liabilities is generally expected to be within twelve months of reporting date.

### **Long Term employee entitlements**

Depending on their contract, employees of the group may be eligible for long service leave or retirement gratuities. An actuarial calculation is used to value these non-current liabilities and gains and losses are fully accounted for in the statement of comprehensive revenue and expense. The calculations are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and the present value of estimated future cash flows.

## **SUPERANNUATION SCHEMES**

### **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.

## **PROVISIONS**

Council has a legal obligation to provide ongoing maintenance and monitoring services at landfill sites after closure. This provision is calculated on the basis of discounting closure and post-closure costs into present day values. The calculation assumes no change in resource consent conditions for closure and post-closure treatment.





## **INCOME TAX**

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be used.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

## **GOODS AND SERVICES TAX (GST)**

All amounts in the accounts are exclusive of GST except for debtors and creditors which are shown inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the 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.

## **ALLOCATION OF OVERHEADS – SIGNIFICANT ACTIVITIES**

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

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

## **EQUITY**

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

- accumulated funds
- restricted reserves
- Council created reserves
- Property revaluation reserves

## **RESERVES**

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be:

### **Restricted reserves**

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

### **Council created reserves**

Part of the accumulated balance established at the will of Council. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

### **Revaluation reserves**

The results of revaluing land, infrastructural assets are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit



balance in the asset revaluation reserve for any class of asset, this is expensed in the surplus or deficit. To the extent that increases in value offset previous decreases debited to the surplus or deficit, the increase is credited to the surplus or deficit.

## STATEMENT OF CASHFLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council or group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the group and record the cash payments made of the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise activities that change the equity and debt capital structure of Council and group.

## CHANGES IN ACCOUNTING POLICIES

There are no standards, amendments, and interpretations that are not yet effective and have not been early adopted that are relevant to Council.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing this forecast information 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 below:

### Landfill after care costs

Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure.

The landfill post closure provision is recognised in accordance with New Zealand PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets. This provision is calculated on the basis of discounting closure and post closure costs into present day value.

The calculations assume no change in the legislative requirements for closure and post closure treatment.

## Infrastructural assets

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

- The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets that are not visible, for example stormwater, wastewater and water supply pipes that are underground. 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
- Estimates are made when determining 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 Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the New Zealand 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, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further assurance over its useful life estimates.
- Experienced independent valuers perform Council's infrastructural asset revaluations.



# FINANCIALS

Council's Annual Plan 2017/18 covers the period 1 July 2017 to 30 June 2018. It incorporates operating and capital expenditure for the period for the core Council entity – consolidated statements have not been prepared to include subsidiaries.

In this section, financial information is provided at a summary level but more detailed information for each activity and group of activities is included throughout the document.

This Annual Plan achieves the following:

- In general terms, maintains the current level of service for each of the Council activities.
- An ability to maintain the condition of the city's assets, although there is only limited provision for unforeseen events.
- A capital programme of \$60 million, which is \$20.7 million more than what was planned in the Long Term Plan.
- Forecast net debt of \$118.9 million.
- An increase in the total rates requirement for 2017/18 of 2.8%, after allowing for a 0.5% growth in the rating base.

To provide a degree of certainty to ratepayers, the Financial Strategy sets limits on rate increases and levels of debt in each year of the Long Term Plan 2015-25. The table in the Annual Plan disclosure statement of this Annual Plan 2017/18 discloses 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.





## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
<b>Revenue</b>				
Rates other than targeted rates for water supply	56,289	58,776	58,471	(305)
Rates remissions	(301)	(307)	(290)	17
Transfers from other government entities	4,294	5,453	7,318	1,865
Other operating grants, donations and subsidies	345	261	782	521
Other capital grants, donations and subsidies	172	298	597	299
Vested assets	3,124	3,187	6,000	2,813
Development contributions	2,465	2,520	3,064	544
Revenue from exchange transactions	22,127	22,559	16,340	(6,219)
Other Revenue	13,490	13,489	18,923	5,434
Interest received	36	38	52	14
Dividend received	2,934	3,034	3,333	299
<b>Total Revenue</b>	<b>104,975</b>	<b>109,308</b>	<b>114,589</b>	<b>5,281</b>
<b>Expenses</b>				
Staff expenditure	18,280	18,726	19,867	1,141
Grants and other transfer payments	3,774	2,354	3,068	714
Finance costs	7,027	7,559	4,670	(2,889)
Depreciation and amortisation	22,895	23,871	24,542	671
Other expenses	47,347	47,969	46,675	(1,294)
<b>Total Expenses</b>	<b>99,323</b>	<b>100,479</b>	<b>98,822</b>	<b>(1,657)</b>
<b>Net Surplus/(Deficit) before Taxation</b>	<b>5,652</b>	<b>8,829</b>	<b>15,767</b>	<b>6,938</b>
Taxation	0	0	0	0
<b>Net Surplus/(Deficit)</b>	<b>5,652</b>	<b>8,829</b>	<b>15,767</b>	<b>6,938</b>
Increase in asset revaluation reserves	32,768	23,469	16,895	(6,574)
Revaluation of investments	26	27	21	(6)
<b>Total Other Comprehensive Revenue and Expense</b>	<b>32,794</b>	<b>23,496</b>	<b>16,916</b>	<b>(6,580)</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>38,446</b>	<b>32,325</b>	<b>32,683</b>	<b>358</b>

## STATEMENT OF CHANGES IN NET ASSETS/EQUITY

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
Equity at beginning of year	1,345,396	1,383,842	1,371,261	(12,581)
Total comprehensive revenue and expense	38,446	32,325	32,683	358
Wind up of Ridgeways joint venture				
<b>Equity at end of year</b>	<b>1,383,842</b>	<b>1,416,167</b>	<b>1,403,945</b>	<b>(12,222)</b>

The 2017/18 Annual Plan equity at the beginning of the year is based on 2015/16 Annual Report closing balance plus a forecast for 2016/17, and therefore is not equal to 2016/17 Long Term Plan equity at end of year.



## STATEMENT OF FINANCIAL POSITION

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
<b>Current Assets</b>				
Cash and cash equivalents	60	72	2,494	2,422
Inventories	61	35	0	(35)
Trade and other receivables	11,054	11,275	12,675	1,400
Other financial assets	0	0	744	744
Taxation	0	0	0	0
Derivative financial instruments	15	15	0	(15)
<b>Total Current Assets</b>	<b>11,190</b>	<b>11,397</b>	<b>15,913</b>	<b>4,516</b>
<b>Non Current Assets</b>				
Trade and other receivables	3,630	3,124	0	(3,124)
Investments in council-controlled organisations	31,493	31,493	44,407	12,914
Investment properties	1,029	1,056	1,096	40
Other financial assets	703	756	4,234	3,478
Intangible assets	1,771	1,771	2,367	596
Biological assets	5,086	5,182	5,086	(96)
Property, plant, and equipment*	1,479,439	1,521,496	1,483,391	(38,105)
Derivative financial instruments	1,011	1,011	0	(1,011)
<b>Total Non Current Assets</b>	<b>1,524,162</b>	<b>1,565,889</b>	<b>1,540,581</b>	<b>(25,308)</b>
<b>Total Assets</b>	<b>1,535,352</b>	<b>1,577,286</b>	<b>1,556,494</b>	<b>(20,792)</b>
<b>Current Liabilities</b>				
Bank overdraft	0	0	0	0
Trade and other payables	13,992	14,272	18,120	3,848
Employee benefit liabilities	1,567	1,598	1,872	274
Taxation payable	0	0	0	0
Current portion of borrowings	44,843	49,110	17,733	(31,377)
Derivative financial instruments	27	27	7	(20)
<b>Total Current Liabilities</b>	<b>60,429</b>	<b>65,007</b>	<b>37,733</b>	<b>(27,274)</b>
<b>Non Current Liabilities</b>				
Trade and other payables	0	0	819	819
Provisions	1,188	1,212	1,656	444
Employee benefit liabilities	338	344	227	(117)
Derivative financial instruments	595	595	8,405	7,810
Non-current portion of borrowings	88,960	93,960	103,709	9,749
<b>Total Non-Current Liabilities</b>	<b>91,081</b>	<b>96,112</b>	<b>114,817</b>	<b>18,705</b>
<b>Total Liabilities</b>	<b>151,510</b>	<b>161,119</b>	<b>152,549</b>	<b>(8,570)</b>
<b>Net Assets</b>	<b>1,383,842</b>	<b>1,416,167</b>	<b>1,403,945</b>	<b>(12,222)</b>
<b>Ratepayer's Equity</b>				
Accumulated comprehensive revenue and expense	379,169	386,481	423,473	36,992
Other reserves	1,004,673	1,029,686	980,472	(49,214)
<b>Total Ratepayer's Equity</b>	<b>1,383,842</b>	<b>1,416,167</b>	<b>1,403,945</b>	<b>(12,222)</b>

Opening balances for 2017/18 Annual Plan have been derived from 2015/16 Annual Report closing balances plus a forecast for 2016/17, as this represents a more recent and accurate assessment than the 2015/16 Annual Plan closing balances.

There is a difference of \$38.1m against LTP in Property, Plant, and Equipment. A difference of \$39.2m in the opening balance at 01 July 2016, and changes to the capital programme over 2016/17 and 2017/18 have had a direct effect on the closing position.

Changes in revaluation indicies along with total PPE being less than anticipated has resulted in a reduction of asset revaluation reserve balances, and opening accumulated comprehensive revenue and expense at 01 July 2016 was \$26 million greater than anticipated in the LTP.



## CASH FLOW STATEMENT

	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Budget 2017/18 (\$000)	Difference to LTP 2017/18 (\$000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Receipts from Ratepayers	67,842	70,490	69,597	(893)
Receipts from grants, donations, and subsidies	4,811	6,012	8,698	2,686
Receipts of other fees, charges, and rentals	23,481	23,735	21,398	(2,337)
Development Contributions	2,465	2,520	3,064	544
Interest Received	36	38	52	14
Dividends Received	2,934	3,034	3,333	299
	<b>101,569</b>	<b>105,829</b>	<b>106,141</b>	<b>312</b>
<b>Cash was disbursed to:</b>				
Payments to suppliers	50,743	49,992	49,126	(866)
Payments to employees	18,226	18,688	19,844	1,156
Interest Paid	7,027	7,559	4,670	(2,889)
Tax Paid/(refund)	0	0	0	0
	<b>75,996</b>	<b>76,239</b>	<b>73,640</b>	<b>(2,599)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>25,573</b>	<b>29,590</b>	<b>32,502</b>	<b>2,912</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Sale of Investments and properties for resale	0	0	0	0
Repayment of LGFA borrower notes	53	0	0	0
Sale of fixed assets	22	23	4,331	4,308
Repayment of community loans and advances	561	578	507	(71)
	<b>636</b>	<b>601</b>	<b>4,838</b>	<b>4,237</b>
<b>Cash was disbursed to:</b>				
Investments in council controlled organisations	0	0	0	0
Investments in LGFA* borrower notes	240	80	107	27
Community loans advanced	0	0	0	0
<b>Purchase of fixed assets:</b>				
Renewals	15,593	12,284	12,929	645
New works - growth	5,870	3,962	5,770	1,808
New works - Increased level of service	18,983	23,120	37,774	14,654
	<b>40,686</b>	<b>39,446</b>	<b>56,580</b>	<b>17,134</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(40,050)</b>	<b>(38,845)</b>	<b>(51,742)</b>	<b>(12,897)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Proceeds from borrowings	17,888	12,818	26,765	13,947
<b>Cash was applied to:</b>				
Repayment of borrowings	3,586	3,551	7,381	3,830
<b>Net Cash Flows from Financing Activities</b>	<b>14,302</b>	<b>9,267</b>	<b>19,384</b>	<b>10,117</b>
Net Increase/(Decrease) in Cash Held	(175)	12	144	132
Add Opening Cash Balance	235	60	2,350	2,290
<b>Closing Balance</b>	<b>60</b>	<b>72</b>	<b>2,494</b>	<b>2,422</b>
<b>Represented by:</b>				
Cash and Cash Equivalents	60	72	2,494	2,422

The opening cash balance for Budget 2016/17 is based on the 2014/15 Annual Report closing balance plus a forecast for 2015/16 and therefore is not equal to the 2015/16 Long Term Plan closing balance. \* Local Government Funding Agency





## SUMMARY OF CAPITAL EXPENDITURE OVER \$100,000

Project	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference from LTP 2017/18 (\$000)
<b>Transport</b>				
<b>Roads: Subsidised</b>				
Airport Bridge Replacement	0	0	220	220
Drainage Renewals	103	107	103	(4)
Hill Street to Suffolk Road Link	0	0	210	210
Jenkins Creek shared path widening	0	0	117	117
Jenner Road Retaining Wall Renewal	0	0	314	314
Main Road Stoke cycleway Saxton Creek to Champion Road	0	0	255	255
Minor Improvements	667	685	15	(670)
Railway Reserve/Princes Dr cycle crossing upgrade	0	0	104	104
Sealed Road Pavement Rehabilitation	120	291	276	(15)
Sealed Road Resurfacing	1,369	1,401	1,381	(20)
Streetlight conversion to LED	0	0	2,400	2,400
Structures Component Replacement 215	521	334	0	(334)
Traffic Service Renewals	437	385	0	(385)
Traffic Services Renewal - Lighting	0	0	301	301
UCP Rocks Rd to Maitai shared path	277	1,580	1,560	(20)
UCP Saltwater Creek Crossing	31	363	764	401
UCP Tahunanui Cycle Network	267	527	0	(527)
<b>Roads: Unsubsidised</b>				
Bronte Street new footpath, Scotland to Collingwood	0	0	180	180
Halifax (Maitai to Milton)	51	632	0	(632)
Maitai Valley Road shared path modifications	0	0	150	150
New Footpaths	205	211	0	(211)
Renewals: Footpaths	310	320	320	0
Rocks Rd cycling and walking project	308	2,433	3,033	600
Sundry Land Purchases - Growth	103	105	105	0
Tahunanui car park	154	0	0	0
<b>Inner City Enhancement - Car Parks</b>				
CBD Enhancements	257	263	95	(168)
CBD Rubbish Bins Renewals	6	102	102	0
Church Street Improvements	0	0	500	500
On and Off St Parking Meter Renewals	0	495	0	(495)
Parking Strategy implementation unspecified	123	0	0	0
<b>Public Transport</b>				
Integrated Ticketing	98	0	129	129
<b>Transport Projects under \$100,000</b>	<b>676</b>	<b>778</b>	<b>1,128</b>	<b>350</b>
<b>Total Transport</b>	<b>6,082</b>	<b>11,011</b>	<b>13,761</b>	<b>2,750</b>
<b>Water Supply</b>				
Roding Resource Consent Renewal	205	211	211	0
Atawhai No.2 Reservoir	103	300	120	(180)
Backflow Prevention	154	158	158	0

Table continued >



Project	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference from LTP 2017/18 (\$000)
<b>Water Supply continued...</b>				
DMA establishment	103	105	105	0
Fire Flow Upgrades	103	211	211	0
Maitai Pipeline (WTP - Westbk Tce)	2,052	0	80	80
Maitai Resource consent renewal	205	211	211	0
Manson Ave Water Renewal	0	0	375	375
Pump Stations - Renewals	277	74	74	0
Water treatment plant membrane renewals	0	1,053	467	(586)
Commercial Meter Renewals	154	158	158	0
Water Pipe Renewals	815	836	381	(455)
Residential Meters Renewals	103	527	100	(427)
Sadlier Street water renewal	0	0	180	180
Seismic Risk Upgrades	103	105	105	0
Suter Street water renewal	0	0	180	180
Water Loss Reduction Programme	205	211	211	0
Water Treatment Plant Renewals	144	217	217	0
<b>Water Supply Projects under \$100,000</b>	<b>721</b>	<b>665</b>	<b>745</b>	<b>80</b>
<b>Total Water Supply</b>	<b>5,445</b>	<b>5,041</b>	<b>4,288</b>	<b>(753)</b>
<b>Wastewater</b>				
Bridge Street, Hardy and Alma Street sewer renewal	0	0	481	481
Awatea Place Pump Station	308	53	296	244
Flow meter renewals	46	47	111	64
Jenner Rd sewer renewal	0	0	149	149
Neale Park Pump Station	3,078	3,160	5,564	2,404
Pump Station Storage	123	53	176	123
Renewals Pump stations	133	137	137	0
Rising/swallows renewals	0	158	0	(158)
Wastewater Pipe Renewals	539	553	0	(553)
NRSBU Renewals	563	520	581	61
NRSBU Level of Service Improvements	225	720	242	(478)
<b>Wastewater Projects under \$100,000</b>	<b>552</b>	<b>479</b>	<b>426</b>	<b>(53)</b>
<b>Total Wastewater</b>	<b>5,567</b>	<b>5,879</b>	<b>8,163</b>	<b>2,284</b>
<b>Stormwater</b>				
Fifeshire	257	0	0	0
Halifax St: Tasman-Milton	26	895	0	(895)
Montcalm/Arrow/Wash Vly/Hastings	154	0	0	0
Nile Street East	513	0	776	776
Private/Public Drains	103	105	0	(105)
Railway Reserve - Saxton Rd West - Dryden Street	770	0	0	0
Rutherford Stage 1 - Girls College Detention	51	263	301	37
St Vincent/Hastings St Culvert	154	1,580	50	(1,530)
Tahunanui Hills Stormwater- Moana Avenue to Rocks Road	103	105	125	20

Project	Long Term Plan 2016/17 (\$000)	Long Term Plan 2017/18 (\$000)	Annual Plan 2017/18 (\$000)	Difference from LTP 2017/18 (\$000)
<b>Stormwater continued...</b>				
Vanguard Street Stormwater	51	316	0	(316)
Wastney Terrace stormwater (pvt drain prgm)	0	0	850	850
<b>Stormwater Projects under \$100,000</b>	<b>604</b>	<b>667</b>	<b>811</b>	<b>144</b>
<b>Total Stormwater</b>	<b>2,784</b>	<b>3,932</b>	<b>2,913</b>	<b>(1,019)</b>
<b>Flood Protection</b>				
Brook Stream fish passage	51	263	80	(183)
Brook Stream Outlet low flow	51	263	51	(212)
Flood Mitigation - gravel traps & intake structures	154	158	214	56
Hampden St East Little Go Stream: Stage 2	718	0	430	430
Maire Stream: Stage 1	51	263	292	29
Maitai flood mitigation	103	105	105	0
Orphanage Stream upgrade	154	790	927	137
Saxton Creek Culvert Upgrade	82	0	205	205
Saxton Creek upgrade	2,052	1,580	2,980	1,400
Whakatu Drive	51	527	617	90
York Stream Channel Upgrade	770	527	2,605	2,078
<b>Flood Protection Projects under \$100,000</b>	<b>198</b>	<b>203</b>	<b>457</b>	<b>254</b>
<b>Total Flood Protection</b>	<b>4,436</b>	<b>4,679</b>	<b>8,963</b>	<b>4,284</b>
<b>Environmental Management</b>				
Project Maitai/Mahitahi	205	211	371	160
Regional Landfill Business Unit purchase half share of assets	0	0	3,477	3,477
<b>Environmental Management Projects under \$100,000</b>	<b>96</b>	<b>5</b>	<b>1</b>	<b>(4)</b>
<b>Total Environmental Management</b>	<b>301</b>	<b>216</b>	<b>3,849</b>	<b>3,633</b>
<b>Social</b>				
<b>Nelson Library</b>				
Book Purchases	398	409	409	0
Elma Turner Library Extension/ Relocation	205	309	309	0
<b>Nellie Nightingale Library</b>				
Building Refurb & Extension	0	0	245	245
<b>Crematorium</b>				
New Pet Crematorium	154	0	0	0
<b>Public Toilets, Free</b>				
Millers Acre Toilet	359	0	0	0
Queens Garden Toilet	205	0	187	187
<b>Stoke Community Centre</b>				
Stoke Sports & Community Facility	4,617	0	3,718	3,718
<b>Community Housing</b>				
Community Housing Renewals	103	105	105	0
<b>Social Projects under \$100,000</b>	<b>592</b>	<b>622</b>	<b>800</b>	<b>178</b>
<b>Total Social</b>	<b>6,633</b>	<b>1,445</b>	<b>5,773</b>	<b>4,328</b>

Table continued overleaf





Project	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference from LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Parks &amp; Active Recreation</b>				
<b>Horticulture Parks</b>				
Renewals: Structures	209	15	15	0
<b>Neighbourhood Parks</b>				
Land Purchase: General Reserve	410	579	750	171
New Reserve Development Programme	410	105	285	180
<b>Conservation Reserves</b>				
Renew Maitai Forks Bridge	31	211	0	(211)
<b>Landscape Reserves</b>				
The Brook Mountain Bike Hub	0	0	130	130
<b>Esplanade &amp; Foreshore Reserves</b>				
Modellers Pond Solution	0	0	545	545
Esplanade & Foreshore Planting Prgm	103	105	105	0
Poormans walkway (Main rd - Neale ave)	41	137	49	(88)
<b>Sports Parks</b>				
Saltwater Creek bridge (Haven Rd - Rutherford Park)	21	190	55	(135)
Trafalgar Park Turf renewal	0	0	260	260
Rutherford/ Trafalgar Park Development	0	527	0	(527)
<b>Trafalgar Centre</b>				
Replacement of benched seats	359	0	460	460
Replacement tiered seating	0	0	356	356
Mother grid design and installation	0	0	154	154
Trafalgar Theatre	0	0	185	185
Trafalgar Centre storage solution	0	0	120	120
<b>Pools</b>				
Nayland Renewals	223	86	36	(50)
Riverside Pool water heating system renewal	0	0	150	150
Riverside Renewals	51	105	0	(105)
Nayland Pool improvements	0	158	158	0
<b>Play Facilities</b>				
Rutherford playground	554	0	0	0
<b>Marina</b>				
Marina: Pontoon renewal programme	164	0	50	50
Marina Hardstand	1,539	0	0	0
Public Boat Ramp Improvements	0	0	330	330
<b>Saxton Field</b>				
Renewals: replace hockey turf	0	527	15	(512)
Land Purchase (Daelyn)	0	0	680	680
Saxton Creek recreation pond enhancements	257	0	0	0
Walkways/cycleways	113	0	329	329
<b>Regional Community Facilities</b>				
Water sports building at Marina	51	527	150	(377)
<b>Parks &amp; Active Recreation Projects under \$100,000</b>	<b>1,912</b>	<b>1,899</b>	<b>2,116</b>	<b>217</b>
<b>Total Parks &amp; Active Recreation</b>	<b>6,449</b>	<b>5,170</b>	<b>7,483</b>	<b>2,313</b>



Project	Long Term Plan 2016/17	Long Term Plan 2017/18	Annual Plan 2017/18	Difference from LTP 2017/18
	(\$000)	(\$000)	(\$000)	(\$000)
<b>Corporate</b>				
<b>Civic House</b>				
Civic House Renewal Program	113	53	278	226
Floor 1 upgrade	0	0	413	413
Building modifications	257	105	378	273
Airconditioning	0	0	144	144
Plant & Equipment	103	105	158	53
Smart building improvements	0	53	101	48
Earthquake Prone Buildings Remediation	513	527	807	280
<b>Policy</b>				
Haven precinct capital works	0	0	550	550
<b>Administration</b>				
Motor Vehicles	133	84	84	0
Computers - Desktops	128	132	380	248
IT Infrastructure Hosting Investigation	233	84	84	0
Chamber Sound System Upgrade	0	0	180	180
Building Systems Upgrade	0	0	150	150
Core Systems enhancement	257	326	276	(50)
Nmap upgrade	123	47	100	53
Corporate Projects under \$100,000	517	406	673	267
<b>Total Corporate</b>	<b>2,376</b>	<b>1,923</b>	<b>4,757</b>	<b>2,834</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>40,073</b>	<b>39,296</b>	<b>59,950</b>	<b>20,654</b>



## FINANCIAL RESERVES ESTIMATES

The Local Government Act requires that councils provide a summary of the restricted reserves that it holds.

Local Government Act changes in 2010 placed more focus on the accounting for, and disclosure of, financial reserves. The Act defines reserve funds as "money set aside by a local authority for a specific purpose". Reserves are part of equity which may or may not be physically backed by cash/investments. Reserves are often used to separate a funding surplus of an activity. The Act requires Council to specify the amount expected to be in the fund at the commencement of the year, the end of the year, the amount expected to be deposited in the fund during the year and the amount expected to be withdrawn from the fund during the year.

Name	Activity	Purpose	Balance July 2017	Deposits	Withdrawals	Balance June 2018
<b>Nelson Institute Funds</b>	Nelson Library	Bequest to Nelson Institute	8,674	382	-	9,056
<b>L C Voller Bequest (ETL)</b>	Nelson Library	Youth Section of Elma Turner Library	21,934	965	-	22,899
<b>Nellie Nightingale Bequest</b>	Tahuna Library	Maintenance and upkeep Library & restroom	145,697	-	145,697	-
<b>Subdivisions Reserve</b>	Reserve Contributions	Financial Contributions for Reserves	-	1,652,374	1,652,374	-
<b>Insurance Reserve</b>	Investment Management	To fund Insurance claim excess	928,422	40,851	-	969,273
<b>Health &amp; Safety Reserve</b>	Admin and Meeting Support	OSH Compliance	28,350	1,247	-	29,597
<b>Parking Reserve</b>	Car parks	Self funded activity balance	-	268,339	268,339	-
<b>Saxton/Suffolk Stormwater</b>	Stormwater	Financial Contribution for capital works	3,164	139	-	3,303
<b>Roading Contributions</b>	Roading	Financial Contribution for capital works	102,691	-	-	102,691
<b>Dog Control Reserve</b>	Dog Control	Self funded activity balance	123,744	7,668	-	131,412
<b>Sport &amp; Rec Grants Reserve</b>	Physical Activity Fund	Ex Hillary Commission fund for Sport and Recreation	12,665	-	-	12,665
<b>Art Council Loan Fund</b>	Physical Activity Fund	Ex Sport & Rec Grants	10,000	-	-	10,000
<b>Events Contestable Fund Reserve</b>	Economic Development	Unspent allocation held for eligible events	421,799	-	-	421,799
<b>Economic Development Reserve</b>	Economic Development		166,900	-	-	166,900
<b>Pensioner Housing Reserve</b>	Community Housing	Self funded activity balance	141,298	-	70,649	70,649
<b>Founders Park Reserve</b>	Founders	Founders development	144,873	104,000	102,835	146,038
<b>Forestry Fund</b>	Forestry	Self funded activity balance	-	956,225	-	956,225
<b>Unused Depreciation Reserve</b>	Various Activities	Special Reserve to track unused depreciation	3,903,509	1,260,635	3,097,526	2,066,618
<b>Landfill replacement reserve</b>	Environmental	Reserve to assist in creation of new landfill when required	-	1,970,404	-	1,970,404



# COUNCIL CONTROLLED ORGANISATIONS

Council is involved with several organisations that deliver strategic outcomes or public benefit for the city. The seven Council controlled organisations that Council owns or part owns to achieve agreed community outcomes are:

- Port Nelson (50% with Tasman District Council)
- Nelmac Ltd
- Nelson Airport Ltd (50% with Tasman District Council)
- Nelson Regional Development Agency
- Tasman Bays Heritage Trust (Nelson Provincial Museum) (50% with Tasman District Council)
- Bishop Suter Trust
- City of Nelson Civic Trust<sup>1</sup>

Further details on Council controlled organisations can be found in the Accounting Information section of the Long Term Plan 2015-25.



<sup>1</sup>Although the City of Nelson Civic Trust is a Council Controlled Organisation, it is exempt from reporting requirements.

# ANNUAL PLAN DISCLOSURE STATEMENT FOR YEAR ENDING 30 JUNE 2018

## WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose 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.

Council is required to include this statement in its annual 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.

Benchmark	Limit	Planned	Met
Rates affordability benchmark			
• income	\$93m	\$69.6m	Yes
• increases	3.9%	2.8%	Yes
Debt affordability benchmark	150%	113%	Yes
Balanced budget benchmark	100%	107%	Yes
Essential services benchmark	100%	227%	Yes
Debt servicing benchmark	10%	4.56%	Yes

## NOTES

### 1 Rates affordability benchmark

- (1) For this benchmark,—
  - (a) the Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's Long Term Plan; and

- (b) the Council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the council's Long Term Plan.
- (2) The Council meets the rates affordability benchmark if—
  - (a) its planned rates income for the year equals or is less than each quantified limit on rates; and
  - (b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

### 2 Debt affordability benchmark

- (1) For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the Council's Long Term Plan.
- (2) The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

### 3 Balanced budget benchmark

- (1) For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).
- (2) The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.



## 4 Essential services benchmark

- (1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.
- (2) 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.

## 5 Debt servicing benchmark

- (1) For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested

assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

- (2) Because Statistics New Zealand projects that the Council's population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



## CONTACT US

Civic House, 110 Trafalgar St, Nelson  
PO Box 645, Nelson, 7040  
[enquiry@ncc.govt.nz](mailto:enquiry@ncc.govt.nz)

03 546 0200

[nelson.govt.nz](http://nelson.govt.nz)

### COUNCIL CUSTOMER SERVICE CENTRE

Open from 8.30am to 5.00pm weekdays (from 9.00am Thursdays) in Civic House, corner Halifax and Trafalgar Street, 110 Trafalgar Street, Nelson

### CORRESPONDENCE

Written correspondence to Council should be addressed to the Chief Executive, PO Box 645, Nelson 7040 or fax to 546 0239. Emails should be sent to [enquiry@ncc.govt.nz](mailto:enquiry@ncc.govt.nz)

### ATTEND A COUNCIL MEETING

Council meetings are advertised in Live Nelson. Members of the public are welcome to attend meetings of Council and its Standing and Special Committees. You could be asked to leave a meeting if Council needs to discuss a confidential topic. To do that, Council would pass a resolution to that effect, under the Local Government Official Information and Meetings Act 1987.

### PUBLIC FORUMS

There is a Public Forum at the beginning of most ordinary Council meetings where up to five minutes will be available for members of the public to speak to Council. You need to book a time before the meeting by contacting a Council Administration Adviser on 546 0200.

### DEPUTATIONS

Groups or organisations may form a deputation to make a representation to a Council or Committee meeting. There is a formal procedure for such a presentation. A request for a deputation to appear, including the subject to be raised, needs to be made in writing at least 10 days before the meeting. Contact a Council Administration Adviser on 546 0200.

### PETITIONS

The presentation of a petition to Council or its Standing Committees must also conform to certain rules. Contact a Council Administration Adviser on 546 0200.





**Nelson City Council**  
*te kaunihera o whakatū*

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## **PHOTOS**

Many of the beautiful Nelson images in this publication were kindly provided by Phillip Rollo and Tim Cuff.